



CAPE WINELANDS DISTRICT  
MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

# ANNUAL FINANCIAL STATEMENTS 2015/2016

Despite many financial challenges we encountered, I am proud to confirm that the Cape Winelands District Municipality is financially sound and sustainable, thanks to the financial stewardship of this Council and the administration.

OPERATING BUDGET PER  
STRATEGIC OBJECTIVE  
2017

## Summary of MTRE

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|                       | 2016/2017             | 2017/2018             | 2018/2019             |
|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating Expenditure | 356 595 000,00        | 361 534 000,00        | 370 000 000,00        |
| Projects              | 32 885 090,00         | 33 799 000,00         | 33 799 000,00         |
| Capital Expenditure   | 18 494 360,00         | 6 164 800,00          | 8 164 800,00          |
| <b>TOTAL BUDGET</b>   | <b>407 974 450,00</b> | <b>401 497 800,00</b> | <b>412 200 000,00</b> |

ENVIRONMENT AND PLANNING  
INFRASTRUCTURE  
DEVELOPMENTAL SERVICES  
ECONOMIC DEVELOPMENT  
MANAGEMENT



## Vision

A unified Cape Winelands of Excellence!

## Mission

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

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## General Information

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### 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 BRUYN (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 (terminated 08/07/2015)  
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. D.B. JANSE  
Cllr. X. KALIPA

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## General Information

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Cllr. B.J. KRIEGLER  
Cllr. P. MARRAN  
Cllr. J. MATTHEE  
Cllr. C. MCAKO (resigned 29/06/2016)  
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. A.F. AFRICA  
Cllr. D. SWART  
Cllr. CC VAN DER WESTHUIZEN (appointed 01/10/2015)  
Cllr. E.S.C. MATJAN

**Grading of local authority**

GRADE 4  
Medium Capacity

**Accounting Officer**

M. MGAJO

**Chief Finance Officer (CFO)**

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)

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

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### Abbreviations

|       |  |
|-------|--|
| CWDM  | Cape Winelands District Municipality               |
| CRR   | Capital Replacement Reserve                        |
| MSA   | Municipal Systems Act                              |
| MPAC  | Municipal Public Accounts Committee                |
| GRAP  | Standards Generally Recognised Accounting Practice |
| FMG   | Financial Management Grant                         |
| DEA   | Department of Environmental Affairs                |
| IAS   | International Accounting Standards                 |
| IPSAS | International Public Sector Accounting Standards   |
| WCA   | Workmen's Compensation                             |
| PRMA  | Post Retirement Medical Aid                        |
| MFMA  | Municipal Finance Management Act                   |
| ED    | Executive director                                 |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Officer's Responsibilities and Approval

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and 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 to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The financial statements set out on pages 5 to 87, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016 and were signed on its behalf by:

  
\_\_\_\_\_  
Accounting Officer  
M. Mgajo

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

| Figures in Rand                              | Note(s) | 2016               | 2015<br>Restated*  |
|--|---------|--------------------|--------------------|
| <b>Assets</b>                                |         |                    |                    |
| Current Assets                               |         |                    |                    |
| Cash and cash equivalents                    | 3       | 569 983 713        | 504 118 478        |
| Other receivables from exchange transactions | 4       | 14 413 520         | 12 288 230         |
| Trade receivables from exchange transactions | 5       | 2 347 233          | -                  |
| Inventories                                  | 6       | 2 218 748          | 3 990 519          |
| VAT receivable                               | 7       | 4 383 748          | 1 371 244          |
| Employee benefit - Long term receivable      | 14      | 1 814 448          | 1 913 484          |
|  |         | <b>595 161 410</b> | <b>523 681 955</b> |
| Non-Current Assets                           |         |                    |                    |
| Property, plant and equipment                | 8       | 198 720 689        | 206 874 459        |
| Intangible assets                            | 9       | 1 353 018          | 1 237 920          |
| Employee benefit - Long term receivable      | 14      | 27 605 735         | 35 024 453         |
|  |         | <b>227 679 442</b> | <b>243 136 832</b> |
| <b>Total Assets</b>                          |         | <b>822 840 852</b> | <b>766 818 787</b> |
| <b>Liabilities</b>                           |         |                    |                    |
| Current Liabilities                          |         |                    |                    |
| Operating lease liability                    | 10      | -                  | 9 237              |
| Finance lease obligation                     | 11      | 9 528              | 38 245             |
| Unspent conditional grants                   | 12      | 6 639 718          | 4 373 296          |
| Trade payables from exchange transactions    | 13      | 13 741 582         | 6 492 024          |
| Employee benefits                            | 14      | 23 956 057         | 22 892 234         |
|  |         | <b>44 346 885</b>  | <b>33 805 036</b>  |
| Non-Current Liabilities                      |         |                    |                    |
| Operating lease liability                    | 10      | 17 382             | -                  |
| Finance lease obligation                     | 11      | 4 617              | 1 743              |
| Employee benefits                            | 14      | 149 704 695        | 150 025 502        |
|  |         | <b>149 726 694</b> | <b>150 027 245</b> |
| <b>Total Liabilities</b>                     |         | <b>194 073 579</b> | <b>183 832 281</b> |
| <b>Net Assets</b>                            |         | <b>628 767 273</b> | <b>582 986 506</b> |
| Reserves                                     |         |                    |                    |
| Revaluation reserve                          | 15      | 102 738 552        | 105 851 298        |
| Accumulated surplus                          | 16      | 526 028 721        | 477 135 208        |
| <b>Total Net Assets</b>                      |         | <b>628 767 273</b> | <b>582 986 506</b> |

\* See Note 32

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

| Figures in Rand                                     | Note(s) | 2016                 | 2015<br>Restated*    |
|---|---------|----------------------|----------------------|
| <b>Revenue</b>                                      |         |                      |                      |
| <b>Revenue from exchange transactions</b>           |         |                      |                      |
| Service charges                                     | 17      | 2 503 212            | 487 398              |
| Rental of facilities and equipment                  | 18      | 100 401              | 93 655               |
| Agency services                                     | 19      | 115 573 927          | 91 394 268           |
| Other income  | 20      | 1 657 724            | 1 674 894            |
| Interest received - investment                      | 21      | 43 013 756           | 35 341 507           |
| <b>Total revenue from exchange transactions</b>     |         | <b>162 849 020</b>   | <b>128 991 722</b>   |
| <b>Revenue from non-exchange transactions</b>       |         |                      |                      |
| <b>Transfer revenue</b>                             |         |                      |                      |
| Government grants and subsidies                     | 22      | 222 732 933          | 219 636 900          |
| Public contributions and donations                  | 23      | 1 046 188            | 1 887 264            |
| Fines, Penalties and Forfeits                       |         | 5 000                | -                    |
| <b>Total revenue from non-exchange transactions</b> |         | <b>223 784 121</b>   | <b>221 524 164</b>   |
| <b>Total revenue</b>                                |         | <b>386 633 141</b>   | <b>350 515 886</b>   |
| <b>Expenditure</b>                                  |         |                      |                      |
| Employee related costs                              | 24      | 155 554 463          | 155 152 504          |
| Remuneration of councillors                         | 25      | 10 779 172           | 10 206 846           |
| Depreciation and amortisation                       | 26      | 9 885 765            | 8 654 202            |
| Finance costs                                       | 27      | 2 220                | 7 837                |
| Lease rentals on operating lease                    |         | 359 446              | 306 781              |
| Debt Impairment                                     | 28      | 239 609              | 510 100              |
| Repairs and maintenance                             | 29      | 65 511 956           | 43 211 232           |
| General expenses                                    | 30      | 95 302 900           | 92 351 785           |
| <b>Total expenditure</b>                            |         | <b>(337 635 531)</b> | <b>(310 401 287)</b> |
| <b>Operating surplus</b>                            |         | <b>48 997 610</b>    | <b>40 114 599</b>    |
| Loss on disposal of assets and liabilities          |         | (2 912 445)          | (1 130 729)          |
| Loss on foreign exchange                            | 35      | -                    | (98)                 |
| Inventories losses/write-downs                      |         | (304 396)            | (106 956)            |
|   |         | <b>(3 216 841)</b>   | <b>(1 237 783)</b>   |
| <b>Surplus for the year</b>                         |         | <b>45 780 769</b>    | <b>38 876 816</b>    |

\* See Note 32

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

| Figures in Rand                             | Revaluation<br>reserve | Accumulated<br>surplus | Total net<br>assets |
|---|------------------------|------------------------|---------------------|
| Opening balance as previously reported      | 96 194 039             | 436 253 410            | 532 447 449         |
| Adjustments                                 |                        |                        |                     |
| Prior year adjustments                      | 147 351                | (500 243)              | (352 892)           |
| <b>Balance at 01 July 2014 as restated*</b> | <b>96 341 390</b>      | <b>435 753 167</b>     | <b>532 094 557</b>  |
| Changes in net assets                       |                        |                        |                     |
| Restated surplus for the year               | -                      | 38 876 816             | 38 876 816          |
| Transfer to accumulated surplus             | (2 505 225)            | 2 505 225              | -                   |
| Additions to revaluation reserve            | 12 015 133             | -                      | 12 015 133          |
| Total changes                               | 9 509 908              | 41 382 041             | 50 891 949          |
| <b>Restated* Balance at 01 July 2015</b>    | <b>105 851 298</b>     | <b>477 135 206</b>     | <b>582 986 504</b>  |
| Changes in net assets                       |                        |                        |                     |
| Surplus for the year                        | -                      | 45 780 769             | 45 780 769          |
| Transfer to accumulated surplus             | (2 512 376)            | 2 512 376              | -                   |
| Transfer to Drakenstein municipality        | (600 370)              | 600 370                | -                   |
| Total changes                               | (3 112 746)            | 48 893 515             | 45 780 769          |
| <b>Balance at 30 June 2016</b>              | <b>102 738 552</b>     | <b>526 028 721</b>     | <b>628 767 273</b>  |
| Note(s)                                     | 15                     | 16                     |                     |

\* See Note 32



# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

| Figures in Rand   | Note(s) | 2016                      | 2015<br>Restated*         |
|---|---------|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>                 |         |                           |                           |
| <b>Receipts</b>   |         |                           |                           |
| Sale of goods and services                                  |         | 114 250 970               | 92 571 098                |
| Grants and transfer payments                                |         | 223 779 120               | 221 524 164               |
| Finance income  |         | 40 537 518                | 32 367 928                |
|   |         | <u>378 567 608</u>        | <u>346 463 190</u>        |
| <b>Payments</b>   |         |                           |                           |
| Employee costs  |         | (154 821 853)             | (148 204 943)             |
| Suppliers   |         | (142 329 040)             | (136 339 753)             |
| Other payments: Remuneration to Councillors                 |         | (10 779 172)              | (10 206 846)              |
|   |         | <u>(307 930 065)</u>      | <u>(294 751 542)</u>      |
| <b>Net cash flows from operating activities</b>             | 33      | <b><u>70 637 543</u></b>  | <b><u>51 711 648</u></b>  |
| <b>Cash flows from investing activities</b>                 |         |                           |                           |
| Purchase of property, plant and equipment                   | 8       | (4 380 259)               | (4 469 618)               |
| Proceeds from sale of property, plant and equipment         | 8       | 13 706                    | 284 418                   |
| Purchase of other intangible assets                         | 9       | (377 692)                 | (425 992)                 |
|   |         | <u>(4 744 245)</u>        | <u>(4 611 192)</u>        |
| <b>Net cash flows from investing activities</b>             |         | <b><u>(4 744 245)</u></b> | <b><u>(4 611 192)</u></b> |
| <b>Cash flows from financing activities</b>                 |         |                           |                           |
| Finance lease payments                                      |         | (28 063)                  | (106 033)                 |
|   |         | <u>(28 063)</u>           | <u>(106 033)</u>          |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |         | <b><u>65 865 235</u></b>  | <b><u>46 994 423</u></b>  |
| Cash and cash equivalents at the beginning of the year      |         | 504 118 478               | 457 124 055               |
| <b>Cash and cash equivalents at the end of the year</b>     | 3       | <b><u>569 983 713</u></b> | <b><u>504 118 478</u></b> |

\* See Note 32

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|  | Approved budget      | Adjustments        | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|----------------------|--------------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand  |                      |                    |                      |                                    |  |           |
| <b>Statement of Financial Performance</b>  |                      |                    |                      |                                    |  |           |
| <b>Revenue</b>   |                      |                    |                      |                                    |  |           |
| <b>Revenue from exchange transactions</b>  |                      |                    |                      |                                    |  |           |
| Service charges  | 164 800              | -                  | 164 800              | 2 503 212                          | 2 338 412                                  | Note 46   |
| Rental of facilities and equipment   | 127 010              | -                  | 127 010              | 100 401                            | (26 609)                                   | Note 46   |
| Agency services  | 133 020 350          | -                  | 133 020 350          | 115 573 927                        | (17 446 423)                               | Note 46   |
| Other income   | 1 492 610            | -                  | 1 492 610            | 1 657 724                          | 165 114                                    | Note 46   |
| Interest received - investment   | 34 544 900           | -                  | 34 544 900           | 43 013 756                         | 8 468 856                                  | Note 46   |
| <b>Total revenue from exchange transactions</b>  | <b>169 349 670</b>   | <b>-</b>           | <b>169 349 670</b>   | <b>162 849 020</b>                 | <b>(6 500 650)</b>                         |           |
| <b>Revenue from non-exchange transactions</b>  |                      |                    |                      |                                    |  |           |
| <b>Transfer revenue</b>  |                      |                    |                      |                                    |  |           |
| Government grants and subsidies  | 229 175 040          | -                  | 229 175 040          | 222 732 933                        | (6 442 107)                                | Note 46   |
| Public contributions and donations   | 1 402 752            | -                  | 1 402 752            | 1 046 188                          | (356 564)                                  | Note 46   |
| Fines, Penalties and Forfeits  | -                    | -                  | -                    | 5 000                              | 5 000                                      | Note 46   |
| <b>Total revenue from non-exchange transactions</b>  | <b>230 577 792</b>   | <b>-</b>           | <b>230 577 792</b>   | <b>223 784 121</b>                 | <b>(6 793 671)</b>                         |           |
| <b>Total revenue</b>   | <b>399 927 462</b>   | <b>-</b>           | <b>399 927 462</b>   | <b>386 633 141</b>                 | <b>(13 294 321)</b>                        |           |
| <b>Expenditure</b>   |                      |                    |                      |                                    |  |           |
| Employee related costs   | 188 413 736          | -                  | 188 413 736          | 155 554 463                        | (32 859 273)                               | Note 46   |
| Remuneration of councillors  | 11 853 220           | -                  | 11 853 220           | 10 779 172                         | (1 074 048)                                | Note 46   |
| Depreciation and amortisation  | 9 700 550            | 395 610            | 10 096 160           | 9 885 765                          | (210 395)                                  | Note 46   |
| Finance costs  | 28 590               | -                  | 28 590               | 2 220                              | (26 370)                                   | Note 46   |
| Lease rentals on operating lease   | 471 480              | -                  | 471 480              | 359 446                            | (112 034)                                  | Note 46   |
| Debt impairment  | 125 800              | 114 000            | 239 800              | 239 609                            | (191)                                      | Note 46   |
| Repairs and maintenance  | 63 085 780           | -                  | 63 085 780           | 65 511 956                         | 2 426 176                                  | Note 46   |
| General expenses   | 125 918 446          | (3 412 150)        | 122 506 296          | 95 302 900                         | (27 203 396)                               | Note 46   |
| <b>Total expenditure</b>   | <b>(399 597 602)</b> | <b>2 902 540</b>   | <b>(396 695 062)</b> | <b>(337 635 531)</b>               | <b>59 059 531</b>                          |           |
| <b>Operating surplus</b>   | <b>329 860</b>       | <b>2 902 540</b>   | <b>3 232 400</b>     | <b>48 997 610</b>                  | <b>45 765 210</b>                          |           |
| Loss on disposal of assets and liabilities   | (209 860)            | (2 716 540)        | (2 926 400)          | (2 912 445)                        | 13 955                                     | Note 46   |
| Inventories losses/write-downs   | (120 000)            | (186 000)          | (306 000)            | (304 396)                          | 1 604                                      | Note 46   |
|  | <b>(329 860)</b>     | <b>(2 902 540)</b> | <b>(3 232 400)</b>   | <b>(3 216 841)</b>                 | <b>15 559</b>                              |           |
| <b>Surplus</b>   | <b>-</b>             | <b>-</b>           | <b>-</b>             | <b>45 780 769</b>                  | <b>45 780 769</b>                          |           |
| <b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b> | <b>-</b>             | <b>-</b>           | <b>-</b>             | <b>45 780 769</b>                  | <b>45 780 769</b>                          |           |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

| Budget on Accrual Basis  |                    |             |                    |                                    |  |           |
|--|--------------------|-------------|--------------------|------------------------------------|--|-----------|
|  | Approved budget    | Adjustments | Final Budget       | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
| Figures in Rand  |                    |             |                    |                                    |  |           |
| <b>Statement of Financial Position</b>                         |                    |             |                    |                                    |  |           |
| <b>Assets</b>  |                    |             |                    |                                    |  |           |
| <b>Current Assets</b>  |                    |             |                    |                                    |  |           |
| Cash and cash equivalents                                      | 504 118 477        | -           | 504 118 477        | 569 983 713                        | 65 865 236                                 | Note 46   |
| Other receivables from exchange transactions                   | 14 000 000         | -           | 14 000 000         | 14 413 520                         | 413 520                                    | Note 46   |
| Receivables from exchange transactions                         | -                  | -           | -                  | 2 347 233                          | 2 347 233                                  | Note 46   |
| Inventories  | 4 000 000          | -           | 4 000 000          | 2 218 748                          | (1 781 252)                                | Note 46   |
| VAT receivable   | -                  | -           | -                  | 4 383 748                          | 4 383 748                                  | Note 46   |
| Employee benefit - Long term receivable                        | 1 913 484          | -           | 1 913 484          | 1 814 448                          | (99 036)                                   | Note 46   |
|  | <b>524 031 961</b> | <b>-</b>    | <b>524 031 961</b> | <b>595 161 410</b>                 | <b>71 129 449</b>                          |           |
| <b>Non-Current Assets</b>                                      |                    |             |                    |                                    |  |           |
| Property, plant and equipment                                  | 204 127 026        | -           | 204 127 026        | 198 720 689                        | (5 406 337)                                | Note 46   |
| Intangible assets  | 1 240 575          | -           | 1 240 575          | 1 353 018                          | 112 443                                    | Note 46   |
| Employee benefit - Long term receivable                        | 35 024 453         | -           | 35 024 453         | 27 605 735                         | (7 418 718)                                | Note 46   |
|  | <b>240 392 054</b> | <b>-</b>    | <b>240 392 054</b> | <b>227 679 442</b>                 | <b>(12 712 612)</b>                        |           |
| <b>Total Assets</b>  | <b>764 424 015</b> | <b>-</b>    | <b>764 424 015</b> | <b>822 840 852</b>                 | <b>58 416 837</b>                          |           |
| <b>Liabilities</b>   |                    |             |                    |                                    |  |           |
| <b>Current Liabilities</b>                                     |                    |             |                    |                                    |  |           |
| Finance lease obligation                                       | -                  | -           | -                  | 9 528                              | 9 528                                      | Note 46   |
| Unspent conditional grants                                     | 4 000 000          | -           | 4 000 000          | 6 639 718                          | 2 639 718                                  | Note 46   |
| Trade payables from exchange transactions                      | 7 000 000          | -           | 7 000 000          | 13 741 581                         | 6 741 581                                  | Note 46   |
| Employee benefits  | 21 000 000         | -           | 21 000 000         | 23 956 057                         | 2 956 057                                  | Note 46   |
|  | <b>32 000 000</b>  | <b>-</b>    | <b>32 000 000</b>  | <b>44 346 884</b>                  | <b>12 346 884</b>                          |           |
| <b>Non-Current Liabilities</b>                                 |                    |             |                    |                                    |  |           |
| Operating lease liability                                      | -                  | -           | -                  | 17 382                             | 17 382                                     | Note 46   |
| Finance lease obligation                                       | 150 000            | -           | 150 000            | 4 617                              | (145 383)                                  | Note 46   |
| Employee benefits  | 150 025 501        | -           | 150 025 501        | 149 704 695                        | (320 806)                                  | Note 46   |
|  | <b>150 175 501</b> | <b>-</b>    | <b>150 175 501</b> | <b>149 726 694</b>                 | <b>(448 807)</b>                           |           |
| <b>Total Liabilities</b>                                       | <b>182 175 501</b> | <b>-</b>    | <b>182 175 501</b> | <b>194 073 578</b>                 | <b>11 898 077</b>                          |           |
| <b>Net Assets</b>  | <b>582 248 514</b> | <b>-</b>    | <b>582 248 514</b> | <b>628 767 274</b>                 | <b>46 518 760</b>                          |           |
| <b>Net Assets</b>  |                    |             |                    |                                    |  |           |
| <b>Net Assets Attributable to Owners of Controlling Entity</b> |                    |             |                    |                                    |  |           |
| <b>Reserves</b>  |                    |             |                    |                                    |  |           |
| Revaluation reserve  | 181 288 673        | -           | 181 288 673        | 102 738 552                        | (78 550 121)                               | Note 46   |
| Accumulated surplus  | 400 959 841        | -           | 400 959 841        | 526 028 722                        | 125 068 881                                | Note 46   |
| <b>Total Net Assets</b>  | <b>582 248 514</b> | <b>-</b>    | <b>582 248 514</b> | <b>628 767 274</b>                 | <b>46 518 760</b>                          |           |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

|   | Approved budget      | Adjustments | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|-------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand   |                      |             |                      |                                    |  |           |
| <b>Cash Flow Statement</b>                              |                      |             |                      |                                    |  |           |
| <b>Cash flows from operating activities</b>             |                      |             |                      |                                    |  |           |
| <b>Receipts</b>   |                      |             |                      |                                    |  |           |
| Sale of goods and services                              | 136 504 770          | -           | 136 504 770          | 114 250 970                        | (22 253 800)                               | Note 46   |
| Grants  | 230 184 748          | -           | 230 184 748          | 223 779 120                        | (6 405 628)                                | Note 46   |
| Interest income   | 34 960 000           | -           | 34 960 000           | 40 537 518                         | 5 577 518                                  | Note 46   |
|   | <b>401 649 518</b>   | <b>-</b>    | <b>401 649 518</b>   | <b>378 567 608</b>                 | <b>(23 081 910)</b>                        |           |
| <b>Payments</b>   |                      |             |                      |                                    |  |           |
| Employee costs  | (188 413 736)        | -           | (188 413 736)        | (154 821 853)                      | 33 591 883                                 | Note 46   |
| Suppliers   | (179 975 342)        | -           | (179 975 342)        | (142 329 041)                      | 37 646 301                                 | Note 46   |
| Other cash item   | (11 853 220)         | -           | (11 853 220)         | (10 779 172)                       | 1 074 048                                  | Note 46   |
|   | <b>(380 242 298)</b> | <b>-</b>    | <b>(380 242 298)</b> | <b>(307 930 066)</b>               | <b>72 312 232</b>                          |           |
| <b>Net cash flows from operating activities</b>         | <b>21 407 220</b>    | <b>-</b>    | <b>21 407 220</b>    | <b>70 637 542</b>                  | <b>49 230 322</b>                          |           |
| <b>Cash flows from investing activities</b>             |                      |             |                      |                                    |  |           |
| Purchase of property, plant and equipment               | (11 016 887)         | -           | (11 016 887)         | (4 380 257)                        | 6 636 630                                  | Note 46   |
| Proceeds from sale of property, plant and equipment     | -                    | -           | -                    | 13 706                             | 13 706                                     | Note 46   |
| Purchase of other intangible assets                     | -                    | -           | -                    | (377 692)                          | (377 692)                                  | Note 46   |
| <b>Net cash flows from investing activities</b>         | <b>(11 016 887)</b>  | <b>-</b>    | <b>(11 016 887)</b>  | <b>(4 744 243)</b>                 | <b>6 272 644</b>                           |           |
| <b>Cash flows from financing activities</b>             |                      |             |                      |                                    |  |           |
| Finance lease payment                                   | (28 590)             | -           | (28 590)             | (28 063)                           | 527  | Note 46   |
| Net increase/(decrease) in cash and cash equivalents    | 10 390 333           | -           | 10 390 333           | 65 865 235                         | 55 502 966                                 | Note 46   |
| Cash and cash equivalents at the beginning of the year  | 472 095 753          | -           | 472 095 753          | 504 118 478                        | 32 022 725                                 | Note 46   |
| <b>Cash and cash equivalents at the end of the year</b> | <b>482 486 086</b>   | <b>-</b>    | <b>482 486 086</b>   | <b>569 983 713</b>                 | <b>87 525 691</b>                          |           |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1. Presentation of Financial Statements

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

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

All figures has 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, which have been consistently applied with the previous period in the preparation of these annual financial statements, are disclosed below.

#### 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 a financial asset.

The impairment for receivables is calculated on an individual basis. 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.

##### 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.

##### 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. This estimate is based on historical data collected by the municipality. The 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.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.1 Significant judgements and sources of estimation uncertainty (continued)

#### 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 post-retirement 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 sufficient long maturity to match the estimated maturity of all 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 14.

#### Effective interest rate

The municipality used the prime lending 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 ring fenced 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, whereafter 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.

##### Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus 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. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

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.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.2 Reserves (continued)

#### 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. Prior year adjustments, relating to income and expenditure, are debited/credited 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 surplus 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 recorded at amortised cost in the annual financial statements approximate their fair values.

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.

Amounts recovered from the Western Cape Provincial Government in respect of the future medical liability of the road staff are included in the balance of cash and cash equivalents.

### 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 supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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.

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

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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

- (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 the revaluation, less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity (three years) 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 directly to a 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 at the date of the revaluation is restated proportionately with the change in gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

#### Depreciation

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                                | Depreciation method | Estimated useful life |
|-------------------------------------|---------------------|-----------------------|
| Land                                | Straight line       | Indefinite            |
| Buildings                           | Straight line       | 50-60                 |
| Infrastructure                      | Straight line       | 15-50                 |
| Furniture and fittings              | Straight line       | 5-24                  |
| Motor vehicles                      | Straight line       | 5-27                  |
| Office equipment                    | Straight line       | 2-20                  |
| Plant and equipment                 | Straight line       | 2-28                  |
| Other property, plant and equipment | Straight line       | 2-50                  |
| Leased assets                       | Straight line       | 2                     |

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 entity 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.

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.



# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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

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 if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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 at the date of acquisition.

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

| Item              | Useful life |
|-------------------|-------------|
| Computer software | 3-10 years  |

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. These assets, in addition to meeting the definition of a Heritage asset, are currently in use as office accommodation and therefore meets the definition of Property, Plant and Equipment.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.7 Heritage assets (continued)

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

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

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

#### 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

Receivables from exchange transactions  
Receivables from non-exchange transactions  
Cash and cash equivalents

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
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

Trade payables from exchange transactions  
Finance lease obligations  
Bank overdraft

#### Category

Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
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.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Initial measurement of financial assets and financial liabilities

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

#### 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.

All financial assets measured at amortised 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 entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-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, a 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, 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.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Impairment and uncollectibility of financial assets

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

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.

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 recognised at revenue.

#### 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 :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are 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.

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 municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from non-exchange transactions.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.10 Leases

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

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

#### Finance leases - 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 prime lending rate.

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.

#### Operating leases - lessee

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

### 1.11 Inventories

Inventories 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 and consumables to be distributed at no or nominal consideration are subsequently measured at the lower of cost and current replacement cost.

Roads inventory 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.

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

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

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

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

#### 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.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.11 Inventories (continued)

When other inventories are utilised or consumed, 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.

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

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

### 1.14 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 approved budget covers the period from 2015-07-01 to 2016-06-30.

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

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

### 1.15 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 not at arm's length or not in the ordinary course of business are disclosed.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 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 Impairment of cash-generating assets

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

#### 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.

#### 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

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current prime lending rate 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. The 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. The municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use.

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 entity does not reduce the carrying amount of an asset below the highest of:

## Accounting Policies

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### 1.17 Impairment of cash-generating assets (continued)

- 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 non-cash-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 assess 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 entity estimates the recoverable amount of that asset.

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.

### 1.18 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.



## Accounting Policies

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### 1.18 Impairment of non-cash-generating assets (continued)

#### 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 assets 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.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would 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.

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

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

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

#### Reversal of an impairment loss

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

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

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

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.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.19 Provisions and contingencies

Provisions are recognised when:

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

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

Where 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.

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

Provisions are not recognised for future operating surplus.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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 that 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.

### 1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.21 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.

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.

## Accounting Policies

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### 1.21 Revenue from exchange transactions (continued)

#### 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.

Agency fees are recognised to the extent of work performed.

#### Interest

Revenue arising from the use by others of municipal assets yielding interest 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 method.

### 1.22 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets.

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.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the 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.

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.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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

#### 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 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.

### 1.23 Borrowing costs

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

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

### 1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to notes 31 for detail.

### 1.25 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.

### 1.26 Fruitless and wasteful expenditure

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

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.26 Fruitless and wasteful expenditure (continued)

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

### 1.27 Irregular expenditure

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

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

### 1.28 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.

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 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 entity during a reporting period, the entity recognise 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 measure 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 recognise 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 entity 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.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.28 Employee benefits (continued)

#### Long term receivable

When, and only when, it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, a municipality shall recognise its right to reimbursement as a separate asset. The municipality shall measure the asset at fair value. In all other respects, the municipality shall treat that asset in the same way as plan assets. In the statement of financial performance, the expense relating to a defined benefit plan may be presented net of the amount recognised for a reimbursement.

The municipality recognised a long term receivable relating to the recoveries from the Department of Transport and Public Works in respect of the post-employment medical benefit relating to the roads staff.

The assumptions used by the actuaries to calculate the portion of the roads staff are the same as that used to calculate the amount of the liability relating to the post-employment medical aid.

#### Multi-employer plans

The municipality classifies a multi-employer plan 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 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 account for the plan as if it was a defined contribution plan.

#### 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.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.28 Employee benefits (continued)

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 annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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, the 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 shall 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).

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.28 Employee benefits (continued)

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

The 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
- 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.

#### Other long-term employee benefits

The amount recognised as a liability for other 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 shall recognise 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 shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.



# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|-----------------|------|------|
|-----------------|------|------|

### 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:

#### 2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

#### 2.3 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 2016 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.

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 in 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 not yet set by the Minister of Finance.

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

It is unlikely that the standard 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.

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

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).

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 not yet set by the Minister of Finance.

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

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

#### **GRAP 108: 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.

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

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

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

#### GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:

- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:

- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

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.

#### GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and 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 sets the effective date for the standard.

The impact of this standard is currently being assessed.

#### GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Non-cash-generating Assets are outlined below:

General definitions:

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

The definition of cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Identifying an asset that may be impaired:

Additional commentary has been added to clarify that physical damage triggers impairment of an asset when it results in a permanent or a significant decline in the potential of an asset.

Reversing an impairment loss:

An indicator has been added that the restoration of an asset's service potential following physical damage to the asset could indicate a reversal in an impairment loss.

Additional commentary has been added to clarify that restoration of an asset's service potential as a result of physical damage is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

Disclosures:

The requirement to disclose the criteria developed to distinguish non-cash-generating assets from cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 financial statements.

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

#### **GRAP 26 (as amended 2015): Impairment of cash-generating assets**

The Board agreed to include a research project on its work programme to review GRAP 21 and GRAP 26 to assess whether the principles in these Standards could be simplified and streamlined. As part of its research project, the Board considered the following aspects which led to the proposed amendments included in this Exposure Draft:

- simplifying the approach to impairment to make it clearer when an asset is cash generating or non-cash-generating;
- assessing the feasibility of one measurement approach for non-cash-generating assets; and
- assessing the feasibility of combining the two Standards.

Summary of changes:

The changes to the Standard of GRAP on Impairment of Cash-generating Assets are outlined below:

General definitions:

The definitions of cash-generating assets and cash-generating unit have been amended to be consistent with the amendments made to clarify the objective of cash-generating assets and non-cash-generating assets below.

Cash generating assets and non-cash-generating assets:

Additional commentary has been added to clarify the objective of cash-generating assets and non-cash-generating assets.

Disclosures:

The requirement to disclose the criteria developed to distinguish cash-generating assets from non-cash-generating assets has been amended to be consistent with the amendments made to clarify the objective of non-cash-generating assets and cash-generating assets.

## **Notes to the Financial Statements**

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### **2. New standards and interpretations (continued)**

The effective date of the standard is for years beginning on or after 01 April 2017.

The municipality expects to adopt the standard for the first time in the 2018 financial statements.

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

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand                       | 2016               | 2015               |
|---------------------------------------|--------------------|--------------------|
| <b>3. Cash and cash equivalents</b>   |                    |                    |
| Cash and cash equivalents consist of: |                    |                    |
| Cash on hand                          | 3 100              | 3 100              |
| Bank balances                         | 13 980 613         | 18 115 378         |
| Short-term investments                | 556 000 000        | 486 000 000        |
|                                       | <b>569 983 713</b> | <b>504 118 478</b> |

Included in the balance of cash and cash equivalents is an amount of R 6 441 418 relating to the portion recovered from the Provincial Government Western Cape in respect of the future medical aid liability of the roads staff.

No cash and cash equivalents has been pledged as security.

### Short-term investments

#### ABSA - Investment

|                        |                    |                   |
|------------------------|--------------------|-------------------|
| Opening balance        | 96 000 000         | 88 000 000        |
| Movements for the year | 10 000 000         | 8 000 000         |
|                        | <b>106 000 000</b> | <b>96 000 000</b> |

#### FNB - Investment

|                       |                   |                   |
|-----------------------|-------------------|-------------------|
| Opening balance       | 80 000 000        | 83 000 000        |
| Movement for the year | 15 000 000        | (3 000 000)       |
|                       | <b>95 000 000</b> | <b>80 000 000</b> |

#### INVESTEC - Investment

|                       |                    |                    |
|-----------------------|--------------------|--------------------|
| Opening balance       | 103 000 000        | 98 000 000         |
| Movement for the year | 12 000 000         | 5 000 000          |
|                       | <b>115 000 000</b> | <b>103 000 000</b> |

#### NEDCOR - Investment

|                       |                    |                    |
|-----------------------|--------------------|--------------------|
| Opening balance       | 113 000 000        | 100 000 000        |
| Movement for the year | 13 000 000         | 13 000 000         |
|                       | <b>126 000 000</b> | <b>113 000 000</b> |

#### STANDARD BANK - Investment

|                       |                    |                   |
|-----------------------|--------------------|-------------------|
| Opening balance       | 94 000 000         | 73 000 000        |
| Movement for the year | 20 000 000         | 21 000 000        |
|                       | <b>114 000 000</b> | <b>94 000 000</b> |

The municipality had the following bank accounts

| Account number / description       | Bank statement balances |                   |                   | Cash book balances |                |                  |
|------------------------------------|-------------------------|-------------------|-------------------|--------------------|----------------|------------------|
|                                    | 30 June 2016            | 30 June 2015      | 30 June 2014      | 30 June 2016       | 30 June 2015   | 30 June 2014     |
| ABSA BANK - Primary bank account   | 3 503 077               | 609 178           | 896 401           | 3 503 077          | 609 178        | 1 006 890        |
| ABSA BANK - Depositor plus account | 10 477 536              | 17 506 199        | 14 297 950        | -                  | -              | -                |
| <b>Total</b>                       | <b>13 980 613</b>       | <b>18 115 377</b> | <b>15 194 351</b> | <b>3 503 077</b>   | <b>609 178</b> | <b>1 006 890</b> |

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 approximates their fair values.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand  | 2016              | 2015              |
|--|-------------------|-------------------|
| <b>4. Other receivables from exchange transactions</b> |                   |                   |
| Accrued interest                                       | 11 094 512        | 8 613 274         |
| Bursary repayments employees                           | -                 | 112 624           |
| LG Seta debtor   | 435 000           | 435 000           |
| Councillors  | 27 098            | 21 674            |
| Deposits   | 461 738           | 471 738           |
| Insurance claims                                       | 89 399            | 42 022            |
| Klasvoogs land owners association                      | -                 | 7 500             |
| Municipal health debtor                                | 17 877            | 73 440            |
| Other  | 19 143            | 5 310             |
| Post retirement medical aid                            | 240 532           | 235 078           |
| Prepayments  | 2 500 525         | 2 664 755         |
| Rental   | 11 090            | 6 194             |
| Road sign debtor                                       | 2 756             | 6 449             |
| Sandhills toilet hire                                  | -                 | 92 127            |
| Allowance for impairment                               | (486 150)         | (498 955)         |
|  | <b>14 413 520</b> | <b>12 288 230</b> |

### Other receivables pledged as security

No other receivables were pledged as security.

### Credit quality of other receivables

The credit quality of other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty defaults.

### Other receivables from exchange transactions

#### Gross balances

|                   |            |            |
|-------------------|------------|------------|
| Other receivables | 14 899 670 | 12 787 185 |
|-------------------|------------|------------|

#### Less: Allowance for impairment

|                   |           |           |
|-------------------|-----------|-----------|
| Other receivables | (486 150) | (498 954) |
|-------------------|-----------|-----------|

#### Net balance

|                   |                   |                  |
|-------------------|-------------------|------------------|
| Other receivables | 14 413 520        | 12 288 230       |
| Prepayments       | (2 500 525)       | (2 664 755)      |
|                   | <b>11 912 995</b> | <b>9 623 475</b> |

### Other receivables from exchange transactions

|                     |                   |                  |
|---------------------|-------------------|------------------|
| Current (0-30 days) | 11 741 190        | 9 499 425        |
| 31 - 60 days        | 8 589             | 69 427           |
| 61-90 days          | 25 146            | 19 581           |
| 91 - 120 days       | 2 264             | 1 598            |
| 121 - 365 days      | 135 805           | 33 444           |
|                     | <b>11 912 994</b> | <b>9 623 475</b> |

Prepayments of R2 500 525 (2015: R2 664 755) was not included in the ageing, as the future economic benefits relates to the receipt of goods or services.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

### 4. Other receivables from exchange transactions (continued)

#### Other receivables past due but not impaired

Management regards other receivables from exchange transactions for outstanding amounts of more than 30 days past due. The impairment of other receivables from exchange transactions is based on the historic payment rate of the receivable.

As of 30 June 2016 other receivables of R 171 804 (2015: R124 049) were past due but not impaired.

No other receivables were pledged as security.

#### Reconciliation of provision for impairment of other receivables from exchange transaction

|   |                  |                  |
|---|------------------|------------------|
| Opening balance                               | (498 957)        | (469 610)        |
| Contribution to allowance                     | (849)            | (39 857)         |
| Debt impairment written off against allowance | 7 697            | 10 510           |
| Unused amounts reversed                       | 5 959            | -                |
|   | <u>(486 150)</u> | <u>(498 957)</u> |

### 5. Trade Receivables from exchange transactions

#### Gross balances

|               |                  |          |
|---------------|------------------|----------|
| Fire Fighting | <u>2 634 984</u> | <u>-</u> |
|---------------|------------------|----------|

#### Less: Allowance for impairment

|               |                  |          |
|---------------|------------------|----------|
| Fire Fighting | <u>(287 751)</u> | <u>-</u> |
|---------------|------------------|----------|

#### Net balance

|               |                  |          |
|---------------|------------------|----------|
| Fire Fighting | <u>2 347 233</u> | <u>-</u> |
|---------------|------------------|----------|

#### Fire fighting

|                      |                  |          |
|----------------------|------------------|----------|
| Current (0 -30 days) | 6 923            | -        |
| 31 - 60 days         | 228 005          | -        |
| 91 - 120 days        | 1 640 791        | -        |
| 121 - 365 days       | 471 514          | -        |
|                      | <u>2 347 233</u> | <u>-</u> |

#### Reconciliation of allowance for impairment

|   |                  |           |
|---|------------------|-----------|
| Balance at beginning of the year              | -                | (792 608) |
| Contributions to allowance                    | (287 751)        | (460 201) |
| Debt impairment written off against allowance | -                | 1 252 809 |
|   | <u>(287 751)</u> | <u>-</u>  |

#### Trade receivables pledged as security

No trade receivables were pledged as security.

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

#### Credit quality of consumer debtors

The credit quality of the Firefighting debt that are neither due nor past nor impaired was assessed based on information received from the external debt collectors of each individual debt, due to historic trends that cannot be determined due to the special nature of the debt. As per the Credit Control and Debt Collection Policy, all debtors with accounts outstanding for more than 60 days legal proceedings are instituted by the municipality.



# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|-----------------|------|------|
|-----------------|------|------|

### 5. Trade Receivables from exchange transactions (continued)

#### Consumer debtors past due but not impaired

The debt originate as a result of firefighting services rendered in terms of the Fire Fighting Act. The impairment for receivables from exchange transactions was calculated based on information received from the external debt collectors as a historic payment trend cannot be determined for firefighting debtors.

As of 30 June 2016 consumer debtors of R 2 340 310 (2015: R0) were past due but not impaired.

#### Consumer debtors impaired

As of 30 June 2016, consumer debtors of R 287 751 (2015: R nil ) were impaired and provided for.

The amount of the provision was R287 751 at 30 June 2016 (2015: R nil ).

The ageing of these debtors is as follows:

|                   |         |   |
|-------------------|---------|---|
| 91 till 120 days  | 6 888   | - |
| 121 days and more | 280 863 | - |

### 6. Inventories

|                   |                  |                  |
|-------------------|------------------|------------------|
| Consumable stores | 1 788 291        | 1 682 740        |
| Roads Inventory   | 357 517          | 2 234 839        |
| Housing Stock     | 72 940           | 72 940           |
|                   | <u>2 218 748</u> | <u>3 990 519</u> |

No inventory has been pledged as security.

Consumables valued at R304 396 (2015: R106 956) was written off and recognised in the Statement of Financial Performance. This stock was found to be obsolete during the year end stock count. Inventory valued at R7 575 993 (2015: R 8 590 985) were expensed in the Statement of Financial Performance.

### 7. VAT receivable

|     |                  |                  |
|-----|------------------|------------------|
| VAT | <u>4 383 748</u> | <u>1 371 244</u> |
|-----|------------------|------------------|

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

### 8. Property, plant and equipment

|                                     | 2016               |   |                    | 2015               |   |                    |
|-------------------------------------|--------------------|---|--------------------|--------------------|---|--------------------|
|                                     | Cost / Valuation   | Accumulated depreciation and accumulated impairment | Carrying value     | Cost / Valuation   | Accumulated depreciation and accumulated impairment | Carrying value     |
| Land                                | 57 283 806         | -   | 57 283 806         | 58 040 226         | -   | 58 040 226         |
| Buildings                           | 96 604 658         | (7 267 710)   | 89 336 948         | 100 375 049        | (8 028 239)   | 92 346 810         |
| Infrastructure                      | 1 323 209          | (957 864)   | 365 345            | 1 120 508          | (929 392)   | 191 116            |
| Furniture and fittings              | 7 637 664          | (4 757 067)   | 2 880 597          | 7 504 645          | (4 178 928)   | 3 325 717          |
| Motor vehicles                      | 40 954 717         | (15 731 479)  | 25 223 238         | 40 658 677         | (13 857 635)  | 26 801 042         |
| Office equipment                    | 19 064 199         | (8 002 427)   | 11 061 772         | 19 334 435         | (5 978 446)   | 13 355 989         |
| Plant and equipment                 | 15 480 346         | (6 580 661)   | 8 899 685          | 14 449 526         | (5 469 481)   | 8 980 045          |
| Other property, plant and equipment | 5 591 332          | (2 048 787)   | 3 542 545          | 8 085 063          | (4 406 876)   | 3 678 187          |
| Leased assets - Cell phones         | 647 378            | (520 625)   | 126 753            | 632 084            | (476 757)   | 155 327            |
| <b>Total</b>                        | <b>244 587 309</b> | <b>(45 866 620)</b>                                 | <b>198 720 689</b> | <b>250 200 213</b> | <b>(43 325 754)</b>                                 | <b>206 874 459</b> |

#### Details of Valuation

Cape Winelands district municipality performed a valuation for the year ending 30 June 2015.

The 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 arms length transaction, after proper marketing, wherein the parties had each acted knowledgeable, 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 ended 30 June 2015 was R12 015 133.

#### 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, depending on the specific properties:

##### a) Income Capitalisation Valuation

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

##### b) Comparable Sales Approach

This is based on the theory that a knowledgeable purchaser would pay no more for a property than the cost of acquiring an acceptable substitute property. In applying the comparable sales approach it is necessary to investigate 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 the local property experts.

##### d) Direct Comparison Methods

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

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

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

#### Reconciliation of property, plant and equipment - 2016

|                                     | Opening balance    | Additions        | Disposals          | Revaluations | Depreciation       | Total              |
|-------------------------------------|--------------------|------------------|--------------------|--------------|--------------------|--------------------|
| Land                                | 58 040 226         | -                | (756 420)          | -            | -                  | 57 283 806         |
| Buildings                           | 92 346 810         | 720 446          | (89 934)           | -            | (3 640 374)        | 89 336 948         |
| Infrastructure                      | 191 116            | 202 701          | -                  | -            | (28 472)           | 365 345            |
| Furniture and fittings              | 3 325 717          | 154 898          | (21 879)           | -            | (578 139)          | 2 880 597          |
| Motor vehicles                      | 26 801 042         | 465 693          | (169 653)          | -            | (1 873 844)        | 25 223 238         |
| Office equipment                    | 13 355 989         | 1 421 825        | (1 692 061)        | -            | (2 023 981)        | 11 061 772         |
| Plant and equipment                 | 8 980 045          | 1 100 132        | (69 312)           | -            | (1 111 180)        | 8 899 685          |
| Other property, plant and equipment | 3 678 187          | 314 564          | (126 892)          | -            | (323 314)          | 3 542 545          |
| Leased assets - Cell phones         | 155 327            | 15 294           | -                  | -            | (43 868)           | 126 753            |
|                                     | <b>206 874 459</b> | <b>4 395 553</b> | <b>(2 926 151)</b> | <b>-</b>     | <b>(9 623 172)</b> | <b>198 720 689</b> |

#### Reconciliation of property, plant and equipment - 2015

|                                     | Opening balance    | Additions        | Disposals          | Revaluations      | Depreciation       | Total              |
|-------------------------------------|--------------------|------------------|--------------------|-------------------|--------------------|--------------------|
| Land                                | 67 079 321         | -                | -                  | (9 039 095)       | -                  | 58 040 226         |
| Buildings                           | 74 813 114         | 102 226          | -                  | 21 054 229        | (3 622 759)        | 92 346 810         |
| Infrastructure                      | 214 975            | -                | -                  | -                 | (23 859)           | 191 116            |
| Furniture and fittings              | 3 846 732          | 95 195           | (55 533)           | -                 | (560 677)          | 3 325 717          |
| Motor vehicles                      | 28 438 064         | 418 221          | (227 906)          | -                 | (1 827 337)        | 26 801 042         |
| Office equipment                    | 13 718 169         | 1 959 673        | (1 009 090)        | -                 | (1 312 763)        | 13 355 989         |
| Plant and equipment                 | 8 203 643          | 1 656 512        | (51 277)           | -                 | (828 833)          | 8 980 045          |
| Other property, plant and equipment | 3 788 623          | 237 791          | (49 309)           | -                 | (298 918)          | 3 678 187          |
| Leased assets - Cell phones         | 209 596            | 10 720           | (22 032)           | -                 | (42 957)           | 155 327            |
|                                     | <b>200 312 237</b> | <b>4 480 338</b> | <b>(1 415 147)</b> | <b>12 015 134</b> | <b>(8 518 103)</b> | <b>206 874 459</b> |

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

No assets have been pledged as security.

As at 30 June 2016 the municipality had a contractual commitment of R 2 498 177 (2015: R nil) which relates to property, plant and equipment.

Other property, plant and equipment were split into the various classes as disclosed in the note for both the current and prior year.

The comparative figures were restated. Refer to prior period error note 32.

### 9. Intangible assets

|                          | 2016             |   |                | 2015             |   |                |
|--------------------------|------------------|---|----------------|------------------|---|----------------|
|                          | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software, other | 2 019 865        | (666 847)   | 1 353 018      | 1 642 173        | (404 253)   | 1 237 920      |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

### 9. Intangible assets (continued)

#### Reconciliation of intangible assets - 2016

|                          | Opening<br>balance | Additions | Amortisation | Total     |
|--------------------------|--------------------|-----------|--------------|-----------|
| Computer software, other | 1 237 920          | 377 692   | (262 594)    | 1 353 018 |

#### Reconciliation of intangible assets - 2015

|                          | Opening<br>balance | Additions | Amortisation | Total     |
|--------------------------|--------------------|-----------|--------------|-----------|
| Computer software, other | 948 027            | 425 992   | (136 099)    | 1 237 920 |

### 10. Operating lease liability

Operating leases relate to buildings that are recognised on a straight line basis with lease terms of between one to 3 years. The Municipality does not have an option to purchase the leased asset at the expiry of the lease period.

|  |               |              |
|--|---------------|--------------|
| Non-current portion of straight lining | 17 382        | -            |
| Current portion of straight lining     | -             | 9 237        |
|  | <u>17 382</u> | <u>9 237</u> |

At 30 June 2016, the future minimum leases under non cancellable leases were receivable as follows:

|                             |                |                  |
|-----------------------------|----------------|------------------|
| Payable within 1 year       | 325 993        | 306 337          |
| Payable within 2 to 5 years | 537 030        | 863 023          |
|                             | <u>863 023</u> | <u>1 169 360</u> |

The municipality entered into operating leases for the rental of office facilities. The lease agreements are between LSW Eiendomme BK, Witzenberg Municipality and Stellenbosch Municipality. The contracts are for a 3 (three) year period.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand   | 2016          | 2015          |
|---|---------------|---------------|
| <b>11. Finance lease obligation</b>   |               |               |
| Finance lease liabilities relate to cellphones with a contract term of 24 months (2015: 24 months). Amounts are paid monthly in arrears and the interest rates are linked to the average investment rate, currently at 10.5% (2015: 9.25%), for the duration of the contract. |               |               |
| The municipality approved a Telecommunications policy during the 2014/15 financial year allowing employees to receive telephone allowances and the finance leases of cellphones to be phased out accordingly.   |               |               |
| Opening balance   | 39 988        | 138 184       |
| Capitalised lease liability   | 15 294        | 9 485         |
| Payments during the year  | (41 137)      | (107 681)     |
|   | <b>14 145</b> | <b>39 988</b> |
| <b>Minimum lease payments due</b>   |               |               |
| - within one year   | 9 528         | 38 245        |
| - in second year inclusive  | 4 617         | 1 743         |
| <b>Present value of minimum lease payments</b>  | <b>14 145</b> | <b>39 988</b> |
| Non-current liabilities   | 4 617         | 1 743         |
| Current liabilities   | 9 528         | 38 245        |
|   | <b>14 145</b> | <b>39 988</b> |

The comparative figures were restated. Refer to prior period error note 32.

## 12. Unspent conditional grants

Unspent conditional grants comprises of:

### Unspent conditional grants and receipts

|  |                  |                  |
|--|------------------|------------------|
| Community development workers              | 42 504           | 19 342           |
| Financial management grant                 | -                | 393 472          |
| IDP support grant                          | 66 552           | 136 212          |
| Integrated transport plan                  | 1 570 199        | 2 035 810        |
| Municipal system improvement grant         | 667 163          | -                |
| Non Motorised transport                    | -                | 394 186          |
| Performance management grant               | 236 100          | 36 100           |
| Provincial Treasury (FMG)                  | 1 041 861        | 756 200          |
| Public transport (Provincial)              | 185 412          | 185 412          |
| Rural roads asset management system        | 2 379 889        | -                |
| Tirelo Boshha: Public service improvement  | 218 042          | -                |
| Water and sanitation                       | 35 560           | 35 560           |
| Unspent public contributions and donations | 196 436          | 381 002          |
|  | <b>6 639 718</b> | <b>4 373 296</b> |

See note 22 for reconciliation of grants from National/Provincial Government.

These amounts are invested until utilised. (refer to note 3).

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand   | 2016               | 2015               |
|---|--------------------|--------------------|
| <b>13. Trade payables from exchange transactions</b>  |                    |                    |
| ACB's   | 2 012              | 6 954              |
| Creditor accruals   | 1 524 892          | 1 311 696          |
| DWAF Agency   | 851 985            | 637 523            |
| Employee repayments   | 1 255              | 112 624            |
| Other payables  | 133 232            | 241 891            |
| Payments received in advanced   | 21 664             | 21 033             |
| Retention   | 778 048            | 1 435 409          |
| Roads agency  | 10 216 859         | 2 487 016          |
| Trade payables  | 206 482            | 232 825            |
| Unclaimed funds   | 5 153              | 5 053              |
|   | <b>13 741 582</b>  | <b>6 492 024</b>   |
| <b>14. Employee benefits</b>  |                    |                    |
| <b>Short-term employee benefits</b>   |                    |                    |
| Employee benefit accruals   | 798 392            | 669 142            |
| Short term: Medical aid liability   | 5 289 492          | 5 450 856          |
| Provision staff leave   | 12 590 009         | 11 807 005         |
| 13th Cheque   | 3 654 893          | 3 293 189          |
| Short term: Ex- gratia benefit  | 139 059            | 338 734            |
| Short term: Long term service award   | 1 484 212          | 1 333 308          |
|   | <b>23 956 057</b>  | <b>22 892 234</b>  |
| <b>Other long term employee benefits</b>  |                    |                    |
| Long service award  | 9 822 530          | 9 813 362          |
| <b>Post-employee benefits</b>   |                    |                    |
| Post-Retirement Medical aid benefits  | 137 595 254        | 138 149 321        |
| Ex-gratia benefit   | 2 286 911          | 2 062 819          |
|   | <b>139 882 165</b> | <b>140 212 140</b> |
| Current liability   | 23 956 057         | 22 892 234         |
| Non-current liability   | 149 704 695        | 150 025 502        |
|   | <b>173 660 752</b> | <b>172 917 736</b> |
| <b>Post-retirement and medical aid benefits</b>   |                    |                    |
| 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.  |                    |                    |
| <b>Active members</b>   |                    |                    |
| Principal members   | 332                | 328                |
| Average age   | 44.9               | 44.5               |
| Average past service cost   | R14.8 million      | R14.8 million      |
| <b>Continuation members</b>   |                    |                    |
| Principal members   | 132                | 145                |
| Average age   | 72.5               | 71.6               |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand  | 2016               | 2015               |
|--|--------------------|--------------------|
| <b>The amounts recognised in the Statement of Financial Position are -</b>       |                    |                    |
| Projected benefit obligation   | 142 884 746        | 143 596 556        |
| <b>The obligation in respect of past services has been estimated as follows:</b> |                    |                    |
| Active members   | 73 088 406         | 68 074 884         |
| Continuation members   | 69 796 340         | 75 521 672         |
| <b>Net obligation</b>  | <b>142 884 746</b> | <b>143 596 556</b> |
| <b>The amounts recognised in the Statement of Financial Performance are -</b>    |                    |                    |
| Current service cost   | 4 563 849          | 4 213 472          |
| Interest cost  | 12 199 776         | 12 035 335         |
| Recognised actuarial (gains)/ losses   | (12 050 806)       | (5 690 898)        |
| <b>Amount charged to Statement of Financial Performance</b>                      | <b>4 712 819</b>   | <b>10 557 909</b>  |

The future service cost for the ensuing financial year is estimated to be R4 747 947, whereas the interest cost for the next year is estimated to be R12 613 740.

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

|  |                    |                    |
|--|--------------------|--------------------|
| Opening benefit obligation liability         | 143 596 556        | 138 236 437        |
| Payments to members                          | (5 424 629)        | (5 197 790)        |
| Charge to Statement of Financial Performance | 4 712 819          | 10 557 909         |
| <b>Closing benefit liability</b>             | <b>142 884 746</b> | <b>143 596 556</b> |

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

### Key actuarial assumptions

|                                 |      |      |
|---------------------------------|------|------|
| Discount rate                   | 8.99 | 8.66 |
| Health care cost inflation rate | 8.12 | 7.91 |

### Change in medical inflation rate

The effect of 1% movement in the assumed medical inflation rate is as follows:

|   | 2016        | Change       | % change |
|---|-------------|--------------|----------|
| <b>Increase</b>   |             |              |          |
| Effect on the aggregate of the current service cost and interest cost | 19 819 500  | 3 567 510    | 18 %     |
| Effect on the defined benefit obligation                              | 165 146 000 | 26 423 360   | 16 %     |
| <b>Decrease</b>   |             |              |          |
| Effect on the aggregate of the current service cost and interest cost | 14 322 500  | (2 148 375)  | (15)%    |
| Effect on the defined benefit obligation                              | 124 733 000 | (16 215 290) | (13)%    |

### Change in the post - retirement mortality rate

The effect of a 1 year reduction in the post- retirement mortality rate is as follows:

|   | 2016        | Change    | % change |
|---|-------------|-----------|----------|
| Effect on the aggregate of the current service cost and interest cost | 148 383 000 | 5 935 320 | 4 %      |

### Change in average retirement age

The effect of a 1 year reduction in the post- retirement mortality rate is as follows:

|  | 2016        | Change    | % change |
|--|-------------|-----------|----------|
| Effect on the defined benefit obligation | 148 161 000 | 5 926 440 | 4 %      |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand  | 2016         |              |              |                   | 2015              |
|--|--------------|--------------|--------------|-------------------|-------------------|
|  | 30 June 2012 | 30 June 2013 | 30 June 2014 | 30 June 2015      | 30 June 2016      |
| <b>History of Liabilities, Assets and Experience Adjustments</b>   |              |              |              |                   |                   |
| Accrued liability  | 115 425 000  | 131 139 000  | 138 236 000  | 143 597 000       | 142 885 000       |
| Experience adjustment  | -            | (6 855 000)  | 5 190 000    | (6 068 000)       | (9 608 000)       |
| <p>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.</p> |              |              |              |                   |                   |
| <b>Employee benefit- Long term receivable</b>  |              |              |              |                   |                   |
| Opening balance  |              |              |              | 36 937 937        | 42 210 339        |
| Current service cost   |              |              |              | 1 136 634         | 1 201 658         |
| Payment received from WCPG   |              |              |              | (6 186 111)       | -                 |
| Interest cost  |              |              |              | 3 116 526         | 3 662 227         |
| Benefits paid  |              |              |              | (1 813 889)       | (1 586 033)       |
| Interest on payments from WCPG   |              |              |              | (255 307)         | -                 |
| Actuarial loss/ (gain)   |              |              |              | (3 515 607)       | (8 550 254)       |
|  |              |              |              | <b>29 420 183</b> | <b>36 937 937</b> |
| <b>Reconciliation of long term receivable</b>  |              |              |              |                   |                   |
| Short term portion   |              |              |              | 1 814 448         | 1 913 484         |
| Long term portion  |              |              |              | 27 605 735        | 35 024 453        |
|  |              |              |              | <b>29 420 183</b> | <b>36 937 937</b> |

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 post employment medical aid.

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



# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand  | 2016             | 2015             |                 |
|--|------------------|------------------|-----------------|
| <b>Ex- gratia benefits</b>   |                  |                  |                 |
| Details of employees eligible for ex-gratia benefits are detailed below.   |                  |                  |                 |
| <b>Members</b>   |                  |                  |                 |
| In- service employees for ex- gratia pension   | 11               | 12               |                 |
| In- service employees eligible for lump sum benefit on retirement  | 11               | 17               |                 |
| Eligible former employees receiving ex- gratia pension   | 2                | 2                |                 |
| Eligible spouses receiving ex- gratia pension  | 5                | 5                |                 |
| <b>Average age in years</b>  |                  |                  |                 |
| In- service employees for ex- gratia pension   | 54.50            | 53.60            |                 |
| In- service employees eligible for lump sum benefit on retirement  | 55.30            | 54.50            |                 |
| Eligible former employees receiving ex- gratia pension   | 62.00            | 61.00            |                 |
| Eligible spouses receiving ex- gratia pension  | 81.60            | 80.60            |                 |
| <b>The amount recognised in the Statement of Financial Position are:</b>   |                  |                  |                 |
| Projected benefit obligation   | 2 425 971        | 2 401 554        |                 |
| <b>The amount recognised in the Statement of Financial Performance are:</b>  |                  |                  |                 |
| Interest cost  | 198 608          | 252 264          |                 |
| Recognised actuarial (Gain)/ Loss  | 303 950          | (497 695)        |                 |
|  | <b>502 558</b>   | <b>(245 431)</b> |                 |
| 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 R215 592.   |                  |                  |                 |
| 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 |                  |                  |                 |
| <b>Movements in the present value of the defined benefit obligation were as follows:</b>   |                  |                  |                 |
| Opening benefit obligation   | 2 401 554        | 2 812 858        |                 |
| Payments to members  | (478 141)        | (165 873)        |                 |
| Actuarial (Gain)/ Loss   | 303 950          | (497 695)        |                 |
| Interest and service cost  | 198 608          | 252 264          |                 |
| <b>Closed benefit obligation</b>   | <b>2 425 971</b> | <b>2 401 554</b> |                 |
| <b>Key actuarial assumptions</b>   |                  |                  |                 |
| Discount rate  | 9.14 %           | 8.88 %           |                 |
| Pension increase rate  | 7.75 %           | 6.68 %           |                 |
| Salary inflation rate  | 6.75 %           | 7.68 %           |                 |
| <b>Change in pension increase rate</b>   |                  |                  |                 |
|  | <b>2016</b>      | <b>Change</b>    | <b>% Change</b> |
| Effect on the aggregate of the current service cost and interest cost  | 243 581          | 41 408           | 17 %            |
| Effect on the defined benefit obligation   | 2 821 293        | 451 406          | 16 %            |
| Effect on the aggregate of the current service cost and interest cost  | 178 935          | (25 051)         | (14)%           |
| Effect on the defined benefit obligation   | 2 103 743        | (273 486)        | (13)%           |
| <b>Change in the post- retirement mortality rate</b>   |                  |                  |                 |
| The effect of a 1 year reduction in the post- retirement mortality rate is as follows:   |                  |                  |                 |
| Effect on the aggregate of the current service cost  | 213 829          | 6 414            | 3 %             |
| Effect on the aggregate of the current interest cost   | 2 494 684        | 74 840           | 3 %             |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand   |                     |                     |                     | 2016                | 2015                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>History of Liabilities, Assets and Experience Adjustments</b>  | <b>30 June 2012</b> | <b>30 June 2013</b> | <b>30 June 2014</b> | <b>30 June 2015</b> | <b>30 June 2016</b> |
| Accrued liability   | 4 369 540           | 4 193 617           | 2 812 858           | 2 401 554           | 2 425 971           |
| Experience adjustment   | -                   | (615 589)           | (973 516)           | (499 506)           | 372 632             |
| <b>Long service awards</b>  |                     |                     |                     |                     |                     |
| Details of employees eligible for long service awards are detailed below.   |                     |                     |                     |                     |                     |
| Members   |                     |                     |                     | 430                 | 421                 |
| Average age in years  |                     |                     |                     | 46                  | 46                  |
| <b>The amounts recognised in the Statement of Financial Position are:</b>   |                     |                     |                     |                     |                     |
| Projected benefit obligation  |                     |                     |                     | <u>11 306 743</u>   | <u>11 146 671</u>   |
| <b>The amounts recognised in the Statement of Financial Performance are:</b>  |                     |                     |                     |                     |                     |
| Current service cost  |                     |                     |                     | 738 528             | 636 598             |
| Interest cost   |                     |                     |                     | 825 931             | 757 866             |
| Recognised actuarial (gain)/ losses   |                     |                     |                     | (110 250)           | 608 568             |
| <b>Amount charged to Statement of Financial Performance</b>   |                     |                     |                     | <u>1 454 209</u>    | <u>2 003 032</u>    |
| The future service cost for the ensuing financial year is estimated to be R767 605, whereas the interest cost for the next financial year is estimated to be R901 096.  |                     |                     |                     |                     |                     |
| The rates are calculated by using a liability-weighted average of yields for the three components of the liability. Each component's fixed-interest and index-linked yield was taken from the bond yield curve at that component's duration, using an iterative process (because the yield depends on the liability, which in turn depends on the yield). |                     |                     |                     |                     |                     |
| <b>Movements in the present value of the benefit obligation were as follows:</b>  |                     |                     |                     |                     |                     |
| Opening benefit obligation  |                     |                     |                     | 11 146 671          | 9 991 275           |
| Payment to members (benefits vesting)   |                     |                     |                     | (1 294 137)         | (847 636)           |
| Actuarial (Gain)/ Loss  |                     |                     |                     | (110 250)           | 608 568             |
| Interest and service cost charged to Statement of Financial Performance   |                     |                     |                     | 1 564 459           | 1 394 464           |
| <b>Closing benefit obligation</b>   |                     |                     |                     | <u>11 306 743</u>   | <u>11 146 671</u>   |
| <b>Key actuarial assumptions</b>  |                     |                     |                     |                     |                     |
| Discount rate   |                     |                     |                     | 8.52 %              | 7.87 %              |
| Salary inflation  |                     |                     |                     | 7.17 %              | 7.05 %              |
| Average retirement age  |                     |                     |                     | 62.0                | 62.0                |
| <b>Change in the salary inflation rate</b>  |                     | <b>2016</b>         | <b>Change</b>       | <b>% Change</b>     |                     |
| 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   |                     | 1 690 100           | 135 208             | 8 %                 |                     |
| Effect on the defined benefit obligation  |                     | 12 043 000          | 843 010             | 7 %                 |                     |
| Decrease:   |                     |                     |                     |                     |                     |
| Effect on the aggregate of the current service cost and interest cost   |                     | 1 452 500           | (101 675)           | (7)%                |                     |
| Effect on the defined benefit obligation  |                     | 10 641 000          | (638 460)           | (6)%                |                     |
| <b>Change in the average retirement age</b>   |                     | <b>2016</b>         | <b>Change</b>       | <b>% Change</b>     |                     |
| Increase:   |                     |                     |                     |                     |                     |
| Effect on the aggregate of the current service cost and interest cost   |                     | 1 826 100           | 310 437             | 17 %                |                     |
| Effect on the defined benefit obligation  |                     | 13 278 000          | 2 257 260           | 17 %                |                     |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand   |                     | 2016                | 2015                |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Decrease:   |                     |                     |                     |                     |                     |
| Effect on the aggregate of the current service cost and interest cost | 1 307 400           | (209 184)           | (16)%               |                     |                     |
| Effect on the defined benefit obligation                              | 9 280 000           | (1 670 400)         | (18)%               |                     |                     |
| <b>Change in withdrawal rate</b>                                      |                     |                     |                     |                     |                     |
| The effect of a 50% reduction in the withdrawal rate is as follows:   |                     |                     |                     |                     |                     |
| Effect on the aggregate of the current service cost and interest cost | 1 866 300           | 354 597             | 19 %                |                     |                     |
| Effect on the defined benefit obligation                              | 12 788 000          | 1 662 440           | 13 %                |                     |                     |
| <b>History of Liabilities, Assets and Experience Adjustments</b>      | <b>30 June 2012</b> | <b>30 June 2013</b> | <b>30 June 2014</b> | <b>30 June 2015</b> | <b>30 June 2016</b> |
| Accrued liability   | -                   | 10 758 048          | 9 991 275           | 11 146 671          | 11 306 743          |
| Experience adjustment   | -                   | -                   | (600 586)           | 581 153             | 295 235             |

The Municipality makes provision for post-retirement benefits to eligible Councilors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

### a) Cape Joint Pension Fund

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

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.

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.

### Defined Benefit Scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 23.06 % (period 1 February 2012 - 30 June 2014) and 26.77% (period 1 July 2014 - 30 June 2015) by their councils. The actuarial valuation report at 30 June 2015 disclosed an actuarial valuation amounting to R2,136,012,000 (30 June 2014 : R3,631,518,000), with a nett accumulated surplus of R28,015,000 (2014 : R23,343,000), with a funding level of 101.4% (30 June 2014 : 104.4%).

### Defined Contribution Scheme

The actuarial valuation report at 30 June 2015 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R1,932,720,000 (30 June 2014 : R566,689,000), net investment reserve of R0 (30 June 2013 : R787,000) and with a funding level of 100% (2014 : 100%).

The actuary concluded that :

- The future service contribution rate shortfall amounts to 5.34% of salary in respect of 29 remaining DB active members as at the valuation date.
- The Trustees granted a pension increase of 3% effective 1 January 2016 and a pensioner bonus of 75% of monthly pension payable in December 2015. Pro-rata pension increases and bonus apply for pensions in payment for less than one year.
- The underlying asset portfolios were not aligned with the Members' Shares and Fund accounts at the valuation date.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
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|-----------------|------|------|

- The direct property assets of R390.2 million form a relatively high proportion at 18.8% of the assets of the Pensioner Account. In my opinion, a proportion of between 0% and 10% would be more appropriate to avoid an over-concentration in one asset class.

It is to be noted that :

- All the active members have now all been converted to the DC Section.
- There is no longer any contribution rate shortfall as this only applied to 29 residual DB Section active members, that have now also converted to the DC Section and
- Both the DC Section and the DB Section were fully funded as at the valuation date.

The actuary certified The Pensioner Account was 101.4% funded with a surplus of R28.0 million and is in a sound financial condition. The funding level in respect of the DB active members was 153.1% with a surplus of R21.9 million. The DB Section is in a sound financial condition and the DC Section has a funding level of 100% and is in a sound financial condition. Overall the Fund is in a sound financial condition with a surplus of R50.0 million and an overall funding level of 101.2%. The nature of the assets is suitable for the Fund, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this class. The assets are appropriately matched relative to the term and nature of the active member liabilities. The Fund's investment strategy is suitable. Finally the risk benefits are partially re-insured and this is appropriate for the size and nature of the Fund.

### b) Cape Joint Retirement Fund

The Cape Joint Retirement 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%.

The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R18,322,177,000 (30 June 2014: R17,172,854,000), with funding levels of 112.1% and 100% (30 June 2014 112.6% and 99.9%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2015 & 2014. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

### c) SAMWU National Provident Fund

The SAMWU National Provident Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R6,574,775,000 (30 June 2011 : R4,021,622,000), with funding levels of 111.7% (30 June 2011: 111.1%). The investment smoothing reserve has remained unchanged at 4.6% of the market value of assets (or 5.5% of members' Fund Credits and the data reserve). The actuary certified that based on the 2014 valuation the Fund's assets are sufficient to cover the members' Fund Credits, Risk Benefits Reserve and the Data Reserve and to provide for an investment smoothing reserve of 5.55% of members' Fund Credits as at 30 June 2014. In addition, there is a substantial surplus of some R689.1 million. The Fund is therefore in a very sound financial position.

### d) The Municipal Councillors Pension Fund

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand                               | 2016               | 2015               |
|---|--------------------|--------------------|
| <b>15. Revaluation reserve</b>                |                    |                    |
| Opening balance                               | 105 851 298        | 96 341 390         |
| Additions to revaluation reserve              | -                  | 12 015 133         |
| Transfer to accumulated surplus- depreciation | (2 512 376)        | (2 505 225)        |
| Transfer to Drakenstein municipality          | (600 370)          | -                  |
|   | <b>102 738 552</b> | <b>105 851 298</b> |

The comparative figures were restated. Refer to prior period error note 32.

### 16. Accumulated surplus

#### Ring- fenced internal funds within accumulated surplus - 2016

|   | Capital replacement reserve | Government grant reserve | Accumulated surplus | Total              |
|---|-----------------------------|--------------------------|---------------------|--------------------|
| Opening balance                         | 70 303 165                  | 4 119 601                | 402 712 442         | 477 135 208        |
| Offsetting of depreciation              | -                           | (730 553)                | 730 553             | -                  |
| Surplus for the year                    | -                           | -                        | 45 780 769          | 45 780 769         |
| Property, plant and equipment purchases | (4 338 978)                 | 418 972                  | 3 920 004           | -                  |
| Transfer from Revaluation reserve       | -                           | -                        | 2 512 376           | 2 512 376          |
| Contribution to CRR                     | 4 000 000                   | -                        | (4 000 000)         | -                  |
| Transfer to Drakenstein municipality    | -                           | -                        | 600 370             | 600 370            |
|   | <b>69 964 187</b>           | <b>3 808 020</b>         | <b>452 256 514</b>  | <b>526 028 721</b> |

#### Ring- fenced internal funds within accumulated surplus - 2015

|   | Capital replacement reserve | Government grant reserve | Accumulated surplus | Total              |
|---|-----------------------------|--------------------------|---------------------|--------------------|
| Opening balance                         | 74 710 415                  | 4 300 976                | 356 741 774         | 435 753 165        |
| Offsetting of depreciation              | -                           | (669 733)                | 669 733             | -                  |
| Surplus for the year                    | -                           | -                        | 38 876 816          | 38 876 816         |
| Property, plant and equipment purchases | (4 407 250)                 | 488 358                  | 3 918 894           | -                  |
| Transfer from Revaluation reserve       | -                           | -                        | 2 505 225           | 2 505 225          |
|   | <b>70 303 165</b>           | <b>4 119 601</b>         | <b>402 712 442</b>  | <b>477 135 208</b> |

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

The comparative figures were restated. Refer to the prior period error note 32.

### 17. Service charges

|                       |                  |                |
|-----------------------|------------------|----------------|
| Other service charges | <u>2 503 212</u> | <u>487 398</u> |
|-----------------------|------------------|----------------|

### 18. Rental of facilities and equipment

#### Facilities

|                                    |                |               |
|------------------------------------|----------------|---------------|
| Rental of facilities and equipment | <u>100 401</u> | <u>93 655</u> |
|------------------------------------|----------------|---------------|

### 19. Agency Services

|                   |                    |                   |
|-------------------|--------------------|-------------------|
| Roads Agency      | 113 288 389        | 88 162 881        |
| Working for Water | 2 285 538          | 3 231 387         |
|                   | <u>115 573 927</u> | <u>91 394 268</u> |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand                   | 2016             | 2015             |
|-----------------------------------|------------------|------------------|
| <b>20. Other income</b>           |                  |                  |
| Bad debt recovered                | 129 770          | -                |
| Brokerage                         | 48 895           | 49 538           |
| Electricity income (Eerste Begin) | 11 758           | 9 570            |
| Insurance income                  | 110 984          | 2 709            |
| Miscellaneous income              | 343 939          | 239 798          |
| Miscellaneous road income         | 24 979           | 181 258          |
| Municipal health income           | 287 053          | 267 285          |
| RSC levies recovered              | 56               | 45               |
| SETA refund                       | 405 664          | 183 808          |
| Shop steward reimbursement        | 107 046          | 155 302          |
| Tender document income            | 187 580          | 111 492          |
| Unclaimed funds                   | -                | 474 089          |
|                                   | <b>1 657 724</b> | <b>1 674 894</b> |

The comparative figures were restated. Refer to prior period error note 32.

### 21. Investment revenue

#### Interest revenue

|                         |                   |                   |
|-------------------------|-------------------|-------------------|
| Interest on investments | 43 013 756        | 35 341 507        |
|                         | <b>43 013 756</b> | <b>35 341 507</b> |

### 22. Government grants and subsidies

#### Operating grants

|                                     |                    |                    |
|-------------------------------------|--------------------|--------------------|
| Community Development Workers       | 48 838             | 120 784            |
| Equitable share                     | 6 172 000          | 7 870 000          |
| Extended Public Works               | 1 000 000          | 1 000 000          |
| Financial Management Grant          | 1 250 000          | 1 935 091          |
| IDP Support grant                   | 69 660             | 63 788             |
| Integrated Transport Planning       | 465 611            | 412 032            |
| Municipal System Improvement Grant  | 262 838            | 952 386            |
| Non - Motorised transport grant     | 394 186            | 105 815            |
| Performance management grant        | -                  | 13 900             |
| Provincial Treasury: FMG            | 1 099 339          | 568 800            |
| Public Transport (Provincial)       | -                  | 143 535            |
| Rsc Levy Replacement grant          | 210 834 000        | 205 736 000        |
| Rural roads asset management system | 4 111              | -                  |
| Sandhills - Toilet Hire             | 346 337            | 352 779            |
| Greenest municipality               | 50 000             | 50 000             |
| Tirelo Bosh: Pub Services Imp       | 736 013            | 311 990            |
|                                     | <b>222 732 933</b> | <b>219 636 900</b> |

#### Unconditional

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

|                            |                    |                    |
|----------------------------|--------------------|--------------------|
| Equitable share            | 6 172 000          | 7 870 000          |
| Rsc Levy Replacement grant | 210 834 000        | 205 736 000        |
|                            | <b>217 006 000</b> | <b>213 606 000</b> |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

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

#### Equitable Share

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

All registered indigents receive a monthly subsidy of R - (2015: R -), which is funded from the grant.

#### Community development workers

|   |               |               |
|---|---------------|---------------|
| Balance unspent at beginning of year    | 19 342        | 70 174        |
| Current-year receipts                   | 72 000        | 69 952        |
| Conditions met - transferred to revenue | (48 838)      | (120 784)     |
|   | <b>42 504</b> | <b>19 342</b> |

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.

#### IDP support grant

|   |               |                |
|---|---------------|----------------|
| Balance unspent at beginning of year    | 136 212       | 200 000        |
| Conditions met - transferred to revenue | (69 660)      | (63 788)       |
|   | <b>66 552</b> | <b>136 212</b> |

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

Strategic Objective: Office of the Municipal Manager.

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

#### Integrated transport planning

|   |                  |                  |
|---|------------------|------------------|
| Balance unspent at beginning of year            | 2 035 810        | 166 763          |
| Current-year receipts                           | -                | 1 800 000        |
| Conditions met - transferred to revenue         | (465 611)        | (412 032)        |
| Refund to Provincial Government                 | -                | (166 763)        |
| Reallocation from Non Motorised Transport grant | -                | 647 842          |
|   | <b>1 570 199</b> | <b>2 035 810</b> |

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

Strategic Objective: Technical Services.

The funds were utilised to review and update the districts integrated transport policy.

#### Financial Management Grant

|   |             |                |
|---|-------------|----------------|
| Balance unspent at beginning of year    | 393 472     | 1 078 564      |
| Current-year receipts                   | 1 250 000   | 1 250 000      |
| Conditions met - transferred to revenue | (1 250 000) | (1 935 092)    |
| Refund to National Treasury             | (393 472)   | -              |
|   | <b>-</b>    | <b>393 472</b> |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|-----------------|------|------|
|-----------------|------|------|

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

Strategic Objective: Financial and Strategic Support 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 National Treasury's internship programme and attaining minimum competencies.

#### Non Motorised Transport

|  |           |                |
|--|-----------|----------------|
| Balance unspent at beginning of year       | 394 186   | 1 147 842      |
| Conditions met - transferred to revenue    | (394 186) | (105 814)      |
| Reallocated to Intergrated Transport Grant | -         | (647 842)      |
|  | <u>-</u>  | <u>394 186</u> |

Strategic Objective: Technical Services.

To improve pedestrian safety through the development of appropriate transport infrastructure.

#### Performance Management Grant (PT)

|   |                |               |
|---|----------------|---------------|
| Balance unspent at beginning of year    | 36 100         | -             |
| Current-year receipts                   | 200 000        | 50 000        |
| Conditions met - transferred to revenue | -              | (13 900)      |
|   | <u>236 100</u> | <u>36 100</u> |

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

Strategic Objective: Office of the Municipal Manager.

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

#### Public Transport (Provincial)

|   |                |                |
|---|----------------|----------------|
| Balance unspent at beginning of year    | 185 412        | 2 735 965      |
| Conditions met - transferred to revenue | -              | (143 535)      |
| Refund to Provincial Government         | -              | (2 407 018)    |
|   | <u>185 412</u> | <u>185 412</u> |

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

Strategic Objective: Technical Services

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).

#### Provincial Treasury: FMG

|   |                  |                |
|---|------------------|----------------|
| Balance unspent at beginning of year    | 756 200          | 300 000        |
| Current-year receipts                   | 1 385 000        | 1 025 000      |
| Conditions met - transferred to revenue | (1 099 339)      | (568 800)      |
|   | <u>1 041 861</u> | <u>756 200</u> |

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

Strategic Objective: Financial and Strategic Support Services and Office of the Municipal Manager.



# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
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|-----------------|------|------|

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

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

The municipality utilised the funds for the district funding research initiative, mSCOA travel and subsistence, and the ICT control audit. The funds that are available are committed for the district funding research as well as the internship co-ordination guidance project that will be finalised in next financial year.

#### Water and Sanitation

|                                      |        |        |
|--------------------------------------|--------|--------|
| Balance unspent at beginning of year | 35 560 | 35 560 |
|--------------------------------------|--------|--------|

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

Strategic Objective: Technical Services

No funds were utilised during the 2015/16 financial year, but the municipality will review its masterplans in the near future.

#### Rural roads asset management system grant

|   |                  |          |
|---|------------------|----------|
| Current-year receipts                   | 2 384 000        | -        |
| Conditions met - transferred to revenue | (4 111)          | -        |
|   | <b>2 379 889</b> | <b>-</b> |

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

Strategic Objective: Technical Services

The purpose is to assist rural district municipalities in setting up their road asset management systems and collect road and traffic data inline with the Road Infrastructure Strategic Framework for South Africa (RISFSA).

#### Municipal Systems Improvement Grant

|   |                |           |
|---|----------------|-----------|
| Current-year receipts                   | 930 000        | 952 386   |
| Conditions met - transferred to revenue | (262 837)      | (952 386) |
|   | <b>667 163</b> | <b>-</b>  |

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

Strategic Objective: Financial and Strategic Support Services.

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

#### Tirelo Bosha: Public service improvement

|   |                |           |
|---|----------------|-----------|
| Current-year receipts                   | 954 055        | 311 990   |
| Conditions met - transferred to revenue | (736 013)      | (311 990) |
|   | <b>218 042</b> | <b>-</b>  |

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

Strategic Objective: Community Development and Planning Services.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

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

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.

#### Sandhills-Toilet Hire

|   |           |           |
|---|-----------|-----------|
| Current-year receipts                   | 346 337   | 260 652   |
| Conditions met - transferred to revenue | (346 337) | (352 779) |
| Amounts still receivable                | -         | 92 127    |
|   | <u>-</u>  | <u>-</u>  |

Strategic Objective: Technical Services.

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

#### Greenest municipality

|   |          |          |
|---|----------|----------|
| Current-year receipts                   | 50 000   | 50 000   |
| Conditions met - transferred to revenue | (50 000) | (50 000) |
|   | <u>-</u> | <u>-</u> |

Strategic Objective: Community Development and Planning Services.

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

#### Extended Public Works

|   |             |             |
|---|-------------|-------------|
| Current-year receipts                   | 1 000 000   | 1 000 000   |
| Conditions met - transferred to revenue | (1 000 000) | (1 000 000) |
|   | <u>-</u>    | <u>-</u>    |

Strategic Objective: Technical Services (see note 12).

This grant incentivises 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.

### 23. Public contributions and donations

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| Contributions from Farmers     | 827 872          | 1 873 984        |
| Wellness day donation          | -                | 13 280           |
| Upgrade of rural roads Farmers | 218 316          | -                |
|                                | <u>1 046 188</u> | <u>1 887 264</u> |

#### Reconciliation of conditional contributions

|   |                |                |
|---|----------------|----------------|
| Balance unspent at beginning of year    | 381 002        | 1 560 111      |
| Current-year receipts                   | 861 622        | 708 155        |
| Conditions met - transferred to revenue | (1 046 188)    | (1 887 264)    |
|   | <u>196 436</u> | <u>381 002</u> |

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

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

### 23. Public contributions and donations (continued)

| 2016                                    | Balance unspent<br>at beginning of<br>year | Current year<br>receipts | Conditions met<br>- transferred to<br>revenue | Balance<br>unspent at the<br>end of the year |
|---|--|--------------------------|---|--|
| Contribution from Farmers (Electricity) | -  | 827 872                  | (827 872)                                     | -  |
| Road station road Ceres                 | 381 002                                    | 33 750                   | (218 316)                                     | 196 436                                      |
|   | <b>381 002</b>                             | <b>861 622</b>           | <b>(1 046 188)</b>                            | <b>196 436</b>                               |
|   |  |                          |   |  |
| 2015                                    | Balance unspent<br>at beginning of<br>year | Current year<br>receipts | Conditions met-<br>transferred to<br>revenue  | Balance<br>unspent at the<br>end of year     |
| Contribution from Farmers (Electricity) | 1 201 609                                  | 672 375                  | (1 873 984)                                   | -  |
| Road station road Ceres                 | 358 502                                    | 22 500                   | -   | 381 002                                      |
| Wellness day donation                   | -  | 13 280                   | (13 280)                                      | -  |
|   | <b>1 560 111</b>                           | <b>708 155</b>           | <b>(1 887 264)</b>                            | <b>381 002</b>                               |

### 24. Employee related costs

|  |                    |                    |
|--|--------------------|--------------------|
| Basic  | 86 677 302         | 80 365 537         |
| Bonus  | 7 211 232          | 6 656 116          |
| Medical aid - company contributions                                | 9 761 977          | 9 049 165          |
| UIF  | 703 263            | 681 224            |
| WCA  | 790 006            | 732 547            |
| Leave pay provision charge   | 1 340 170          | 1 286 857          |
| Student work   | 1 012 609          | 580 082            |
| Operators allowance  | 30 335             | 63 131             |
| Defined contribution plans   | 14 457 711         | 14 181 051         |
| Travel, motor car, accommodation, subsistence and other allowances | 12 221 627         | 10 646 224         |
| Overtime payments  | 5 029 982          | 4 285 484          |
| Long-service awards  | 1 630 766          | 1 394 464          |
| Medical aid current service cost                                   | 4 563 849          | 3 011 814          |
| Acting allowances  | 144 560            | -                  |
| Actuarial loss/ (gain)   | (8 345 120)        | 4 556 261          |
| Housing benefits and allowances                                    | 4 085 396          | 3 155 959          |
| Other allowances   | 4 494 464          | 4 646 967          |
| Future medical aid expenses  | 8 145 224          | 8 625 372          |
| Group schemes  | 1 253 470          | 1 152 888          |
| Telephone and fax  | 345 640            | 87 212             |
| Performance bonus  | -                  | (5 851)            |
|  | <b>155 554 463</b> | <b>155 152 504</b> |

| 2016  | Long service<br>awards | Ex gratia      | PRMA             | Less: Funded<br>asset | Total            |
|---|------------------------|----------------|------------------|-----------------------|------------------|
| Current service cost                        | 738 528                | -              | 4 569 849        | 1 136 634             | 6 445 011        |
| Interest cost                               | 825 931                | 198 608        | 12 199 776       | 3 116 526             | 16 340 841       |
| Net actuarial (gains)/ losses<br>recognised | (9 923)                | 136 220        | (12 050 806)     | (5 329 496)           | (17 254 005)     |
|   | <b>1 554 536</b>       | <b>334 828</b> | <b>4 718 819</b> | <b>(1 076 336)</b>    | <b>5 531 847</b> |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

### 24. Employee related costs (continued)

| 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         |
|  | <b>2 003 032</b>    | <b>(251 013)</b> | <b>10 557 909</b> | <b>5 272 402</b>   | <b>17 582 330</b> |

### Remuneration of senior management

| 2016  | Basic salary     | Car allowance  | Performance bonuses | Contribution to UIF, medical and pension funds | Other          | Total            |
|---|------------------|----------------|---------------------|--|----------------|------------------|
| Municipal Manager                               | 967 810          | 120 000        | -                   | 247 564  | 230 675        | 1 566 049        |
| Chief Financial Officer                         | 495 216          | 240 000        | -                   | 139 399  | 373 704        | 1 248 319        |
| ED: Community development and planning services | 859 997          | 178 545        | -                   | 195 976  | 11 412         | 1 245 930        |
| ED: Technical services                          | 874 337          | 121 802        | -                   | 215 365  | 13 800         | 1 225 304        |
|   | <b>3 197 360</b> | <b>660 347</b> | <b>-</b>            | <b>798 304</b>                                 | <b>629 591</b> | <b>5 285 602</b> |

| 2015  | Basic Salary     | 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        |
| ED: Community development and planning services | 802 812          | 179 272        | 34 708              | 183 389  | 3 804          | 1 203 985        |
| ED: Technical services                          | 819 296          | 124 369        | 35 108              | 200 578  | 4 600          | 1 183 951        |
|   | <b>3 080 788</b> | <b>663 641</b> | <b>155 018</b>      | <b>755 506</b>                                 | <b>456 923</b> | <b>5 111 876</b> |

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

#### Staff leave

|   |                |                |
|---|----------------|----------------|
| Municipal Manager                               | 190 311        | 70 693         |
| Chief Financial Officer                         | 96 086         | 51 408         |
| ED: Community Development and Planning Services | 87 020         | 56 081         |
| ED: Technical Services                          | 188 609        | 42 061         |
|   | <b>562 026</b> | <b>220 243</b> |

### 25. Remuneration of councillors

|                   |                   |                   |
|-------------------|-------------------|-------------------|
| Executive Mayor   | 946 380           | 898 318           |
| Deputy Mayor      | 761 997           | 723 548           |
| Speaker           | 761 997           | 723 548           |
| Other Councillors | 8 308 798         | 7 861 432         |
|                   | <b>10 779 172</b> | <b>10 206 846</b> |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand  | 2016             | 2015                                      |                   |                |                   |
|--|------------------|---|-------------------|----------------|-------------------|
| <b>25. Remuneration of councillors (continued)</b>   |                  |   |                   |                |                   |
| <b>2016</b>  | Salaries         | Contribution to medical and pension funds | Car allowance     | Other          | Total             |
| Executive Mayor  | 739 054          | 110 858                                   | 72 000            | 24 468         | 946 380           |
| Deputy Mayor   | 451 619          | 105 709                                   | 111 752           | 92 917         | 761 997           |
| Speaker  | 545 100          | 61 240                                    | 101 189           | 54 468         | 761 997           |
| Other Councillors  | 5 910 354        | 496 588                                   | 1 525 771         | 376 085        | 8 308 798         |
|  | <b>7 646 127</b> | <b>774 395</b>                            | <b>1 810 712</b>  | <b>547 938</b> | <b>10 779 172</b> |
| <b>2015</b>  | Salaries         | Contribution to medical and pension funds | Car allowance     | Other          | Total             |
| Executive Mayor  | 697 260          | 104 589                                   | 72 000            | 24 469         | 898 318           |
| Deputy Mayor   | 454 844          | 102 483                                   | 111 752           | 54 469         | 723 548           |
| Speaker  | 511 183          | 56 707                                    | 101 189           | 54 469         | 723 548           |
| Other Councillors  | 5 520 182        | 464 931                                   | 1 505 209         | 371 110        | 7 861 432         |
|  | <b>7 183 469</b> | <b>728 710</b>                            | <b>1 790 150</b>  | <b>504 517</b> | <b>10 206 846</b> |
| 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. |                  |   |                   |                |                   |
| <b>26. Depreciation and amortisation</b>   |                  |   |                   |                |                   |
| Property, plant and equipment  |                  |   | 9 623 171         |                | 8 518 103         |
| Intangible assets  |                  |   | 262 594           |                | 136 099           |
|  |                  |   | <b>9 885 765</b>  |                | <b>8 654 202</b>  |
| <b>27. Finance costs</b>   |                  |   |                   |                |                   |
| Finance leases   |                  |   | 2 220             |                | 7 837             |
| <b>28. Debt impairment</b>   |                  |   |                   |                |                   |
| Debt impairment  |                  |   | 239 609           |                | 510 100           |
| <b>29. Repairs and maintenance</b>   |                  |   |                   |                |                   |
| Roads maintenance  |                  |   | 53 894 756        |                | 32 261 339        |
| Buildings  |                  |   | 2 898 243         |                | 2 901 356         |
| Furniture and equipment  |                  |   | 559 599           |                | 489 455           |
| Maintenance contracts  |                  |   | 2 253 989         |                | 2 121 684         |
| Motor vehicles   |                  |   | 5 905 369         |                | 5 437 398         |
|  |                  |   | <b>65 511 956</b> |                | <b>43 211 232</b> |
| <b>30. General expenses</b>  |                  |   |                   |                |                   |
| Advertising  |                  |   | 1 177 390         |                | 728 861           |
| Air quality projects   |                  |   | -                 |                | 43 860            |
| Audit committee  |                  |   | 98 552            |                | 91 706            |
| Audit support  |                  |   | 3 330             |                | 56 833            |
| Auditors remuneration  |                  |   | 2 310 176         |                | 2 969 412         |
| Bank charges   |                  |   | 75 783            |                | 81 725            |
| Benevolent fund  |                  |   | 135 633           |                | 113 800           |
| Branding items   |                  |   | 147 781           |                | 170 934           |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand                           | 2016       | 2015       |
|---|------------|------------|
| <b>30. General expenses (continued)</b>   |            |            |
| Bundling cost for early warning           | 152 890    | 239 853    |
| Cape Winelands biosphere reserve          | 150 000    | 150 000    |
| Cash handling                             | 4 302      | 48 627     |
| Chemicals                                 | 388 365    | 170 873    |
| Cleaning                                  | 473 613    | 430 196    |
| Clearing projects                         | 2 035 538  | 2 815 126  |
| Communications                            | 1 680 012  | 1 660 899  |
| Community development workers             | 48 838     | 120 784    |
| Community works programme                 | 101 149    | -          |
| Conferences and seminars                  | 215 721    | 117 475    |
| Consumables                               | 394 122    | 942 645    |
| Contribution: Academy of learning         | -          | 21 460     |
| Disciplinary hearings                     | 365 324    | 159 569    |
| Electricity                               | 2 532 580  | 2 378 449  |
| Emergency aid                             | 165 340    | 32 502     |
| Entertainment                             | 93 089     | 95 349     |
| Equipment general items                   | 515 305    | 267 986    |
| Exhibitions and events                    | 708 018    | 420 986    |
| Fire breaks                               | 699 311    | 728 751    |
| Fire fighting special events              | 10 651 218 | 12 925 631 |
| Flowers                                   | 925        | 5 390      |
| Fuel and oil                              | 7 164 970  | 8 411 746  |
| Great Wine Capitals                       | 581 972    | 542 411    |
| Hiring of Sandhill toilets                | 346 337    | 352 779    |
| ID campaign                               | -          | 24 430     |
| IDP Project                               | 69 660     | 63 788     |
| IT expenses                               | 364 456    | 363 100    |
| Insurance                                 | 1 026 638  | 935 498    |
| Integrated transport projects             | 1 977 991  | 1 525 738  |
| LED information management                | 148 200    | -          |
| Levies                                    | 40 035     | 36 836     |
| Lisence fees -radio                       | 29 471     | 73 083     |
| Magazines, books and periodicals          | 10 585     | 9 984      |
| Maintenance contracts                     | 307 300    | 256 083    |
| Medical expenses                          | 6 438      | 6 589      |
| Motor vehicle expenses                    | 120 053    | 110 082    |
| Other expenses                            | 392 452    | 251 505    |
| Placement fees                            | 17 078     | 3 345      |
| Pool championship                         | -          | 120 000    |
| Postage and courier                       | 53 843     | 38 771     |
| Printing and stationery                   | 1 682 268  | 1 786 914  |
| Professional fees***                      | 3 193 679  | 5 303 230  |
| Programme changes                         | 61 329     | 51 372     |
| Project - Various directorates**          | 27 676 174 | 23 656 761 |
| Property only                             | 1 506 577  | 1 303 016  |
| Protective clothing                       | 33 646     | 24 539     |
| Public functions                          | 361 836    | 609 410    |
| Public participation                      | 16 817     | 104 998    |
| Refreshments                              | 228 828    | 285 463    |
| Refuse                                    | 73 768     | 80 324     |
| Restructuring                             | 10 675     | 10 598     |
| Sector studies                            | 736 013    | -          |
| Security (Guarding of municipal property) | 1 761 394  | 1 254 497  |
| Seta levies                               | 1 329 399  | 1 223 614  |
| Sewerage and waste disposal               | 221 816    | 245 076    |
| Site expenditure                          | 130 488    | 92 623     |
| Software expenses                         | 1 758 642  | 1 106 927  |
| Stakeholder workshops                     | 22 374     | 125 495    |
| Study bursary fund                        | 1 588 439  | 1 214 395  |
| Subscriptions and membership fees         | 1 973 036  | 1 681 719  |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand                              | 2016              | 2015              |
|--|-------------------|-------------------|
| <b>30. General expenses (continued)</b>      |                   |                   |
| Supplier verification                        | 16 137            | 40 625            |
| Telephone and fax                            | 3 415 723         | 3 287 493         |
| Title deed search fees                       | 410               | 5 758             |
| Trade unions                                 | 139 846           | 127 343           |
| Training                                     | 1 616 962         | 1 348 112         |
| Translation                                  | 298 668           | 511 239           |
| Travel - local                               | 2 768 353         | 2 563 953         |
| Uniforms                                     | 1 187 849         | 1 089 965         |
| Upgrade rural roads                          | 1 361 570         | -                 |
| Venue expenses                               | 47 746            | 109 072           |
| Video/ DVD                                   | 28 400            | 46 200            |
| Water  | 372 929           | 366 634           |
| Water/food samples testing                   | 1 340 806         | 1 347 599         |
| Website development and maintenance          | 136 480           | 60 000            |
| Workshops                                    | 72 204            | 97 055            |
| Year end function                            | 149 835           | 74 316            |
|  | <b>95 302 900</b> | <b>92 351 785</b> |
| <b>Professional fees***</b>                  |                   |                   |
| Legal services                               | 38 830            | 201 478           |
| System technical support                     | 732 251           | 1 049 821         |
| Accounting, advisory and training            | 494 205           | 1 062 459         |
| Planning infrastructure                      | 645 515           | 1 245 349         |
| Research and consult                         | 55 735            | 579 570           |
| IT Support                                   | 231 878           | -                 |
| PMS system development                       | 55 400            | -                 |
| District funding research initiative         | 939 865           | -                 |
| Long term financial plan                     | -                 | 776 650           |
| Review and update of budget related policies | -                 | 387 901           |
|  | <b>3 193 679</b>  | <b>5 303 228</b>  |
| <b>Projects - Various directorates**</b>     |                   |                   |
| Accommodation and travel expenses            | 334 745           | 165 575           |
| Advertising- local newspapers                | 97 038            | 54 072            |
| Community support                            | 1 360 000         | 1 067 800         |
| Construction material                        | -                 | 55 404            |
| Professional fees                            | 2 232 972         | 831 782           |
| Consumables                                  | 68 441            | 43 265            |
| Contractor fees                              | 12 123 688        | 6 058 809         |
| Donation- Small Farmers                      | 438 334           | 827 470           |
| Educationals                                 | 449 741           | 723 551           |
| Equipment- other                             | 31 060            | -                 |
| Events                                       | 3 112 066         | 3 440 525         |
| Food parcels/ hampers                        | 95 504            | 519 947           |
| Printing and publications                    | 30 460            | 63 315            |
| Refreshments/ entertainment                  | 37 935            | 26 194            |
| Rental of facilities and equipment           | 221 106           | 247 029           |
| Seed funding- Equipment and assistance       | 399 128           | 636 064           |
| Solar warm water units                       | 1 425 297         | 2 232 962         |
| Specialised equipment                        | 131 430           | 145 760           |
| Tourism association development              | 140 000           | 150 000           |
| Training                                     | 1 124 387         | 2 330 455         |
| Transport                                    | 2 539 742         | 2 447 290         |
| Water/sanitation- farm                       | 1 283 100         | 1 589 492         |
|  | <b>27 676 174</b> | <b>23 656 761</b> |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand                   | 2016      | 2015      |
|-----------------------------------|-----------|-----------|
| <b>31. Auditors' remuneration</b> |           |           |
| Fees                              | 2 310 176 | 2 969 412 |

### 32. Prior period errors

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

## Statement of Financial Position

|  | Audited            | Prior year adjustments | Reclassifying adjustments | Restated           |
|--|--------------------|------------------------|---------------------------|--------------------|
| <b>Assets</b>                                |                    |                        |                           |                    |
| Current Assets                               |                    |                        |                           |                    |
| Cash and cash equivalents                    | 504 118 478        | -                      | -                         | 504 118 478        |
| Trade receivables from exchange transactions | -                  | (10 042)               | -                         | -                  |
| Other receivables from exchange transactions | 12 288 230         | -                      | -                         | 12 288 230         |
| Inventories                                  | 3 990 519          | -                      | -                         | 3 990 519          |
| VAT receivable                               | 1 371 244          | -                      | -                         | 1 371 244          |
| Employee benefit - Long term receivable      | 1 913 484          | -                      | -                         | 1 913 484          |
|  | <b>523 681 955</b> | <b>(10 042)</b>        | <b>-</b>                  | <b>523 681 955</b> |
| Non-Current Assets                           |                    |                        |                           |                    |
| Property, plant and equipment                | 204 127 026        | 2 747 433              | -                         | 206 874 459        |
| Intangible assets                            | 1 240 575          | (2 655)                | -                         | 1 237 920          |
| Employee benefit - Long term receivable      | 35 024 453         | -                      | -                         | 35 024 453         |
|  | <b>240 392 054</b> | <b>2 744 778</b>       | <b>-</b>                  | <b>243 136 832</b> |
| <b>Total Assets</b>                          | <b>764 074 009</b> | <b>2 734 736</b>       | <b>-</b>                  | <b>766 818 787</b> |
| <b>Liabilities</b>                           |                    |                        |                           |                    |
| Current Liabilities                          |                    |                        |                           |                    |
| Trade payables from exchange transactions    | 6 520 808          | (28 784)               | -                         | 6 492 024          |
| Unspent conditional grants                   | 4 373 296          | -                      | -                         | 4 373 296          |
| Operating lease liability                    | 9 237              | -                      | -                         | 9 237              |
| Finance lease obligation                     | 36 388             | 1 857                  | -                         | 38 245             |
| Employee benefits                            | 22 892 234         | -                      | -                         | 22 892 234         |
|  | <b>33 831 963</b>  | <b>(26 927)</b>        | <b>-</b>                  | <b>33 805 036</b>  |
| Non-Current Liabilities                      |                    |                        |                           |                    |
| Finance lease obligation                     | -                  | 1 743                  | -                         | 1 743              |
| Employee benefits                            | 150 025 501        | 1                      | -                         | 150 025 502        |
|  | <b>150 025 501</b> | <b>1 744</b>           | <b>-</b>                  | <b>150 027 245</b> |
| <b>Total Liabilities</b>                     | <b>183 857 464</b> | <b>(25 183)</b>        | <b>-</b>                  | <b>183 832 281</b> |
| <b>Net Assets</b>                            | <b>580 216 545</b> | <b>2 759 919</b>       | <b>-</b>                  | <b>582 986 506</b> |
| <b>Net Assets</b>                            |                    |                        |                           |                    |
| Revaluation reserve                          | 102 459 654        | 3 391 644              | -                         | 105 851 298        |
| Accumulated surplus                          | 477 756 890        | (621 682)              | -                         | 477 135 208        |
| <b>Total Net Assets</b>                      | <b>580 216 544</b> | <b>2 769 962</b>       | <b>-</b>                  | <b>582 986 506</b> |



# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|-----------------|------|------|
|-----------------|------|------|

### 32.1 Trade receivables from exchange transactions

|   |  |          |
|---|--|----------|
| Balance previously reported                                 |  | -        |
| Payments received in advance                                |  | 10 042   |
| Payments received in advance reclassified to Trade payables |  | (10 042) |
|   |  | <u>-</u> |

Payments received in advance was incorrectly classified with Fire fighting debtors. This reduced the impairment there of due to the nature of the income.

### 32.2 Other receivables from exchange transactions

|  |                   |
|--|-------------------|
| Balance previously reported                | 12 288 230        |
| LG Seta debtor                             | 435 000           |
| Allowance for impairment of LG Seta debtor | (435 000)         |
|  | <u>12 288 230</u> |

The payment to the supplier was accounted for in the correct accounting period in terms of the accrual basis of accounting.

LG Seta debtor in respect of a construction roads learnership agreement was accounted for and subsequently impaired.

### 32.3 Property, plant and equipment

|  |                    |
|--|--------------------|
| Balance previously reported                      | 204 127 026        |
| Revaluation of assets                            | 3 122 384          |
| Buildings transferred to Provincial Government   | (645 002)          |
| Land Fire Nieuwedrift opening balance correction | 205 970            |
| Leased asset addition                            | 3 600              |
| Reversal of disposals                            | 19 024             |
| Take on assets                                   | 50 019             |
| Safehouse asset disposal                         | (3 845)            |
| Depreciation correction                          | (5 717)            |
| Intangible assets                                | 1 000              |
|  | <u>206 874 459</u> |

Revaluation differences to the amount of R3 122 384 was not taken into account in the 2014/15 financial year

The Nieuwedrift clinic was transferred in the 2013/14 financial year to the Provincial Government.

Cellphone leased addition was not previously accounted for.

Assets below R10 was not previously depreciated over the estimated useful life. Roads assets and buildings depreciation was corrected.

Assets were found during the 2015/6 movable stock take which was reported as missing in the previous financial years, this resulted in a disposal reversal.

Take on assets refers to assets that were found during the 2015/16 movable stock take that was not previously on the fixed asset register.

### 32.4 Intangible assets

|                               |                  |
|-------------------------------|------------------|
| Balance previously reported   | 1 240 575        |
| Depreciation correction       | (1 737)          |
| Accumulated surplus           | 82               |
| Property, plant and equipment | (1 000)          |
|                               | <u>1 237 920</u> |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|-----------------|------|------|
|-----------------|------|------|

Depreciation was corrected for the 2014/15 financial year.

Computer software depreciation was corrected for the 2012/13 financial year.

Accumulated depreciation was reclassified from intangible assets to property, plant and equipment.

### 32.5 Trade payables from exchange transactions

|   |                  |
|---|------------------|
| Balance previously reported                             | 6 520 808        |
| Creditor accruals not allocated                         | 10 370           |
| Reversal of journal                                     | (28 552)         |
| Audit committee payment                                 | (20 644)         |
| Payments received in advance (Refer to adjustment 32.1) | 10 042           |
|   | <b>6 492 024</b> |

Journal was not removed in caseware after the financial system was correctly updated.

An overpayment was made to the audit committee during the previous financial year.

Creditor accruals was not cleared during the 2014/15 financial year.

### 32.6 Finance lease obligation - current liabilities

|                             |               |
|-----------------------------|---------------|
| Balance previously reported | 36 388        |
| Leased asset addition       | 1 857         |
|                             | <b>38 245</b> |

Cellphone leased addition was not previously accounted for.

### 32.7 Finance lease obligation - Non-current liabilities

|                             |              |
|-----------------------------|--------------|
| Balance previously reported | -            |
| Leased asset addition       | 1 743        |
|                             | <b>1 743</b> |

Cellphone leased addition was not previously accounted for.

### 32.8 Revaluation reserve

|                             |                    |
|-----------------------------|--------------------|
| Balance previously reported | 102 459 654        |
| Correction of revaluation   | 3 122 384          |
| Asset disposal              | 147 351            |
| Depreciation correction     | 121 909            |
|                             | <b>105 851 298</b> |

An error occurred with the revaluation of land and buildings during the 2014/15 financial year.

The Worcester administration building was not accounted for as part of the revaluation additions in the prior year.

The correction in the depreciation occurred due to the error in the revaluation reserve.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand   | 2016 | 2015               |
|---|------|--------------------|
| <b>32.9 Accumulated surplus</b>   |      |                    |
| Balance previously reported   |      | 477 756 890        |
| Property, plant and equipment (Refer to adjustment 32.3)                |      | (378 936)          |
| Revaluation reserve (Refer to adjustment 32.8)                          |      | (269 260)          |
| Remuneration of councillors (Refer to adjustment 32.11)                 |      | (15 584)           |
| General expenditure (Refer to adjustment 32.14)                         |      | (3 866)            |
| Movement in operating surplus   |      | 7 057              |
| Trade payables (Refer to adjustment 32.5)                               |      | 38 825             |
| Intangible assets (Refer to adjustment 32.4)                            |      | 82                 |
| Other receivables from exchange transactions (Refer to adjustment 32.2) |      | 435 000            |
| Other receivables from exchange transactions (Refer to adjustment 32.2) |      | (435 000)          |
|   |      | <b>477 135 208</b> |

Refer to adjustments as listed next to line items for comment.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand  | 2016                 | 2015                   |                           |                      |
|--|----------------------|------------------------|---------------------------|----------------------|
| <b>Statement of Financial Performance</b>                                |                      |                        |                           |                      |
|  | Audited              | Prior year adjustments | Reclassifying adjustments | Restated             |
| <b>Revenue</b>   |                      |                        |                           |                      |
| <b>Revenue from exchange transactions</b>                                |                      |                        |                           |                      |
| Service charges  | 487 398              | -                      | -                         | 487 398              |
| Rental of facilities and equipment                                       | 93 655               | -                      | -                         | 93 655               |
| Agency services  | 91 394 268           | -                      | -                         | 91 394 268           |
| Other income   | 1 723 140            | (48 246)               | -                         | 1 674 894            |
| Interest received - investment   | 35 341 507           | -                      | -                         | 35 341 507           |
| <b>Total revenue from exchange transactions</b>                          | <b>129 039 968</b>   | <b>(48 246)</b>        | <b>-</b>                  | <b>128 991 722</b>   |
| <b>Revenue from non-exchange transactions</b>                            |                      |                        |                           |                      |
| <b>Transfer revenue</b>  |                      |                        |                           |                      |
| Government grants and subsidies  | 219 636 900          | -                      | -                         | 219 636 900          |
| Public contributions and donations                                       | 1 887 264            | -                      | -                         | 1 887 264            |
| <b>Total revenue from non-exchange transactions</b>                      | <b>221 524 164</b>   | <b>-</b>               | <b>-</b>                  | <b>221 524 164</b>   |
| <b>Total revenue</b>   | <b>350 564 132</b>   | <b>(48 246)</b>        | <b>-</b>                  | <b>350 515 886</b>   |
| <b>Expenditure</b>   |                      |                        |                           |                      |
| Employee related costs   | 155 152 501          | 3                      | -                         | 155 152 504          |
| Remuneration of councillors  | 10 222 430           | (15 584)               | -                         | 10 206 846           |
| Depreciation and amortisation  | 8 645 569            | 8 633                  | -                         | 8 654 202            |
| Finance costs  | 7 839                | (2)                    | -                         | 7 837                |
| Debt impairment  | 500 058              | 10 042                 | -                         | 510 100              |
| Collection costs   | 306 781              | -                      | -                         | 306 781              |
| Repairs and maintenance  | 37 773 903           | -                      | 5 437 329                 | 43 211 232           |
| General Expenses   | 97 841 296           | (52 182)               | (5 437 329)               | 92 351 785           |
| <b>Total expenditure</b>   | <b>(310 450 377)</b> | <b>49 090</b>          | <b>-</b>                  | <b>(310 401 287)</b> |
| <b>Operating surplus</b>   | <b>40 113 755</b>    | <b>844</b>             | <b>-</b>                  | <b>40 114 599</b>    |
| Loss on disposal of assets   | (1 137 010)          | 6 281                  | -                         | (1 130 729)          |
| Loss on foreign exchange   | (98)                 | -                      | -                         | (98)                 |
| Inventories: (Write-down)/reversal of write-down to net realisable value | (106 956)            | -                      | -                         | (106 956)            |
|  | <b>(1 244 064)</b>   | <b>6 281</b>           | <b>-</b>                  | <b>(1 237 783)</b>   |
| <b>Surplus for the year</b>  | <b>38 869 691</b>    | <b>7 125</b>           | <b>-</b>                  | <b>38 876 816</b>    |
| <b>32.10 Other Income</b>  |                      |                        |                           |                      |
| Balance previously reported  |                      |                        |                           | 1 723 140            |
| Exhibition income  |                      |                        |                           | (48 246)             |
|  |                      |                        |                           | <b>1 674 894</b>     |

The exhibition income was previously reported as revenue. The error was corrected by offsetting it against the expenditure to fairly present the economic activities of the municipality.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
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|-----------------|------|------|

### 32.11 Remuneration of councillors

|   |  |                   |
|---|--|-------------------|
| Balance previously reported                       |  | 10 222 430        |
| Overpayment correction (Refer to adjustment 32.9) |  | (15 584)          |
|   |  | <u>10 206 846</u> |

The trade receivable relating to the councillor overpayment was accounted for against the accumulated surplus in the previous financial year. The transaction was corrected by decreasing the councillor remuneration and reversing the transaction against the accumulated surplus. The overpayment was due to the upward change in the grading of Witzenberg municipality.

### 32.12 Depreciation and amortisation

|   |  |                  |
|---|--|------------------|
| Balance previously reported                   |  | 8 645 569        |
| Property, plant and equipment                 |  | 6 896            |
| Intangible assets ( Refer to adjustment 32.4) |  | 1 737            |
|   |  | <u>8 654 202</u> |

Assets below R10 was not depreciated over its estimated useful life. Roads assets and building depreciation were corrected.

### 32.13 Debt impairment

|                             |  |                |
|-----------------------------|--|----------------|
| Balance previously reported |  | 500 058        |
| Additional write off        |  | 10 042         |
|                             |  | <u>510 100</u> |

Payments received in advance was incorrectly classified with Fire fighting debtors. This reduced the impairment amount in the prior year.

### 32.14 Repairs and maintenance

|                             |  |                   |
|-----------------------------|--|-------------------|
| Balance previously reported |  | 37 773 903        |
| General expenses            |  | 5 437 329         |
|                             |  | <u>43 211 232</u> |

Repairs and maintenance of motor vehicles were previously disclosed as part of "motor vehicle expenses" under note 30 General expenses.

### 32.15 General Expenses

|   |  |                   |
|---|--|-------------------|
| Balance previously reported                         |  | 97 841 296        |
| Exhibition income (Refer to adjustment 32.10)       |  | (48 246)          |
| Correction of balancing                             |  | (3 866)           |
| Repairs and maintenance (Refer to adjustment 32.14) |  | (5 437 399)       |
|   |  | <u>92 351 785</u> |

Exhibition income was reclassified to exhibitions and events under general expenditure, as the income pertained to expenditure incurred in the same year.

Appropriation below the line votes were not balancing, which increased expenditure in the prior year.

Repairs and maintenance of motor vehicles were previously disclosed as part of "motor vehicle expenses" under note 30 General expenses.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand                         | 2016 | 2015               |
|---|------|--------------------|
| <b>32.16 Loss on disposal of assets</b> |      |                    |
| Balance previously reported             |      | (1 137 010)        |
| Disposal reversal                       |      | 6 281              |
|   |      | <b>(1 130 729)</b> |

Assets were found during the 2015/16 stock take that was reported as missing during the previous financial year, this resulted in a disposal reversal.

### 32.17 Additional disclosure in terms of the Municipal Finance Management Act

#### Pension and medical aid deductions

|                               |   |                     |
|-------------------------------|---|---------------------|
| Amount as previously reported | - | (38 439 585)        |
| Pensioners payments excluded  | - | (7 897 050)         |
|                               | - | <b>(46 336 635)</b> |

Incorrect disclosure on pension and medical aid, additional disclosures in terms of the MFMA, in terms of post employment obligations. Previously only deductions relating to current employees were disclosed.

### 32.18 Councillor arrear accounts

|  |   |               |
|--|---|---------------|
| Cllr P. Heradies (resigned 10/12/2014) | - | 10 315        |
| Cllr J.S. Mouton (resigned 31/03/2015) | - | 11 359        |
|  | - | <b>21 674</b> |

The amounts reflected in the previous financial year was incorrectly reported. The reported amounts only reflected the 2014/15 arrears instead of the accumulated amount.

### 33. Cash generated from operations

|  |                   |                   |
|--|-------------------|-------------------|
| Surplus  | 45 780 769        | 38 876 816        |
| <b>Adjustments for:</b>                                |                   |                   |
| Depreciation and amortisation                          | 9 885 765         | 8 654 202         |
| Gain on sale of assets and liabilities                 | 2 912 445         | 1 130 729         |
| Finance costs - Finance leases                         | 2 220             | 7 837             |
| Debt impairment  | 239 609           | 510 100           |
| Movements in operating lease assets and accruals       | 8 145             | (12 584)          |
| Movements in retirement benefit assets and liabilities | 8 260 770         | 12 396 790        |
| Inventory write off                                    | 304 396           | 106 956           |
| Prior year error PPE                                   | -                 | 155 000           |
| Acquisition of leased assets                           | (15 294)          | (10 720)          |
| <b>Changes in working capital:</b>                     |                   |                   |
| Inventories  | 1 467 377         | 1 431 571         |
| Other receivables from exchange transactions           | (2 125 291)       | (3 380 770)       |
| Trade receivables from exchange transactions           | (2 586 842)       | (464 699)         |
| Trade payables from exchange transactions              | 7 249 556         | (4 811 525)       |
| VAT  | (3 012 504)       | (137 986)         |
| Trade and other payable from non exchange              | -                 | (18 386)          |
| Unspent conditional grants                             | 2 266 422         | (2 721 683)       |
|  | <b>70 637 543</b> | <b>51 711 648</b> |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

### 34. Financial Instruments

#### Financial risk management

The accounting policy for financial instruments were applied to the following Statement of Financial Position items:

#### Financial assets at amortised cost

|  |                    |                    |
|--|--------------------|--------------------|
| Trade receivables from exchange transactions | 2 347 233          | -                  |
| Other receivables from exchange transactions | 11 912 995         | 9 623 475          |
| Cash and cash equivalents                    | 569 983 713        | 504 118 478        |
|  | <b>584 243 941</b> | <b>513 741 953</b> |

#### Financial liabilities at amortised cost

|                                     |                   |                  |
|-------------------------------------|-------------------|------------------|
| Payables from exchange transactions | 13 719 917        | 6 470 992        |
| Finance lease obligation            | 14 145            | 39 988           |
| Operating lease liability           | 17 382            | 9 237            |
|                                     | <b>13 751 444</b> | <b>6 520 217</b> |

Refer to notes 4 and 5 for additional disclosures.

#### Liquidity risk

The municipality has limited exposure to liquidity risk and is able to meet its financial obligations as it falls due. The municipality limits exposure to liquidity risk by ensuring all liabilities are cash backed.

The following are contractual maturities of financial assets and liabilities.

| At 30 June 2016                           | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|------------------|-----------------------|-----------------------|--------------|
| Trade payables from exchange transactions | 13 719 917       | -                     | -                     | -            |
| Finance lease obligation                  | 9 528            | 4 617                 | -                     | -            |
| Operating lease liability                 | 17 382           | -                     | -                     | -            |

| At 30 June 2015                           | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|------------------|-----------------------|-----------------------|--------------|
| Trade payables from exchange transactions | 6 470 992        | -                     | -                     | -            |
| Finance lease obligation                  | 38 425           | 1 743                 | -                     | -            |
| Operating lease liability                 | 9 237            | -                     | -                     | -            |

#### Credit risk

Credit risk consists mainly of cash and cash equivalents. The municipality only deposits cash with multiple banks, limiting exposure to any one counter-party.

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

|  |             |             |
|--|-------------|-------------|
| <b>Financial assets at amortised cost</b>    | <b>2016</b> | <b>2015</b> |
| Other receivables from exchange transactions | 11 912 995  | 9 623 574   |
| Trade receivables from exchange transactions | 2 347 233   | -           |
| Cash and cash equivalents                    | 569 983 713 | 504 118 478 |

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

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|-----------------|------|------|
|-----------------|------|------|

### 34. Financial Instruments (continued)

#### 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 2016 (2015: R nil). The average interest rates on investments was 7.43% (2015: 6.71%). The Municipality invest with multiple banks with varying interest rates linked to the prime rate.

#### Market risk

It is the risk that changes in market prices such as foreign currency exchange rates and interest rates will affect the municipality's projected income. The municipality does not hold any assets that are impacted by changes in the market.

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

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

### 35. Foreign Currency

|  |   |      |
|--|---|------|
| Unrealised loss on foreign currency transactions | - | (98) |
|--|---|------|

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

### 36. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had accumulated surplus of R 526 028 721 (2015: R477 135 208 and that the municipality's total assets exceed its liabilities by R 628 767 273 (2015: R582 986 506).

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 dependent on Government Grants, including the Equitable share, for approximately 58% of the Municipality's revenue. In addition, Provincial Allocations, including the rendering of Agency Services & Public Contributions account for a further 30%.

### 37. Unauthorised expenditure

#### Reconciliation of Unauthorised expenditure

|  |          |          |
|--|----------|----------|
| Opening balance  | -        | -        |
| Approved by Council or condoned                        | -        | -        |
|  | -        | -        |
| <b>Unauthorised expenditure awaiting authorisation</b> | <b>-</b> | <b>-</b> |

### 38. Fruitless and wasteful expenditure

#### Reconciliation of Fruitless and wasteful expenditure

|   |          |          |
|---|----------|----------|
| Opening balance   | -        | -        |
| Fruitless and wasteful expenditure awaiting investigation by MPAC | -        | -        |
| Approved by Council   | -        | -        |
| <b>Fruitless and wasteful expenditure awaiting approval</b>       | <b>-</b> | <b>-</b> |



# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand  | 2016  | 2015         |
|--|---|--------------|
| <b>39. Irregular expenditure</b>   |   |              |
| Opening balance  | -   | 16 750       |
| Irregular expenditure awaiting investigation by MPAC   | -   | -            |
| Amounts established as irrecoverable and written-off   | -   | (16 750)     |
| Amounts recoverable  | -   | -            |
| Amounts not recoverable  | -   | -            |
|  | -   | -            |
|  | -   | -            |
| <b>Details of irregular expenditure</b>  | <b>Disciplinary steps taken/<br/>criminal proceedings</b>   |              |
| 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) | 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)     |
| <b>40. Additional disclosure in terms of Municipal Finance Management Act</b>  |   |              |
| <b>Contributions to organised local government</b>   |   |              |
| Current year subscription / fee  | 1 896 066   | 1 682 904    |
| Amount paid - current year   | (1 801 263)   | (1 556 686)  |
| Discount received 2016: (5%) 2015:(7.5%)   | (94 803)  | (126 218)    |
|  | -   | -            |
|  | -   | -            |
| <b>Audit fees</b>  |   |              |
| Current year audit fee: Auditor General  | 2 310 176   | 2 969 160    |
| Current year audit fee: Audit committee  | 98 552  | 91 706       |
| Amount paid - current year   | (2 407 189)   | (3 052 655)  |
|  | <b>1 539</b>  | <b>8 211</b> |
|  | <b>1 539</b>  | <b>8 211</b> |
| <b>PAYE, UIF and SDL</b>   |   |              |
| Current year payroll deductions  | (25 623 794)  | (22 187 069) |
| Amount paid - current year   | 25 623 794  | 22 187 069   |
|  | -   | -            |
|  | -   | -            |
| <b>Pension and Medical Aid Deductions</b>  |   |              |
| Current year payroll deductions  | (49 685 687)  | (46 336 635) |
| Amount paid - current year   | 49 685 687  | 46 336 635   |
|  | -   | -            |
|  | -   | -            |
| Included in medical aid deductions are amounts paid in terms of post employment obligations.   |   |              |
| <b>VAT</b>   |   |              |
| VAT receivable   | 4 383 748   | 1 371 244    |
|  | 4 383 748   | 1 371 244    |
|  | 4 383 748   | 1 371 244    |

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

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

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

#### Councillors' arrear consumer accounts

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 as well as the termination and resignation of councillors.

| 30 June 2016                             | Outstanding<br>less than 90<br>days<br>R | Outstanding<br>more than 90<br>days<br>R | Total<br>R    |
|--|--|--|---------------|
| Cllr P. Heradien (resigned 10/12/2014)   | -  | 10 315                                   | 10 315        |
| Cllr J.S. Mouton                         | -  | 11 359                                   | 11 359        |
| Cllr M. Appollis (terminated 08/07/2015) | -  | 4 286                                    | 4 286         |
| Cllr. Mcako (resigned 29/06/2016)        | 1 138                                    | -  | 1 138         |
|  | <u>1 138</u>                             | <u>25 960</u>                            | <u>27 098</u> |

During July 2015 the Municipality was informed of Cllr Appollis' termination on 08 July 2016 resulting in the receivable.

During July 2016 the Municipality was informed of Cllr Mcako's resignation on 29 June 2016, resulting in the receivable.

All the other outstanding accounts have been handed over to our debt collectors during the 2015 / 2016 financial year and summons has been issued where possible to ensure the recovery of the said debt.

| 30 June 2015                           | Outstanding<br>less than 90<br>days<br>R | Outstanding<br>more than 90<br>days<br>R | Total<br>R    |
|--|--|--|---------------|
| Cllr P. Heradien (resigned 10/12/2014) | 10 315                                   | -  | 10 315        |
| Cllr. J.S Mouton                       | 11 359                                   | -  | 11 359        |
|  | <u>21 674</u>                            | <u>-</u>                                 | <u>21 674</u> |

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

#### 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.**

2016: No 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 2015/2016 year.

2015: Two 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 2014/2015 financial year.

#### Incident

|  |          |                |
|--|----------|----------------|
| 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         |
|  | <u>-</u> | <u>100 937</u> |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

### 40. 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.

### 41. Reconciliation between budget and annual financial statements

Reconciliation of variances between budget statement and the approved budget.

#### Statement of financial performance

|   |                    |          |
|---|--------------------|----------|
| Total transfers revenue(Amount as per budget statement) | 229 577 792        | -        |
| Upgrade of rural roads                                  | (381 002)          | -        |
| Public contributions and donations                      | (21 750)           | -        |
|   | <u>229 175 040</u> | <u>-</u> |

Upgrade of rural roads and public contributions and donations was mapped from Income from exchange to income from non-exchange transactions to adhere to the standards of GRAP..

|  |                  |          |
|--|------------------|----------|
| Other revenue (Amount as per budget statement) | 2 492 610        | -        |
| Contribution to private land owners            | (1 000 000)      | -        |
| <b>Amount as per final approved budget</b>     | <u>1 492 610</u> | <u>-</u> |

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

|  |                  |          |
|--|------------------|----------|
| Contribution to Private Land Owners        | 1 000 000        | -        |
| Upgrade of rural roads                     | 381 002          | -        |
| Public contributions and donations         | 21 750           | -        |
| <b>Amount as per final approved budget</b> | <u>1 402 752</u> | <u>-</u> |

Upgrade of rural roads and public contributions and donations was mapped from Income from exchange to income from non-exchange transactions to adhere to the standards of GRAP.

|  |                |          |
|--|----------------|----------|
| Debt impairment (Amount as per budget statement) | 125 800        | -        |
| Debt impairment                                  | 114 000        | -        |
| <b>Amount as per final approved budget</b>       | <u>239 800</u> | <u>-</u> |

The provision of funds for debt impairment 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.

|   |                   |          |
|---|-------------------|----------|
| Depreciation (Amount as per budget statement) | 9 700 550         | -        |
| Depreciation                                  | 395 610           | -        |
| <b>Amount as per final approved budget</b>    | <u>10 096 160</u> | <u>-</u> |

The general expenses appropriation experienced savings due to various reasons and a decision was then taken to appropriate these savings to depreciation due to the under-budgeting thereon

|   |                |          |
|---|----------------|----------|
| Lease rentals on operating lease (Amount as per budget statement) | -              | -        |
| Lease rentals on operating lease                                  | 471 480        | -        |
| <b>Amount as per final approved budget</b>                        | <u>471 480</u> | <u>-</u> |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

|                 |      |      |
|-----------------|------|------|
| Figures in Rand | 2016 | 2015 |
|-----------------|------|------|

### 41. Reconciliation between budget and annual financial statements (continued)

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

|  |                   |   |
|--|-------------------|---|
| Repairs and Maintenance (Amount as per budget statement) | -                 | - |
| Repairs and Maintenance                                  | 63 085 780        | - |
| <b>Amount as per final approved budget</b>               | <b>63 085 780</b> | - |

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

|   |                    |   |
|---|--------------------|---|
| General Expenses (Amount as per Budget Statement) | 189 595 706        | - |
| Repairs and Maintenance                           | (63 085 780)       | - |
| Lease rentals on operating lease                  | (471 480)          | - |
| Inventories Losses / Write Downs                  | (306 000)          | - |
| Loss on disposal of PPE                           | (2 716 540)        | - |
| Bad debt written off                              | (114 000)          | - |
| Depreciation                                      | (395 610)          | - |
| <b>Amount as per final approved budget</b>        | <b>122 506 296</b> | - |

The general expenses appropriation experienced savings due to various reasons and a decision was then taken to appropriate these savings to Debt impairment, Depreciation and Loss on disposal of assets due to the under-budgeting thereon.

|   |                |   |
|---|----------------|---|
| Inventories Losses / Write Downs (Amount as per budget statement) | -              | - |
| Inventories Losses / Write Downs                                  | 306 000        | - |
| <b>Amount as per final approved budget</b>                        | <b>306 000</b> | - |

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

|   |                  |   |
|---|------------------|---|
| Loss on disposal of assets and liabilities (Amount as per budget statement) | 209 860          | - |
| Loss on disposal of assets and liabilities                                  | 2 716 540        | - |
| <b>Amount as per final approved budget</b>                                  | <b>2 926 400</b> | - |

The general expenses appropriation experienced savings due to various reasons and a decision was then taken to appropriate these savings to loss on disposal of assets due to the under-budgeting thereon

### Statement of financial position

|  |                  |   |
|--|------------------|---|
| Trade and other payables from exchange transactions (Amount as per budget statement) | 11 000 000       | - |
| Unspent conditional grants   | (4 000 000)      | - |
| <b>Amount as per final approved budget</b>   | <b>7 000 000</b> | - |

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                                  | 4 000 000        | - |
| <b>Amount as per final approved budget</b>                  | <b>4 000 000</b> | - |

|  |                    |   |
|--|--------------------|---|
| Revaluation reserve (Amount as per budget statement) | 102 459 654        | - |
| Capital Replacement Reserve                          | 78 829 019         | - |
| <b>Amount as per final approved budget</b>           | <b>181 288 673</b> | - |

Capital Replacement Reserve was remapped to adhere to the standards of GRAP

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

### 41. Reconciliation between budget and annual financial statements (continued)

#### Cashflow statement

|  |               |          |
|--|---------------|----------|
| Suppliers and Employees (Amount as per budget statement) | 380 242 298   | -        |
| Remuneration to councillors                              | (11 853 220)  | -        |
| Suppliers  | (179 975 342) | -        |
| Employee Cost  | (188 413 736) | -        |
| <b>Amount as per final approved budget</b>               | <b>-</b>      | <b>-</b> |

Remuneration to councillors, Employee cost and Suppliers was remapped to adhere to the standards of GRAP.

|  |                    |          |
|--|--------------------|----------|
| Employee cost (Amount as per budget statement) | -                  | -        |
| Employee cost                                  | 188 413 736        | -        |
| <b>Amount as per final approved budget</b>     | <b>188 413 736</b> | <b>-</b> |

Employee cost was remapped to adhere to the standards of GRAP.

|  |                   |          |
|--|-------------------|----------|
| Remuneration of councillors (Amount as per budget statement) | -                 | -        |
| Remuneration of councillors                                  | 11 853 220        | -        |
| <b>Amount as per final approved budget</b>                   | <b>11 853 220</b> | <b>-</b> |

Remuneration of councillors was remapped to adhere to the standards of GRAP.

|  |                    |          |
|--|--------------------|----------|
| Suppliers (Amount as per budget statement) | -                  | -        |
| Suppliers                                  | 179 975 342        | -        |
| <b>Amount as per final approved budget</b> | <b>179 975 342</b> | <b>-</b> |

Suppliers was remapped to adhere to the standards of GRAP.

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

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

| 2016      | Total Value       | Emergency | Sole Supplier/<br>Agent | Impractical | Impossible |
|-----------|-------------------|-----------|-------------------------|-------------|------------|
| July      | 1 700 322         | -         | 28                      | 112         | -          |
| August    | 2 798 877         | 2         | 37                      | 50          | -          |
| September | 1 597 314         | 3         | 45                      | 85          | -          |
| October   | 1 336 714         | -         | 22                      | 74          | -          |
| November  | 1 665 119         | -         | 44                      | 68          | -          |
| December  | 959 897           | 1         | 7                       | 55          | -          |
| January   | 657 556           | 2         | 8                       | 55          | -          |
| February  | 948 465           | -         | 4                       | 46          | -          |
| March     | 803 820           | -         | 11                      | 39          | -          |
| April     | 580 605           | -         | 12                      | 39          | -          |
| May       | 450 045           | -         | 20                      | 18          | -          |
| June      | 1 999 972         | -         | 3                       | 128         | -          |
|           | <b>15 498 706</b> | <b>8</b>  | <b>241</b>              | <b>769</b>  | <b>-</b>   |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

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

| 2015      | Total Value       | Emergency | Sole Supplier/<br>Agent | Impractical | Impossible |
|-----------|-------------------|-----------|-------------------------|-------------|------------|
| July      | 1 945 435         | -         | 45                      | 89          | -          |
| August    | 655 415           | -         | 41                      | 20          | -          |
| September | 1 833 808         | -         | 66                      | 83          | -          |
| October   | 1 719 853         | 1         | 50                      | 21          | -          |
| November  | 1 190 961         | -         | 68                      | 77          | -          |
| December  | 864 895           | 1         | 16                      | 62          | -          |
| January   | 1 874 575         | 2         | 27                      | 80          | -          |
| February  | 1 131 035         | -         | 51                      | 49          | -          |
| March     | 1 874 844         | -         | 47                      | 121         | -          |
| April     | 1 246 645         | -         | 29                      | 71          | -          |
| May       | 1 546 804         | -         | 24                      | 82          | -          |
| June      | 2 275 411         | -         | 33                      | 109         | -          |
|           | <b>18 159 681</b> | <b>4</b>  | <b>497</b>              | <b>864</b>  | <b>-</b>   |

An amount of R 9,1 million relating to contracts and agreements entered into before the inception of the Supply Chain Management Policy of the Municipality was omitted from the relevant deviation disclosure in the 2014/2015 financial year due to a misperception that the contracts relating to the said expenditure does not constitute deviations. However, at a SCM Forum held in May 2016, the Auditor General clarified this misperception to indicate that irrespective of the legality of such contracts, the award remains a deviation.

**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.

| Supplier                          | Relationship            | Organ of State/<br>Municipality                       | 2016    | 2015    |
|-----------------------------------|-------------------------|---|---------|---------|
| AE Human t/a Astra Catering       | Child                   | CWDM - L<br>Burger<br>Municipal<br>Health<br>Services | 241 045 | 104 958 |
| Altimax (Pty) Ltd                 | Spouse                  | Department of<br>Higher<br>Education and<br>Training  | 36 480  | 557 400 |
| Ajee Consultancy CC               | Spouse                  | South African<br>Police Service                       | 35 455  | 45 515  |
| Aurecon South Africa (Pty) Ltd    | Spouse                  | Various<br>relationships to<br>owner                  | 272 278 | 511 722 |
| BK Enterprises                    | Spouse                  | Department of<br>Agriculture                          | 15 400  | 14 400  |
| CE Minnaar t/a Exquisite High Tea | Son/ Daughter<br>in law | CWDM -<br>C.Roland:<br>Financial<br>Services          | 105 749 | 84 860  |
| Creative Minds Worcester          | Spouse                  | Western Cape<br>Education<br>Department               | -       | 30 232  |
| D Uren Vibracrete                 | Child                   | Drakenstein<br>Municipality -<br>Z.Ajam               | -       | 27 420  |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

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| Figures in Rand   |                 |   | 2016       | 2015         |
|---|-----------------|---|------------|--------------|
| <b>42. Disclosures in terms of the Municipal Supply Chain Management Regulations- promulgated by Government Gazette 27636 dated 30 May 2005 (continued)</b> |                 |   |            |              |
| Essential Office Supplies CC  | Spouse          | Western Cape Education Department                   | 6 119      | -            |
| JC De Wet   | Brother/ Sister | CWDM - F.van Schalkwyk: Municipal Health Services   | -          | 464          |
| J Walters t/a JC Travel   | Spouse          | Western Cape Education Department                   | 30 600     | 42 200       |
| JC Refrigeration Cape CC  | Spouse          | South African Police Service                        | 7 797      | 207 335      |
| KR Jansen Bouers  | Spouse          | Western Cape Education Department                   | -          | 14 527       |
| Kleinplasia Restaurant  | Spouse          | CWDM - Johan Botha: Municipal Health Services       | 1 200      | 29 688       |
| Lumber & Lawn (Pty) Ltd   | Spouse          | Western Cape Education Department                   | 22 232     | 88 875       |
| M & N Bakwerke CC   | Borther/ Sister | CWDM - E.Niemand: Financial Services                | 50 305     | 10 278       |
| Mas Catering  | Spouse          | Correctional Services - Hawequa Prison              | -          | 2 250        |
| Moreson Grondverskuiwers Bk   | Child           | Department of Health                                | 11 516 130 | 3 217 073    |
| Mubesko Africa CC   | Spouse          | Department of Health                                | 39 052     | 401 850      |
| Pestec CC   | Spouse          | Department of Health                                | 3 591      | -            |
| Piston Power Chemicals CC   | Spouse          | Western Cape Education Department                   | 150 056    | 248 093      |
| Safetech  | Spouse          | City of Cape Town                                   | -          | 72 390       |
| SMEC South Africa (Pty) Ltd   | Spouse          | Y Phosa - MEC: Economic Development                 | 127 680    | 88 920       |
| Solomon Funerals Sulaiman Pietersen   | Spouse Parent   | Not Specified Drakenstein Municipality - Councillor | 1 500 -    | 7 500 76 928 |
| TB Van Der Merwe t/a VDM Busdiens   | Child           | South African Police Service                        | 35 600     | 111 100      |
| The Business Zone 932 CC t/a JLM24 Service  | Spouse          | Western Cape Education Department                   | 40 679     | 19 742       |
| Vallei Auto Herstelwerke (Pty) Ltd  | Child           | CWDM - J Mostert: Roads Division                    | 53 331     | 50 981       |

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

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| Figures in Rand   |        |   | 2016              | 2015             |
|---|--------|---|-------------------|------------------|
| <b>42. Disclosures in terms of the Municipal Supply Chain Management Regulations- promulgated by Government Gazette 27636 dated 30 May 2005 (continued)</b> |        |   |                   |                  |
| Valley Funerals   | Spouse | Western Cape Education Department           | 12 000            | 13 500           |
| While It's Day  | Spouse | National Jome Builders Registration Council | 1 820             | -                |
|   |        |   | <b>12 806 099</b> | <b>6 080 201</b> |

The particulars of the contract awarded to Moreson Grondverskuiwers BK were omitted from the 2014/2015 financial year disclosure due to the fact that the said service provider did not complete such required particulars on the relevant declaration form. The 2015 amount is restated to correct the said omission.

### 43. Commitments

#### Commitments in respect of capital expenditure

##### Approved and contracted for

|                                  |                  |          |
|----------------------------------|------------------|----------|
| • Property, plant and equipment  | 2 498 177        | -        |
| <b>Total capital commitments</b> | <b>2 498 177</b> | <b>-</b> |

The capital commitment relates to the late delivery of the IVECO Trakker 380 chassis - tender no 2015/060.

The production scheduling in Italy was affected by the fact the European countries are converting from Euro 5 to Euro 6 fuel in June 2016. This meant that the demand for Euro 5 units to be supplied before the deadline, increased beyond available production capacity causing allocation of production slots to be pushed out.

### 44. Contingencies

#### Contingent liabilities

(i) 2016: The status of the delictual claim for damages in the amount of R451 000 remains the same as reported on in the previous year. Specifically that at the pre-trial conference it was decided that the matter be transferred from the High Court to the Magistrate's Court with the effect that the potential liability of the Municipality is reduced to approximately R100 000. The said process is currently pending.

*(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.)*

(ii) 2016: The status of the summons for damages caused by a veldfire that occurred on 7 January 2012 at the Calabash property in Wellington from MTO Forestry against the Municipality as second defendant together with 10 other defendants remains the same as reported on in the previous year. 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. The disclosure of the value of the latter is not possible as it is not practicable to provide an estimate of the financial effect, measured by using the principles set out for provisions.

*(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.)*



# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
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### 44. Contingencies (continued)

(iii) 2016: The status of the Claim received from Kemp, Nabal & Associates on 29 April 2015 in respect of the matter: Mariska Cordy/Cape Winelands District Municipality/Stellenbosch Municipality remains the same as reported on in the previous year. 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. 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.

*(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) 2016: The status of the 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 remains the same as reported on in the previous year. 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.

*(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 35 insurance claims that was not concluded at 30 June 2016. The claims are not specific to the 2015/2016 financial year.

*(The Municipality is still awaiting the outcome of 21 insurance claims that was not concluded at 30 June 2015. The claims are not specific)*

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.

### 45. 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 and Planning Services ( C.V. Schroeder)

Executive Director: Technical Services ( F.A. van Eck)

Ald. C.A. De Bruyn (Executive Mayor)

Cllr. C. Meyer (Speaker)

Cllr. H.M. Jansen (Deputy Executive Mayor)

Ald. (Dr.) N.E. Kahlberg

Cllr. R. B. Arnolds

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

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|-----------------|------|------|

### 45. Related parties (continued)

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 (terminated 08/07/2015)

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

Cllr. Z.L. Gwada

Cllr. N.D. Hani

Cllr. D.A. Hendrickse

Cllr. D.B. Janse

Cllr. X. Kalipa

Cllr. B.J. Kriegler

Cllr. P. Marran

Cllr. J. Matthee

Cllr. C. Mcako (resigned 29/06/2016)

Cllr. J.K. Hendriks

Cllr. L.W. Niehaus

Cllr. S.W. Nyamana

Cllr. S. Ross

Cllr. L.N. Sikwamisa

Cllr. G. Stalmeester

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

| Figures in Rand | 2016 | 2015 |
|-----------------|------|------|
|-----------------|------|------|

### 45. Related parties (continued)

Cllr. M.S. Tayitayi

Cllr. J.D.F. Van Zyl

Cllr. M.H. Yabo

Cllr. CC van der Westhuizen (appointed 01/10/2015)

Cllr. A.F. Africa

Cllr. E.S.C. Matjan

The salaries and remuneration of key management and councillors are disclosed in notes 24 & 25 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 organisational structure, staff establishment and cost of employment is agreed to by both parties and funds are made available to maintain the approved organogram; hence partly utilised to fund the Municipality's employee costs responsible for the execution of the roads function.

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

### Related party transactions

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

Cllr (Dr) H Von Schlicht serves as a Director from 21 October 2010 at Hugenate College. Cllr (Dr) H von Schlicht has been designated by the Executive Mayor to serve on the Mayoral Bursary Fund Committee which has been established in order to ensure efficiency and transparency. As a member of the Mayoral Bursary Fund Committee her role was to, together with the other Mayoral Bursary Fund Committee members, assess and evaluate the list of bursary applications in terms of the Mayoral Bursary Fund policy and to make bursary award recommendations to the Executive Mayor for final approval as well as also to evaluate the progress and performance of students. Payments in respect of Mayoral bursary fund allocations was made to a Service Provider of the Municipality, Hugenate College.

|   |          |   |
|---|----------|---|
| Opening balance   | -        | - |
| Allocation to Hugenate College on behalf of beneficiaries | 36 000   | - |
| Payments made to Hugenate College                         | (36 000) | - |
| Outstanding balance                                       | -        | - |

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.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

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Figures in Rand

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### 46. 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

##### Assets

##### Current Assets

##### Cash and Cash Equivalents

Investments and return on investments were much higher than anticipated due to increased interest rates and the realisation of a surplus.

##### 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.

##### Inventories

The variance is due to the fact that the Municipality effected saving measures on the use of stores consumables.

##### Vat receivable

SARS conducted a VAT audit that was only finalised after year end hence no VAT claims was paid to the municipality as expected.

##### Employee benefit: 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 are 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 receivable. The actuarial valuation was less than anticipated.

##### Non-Current Assets

##### Property, plant and equipment

The variance is due to the fact that only 43% of the capital budget realised as a result of non-responsive bids as well as time constraints. Many of the fire fighting equipment is specialised and can only be purchased abroad resulting in unforeseen delays. Savings, as a result of the Input Vat claimed on acquisitions also contributed to the said underspending.

##### Intangible Assets

The acquisition of software cost was more than anticipated.

##### Employee benefit: 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 are 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 receivable. The actuarial valuation was less than anticipated.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

### 46. Actual operating expenditure versus budgeted operating expenditure (continued)

#### Liabilities

##### Current Liabilities

##### Finance lease obligation

Anticipated policy changes were effected, however the effect of the phase out of the current policy were not considered in the budget process. The municipality is phasing out the use of cellphone contracts and replacing it with cellphone allowances. The effect of the phase out will reflect going forward.

##### Unspent Conditional Grants

The Municipality made use of past trends and this led to under estimation on Unspent Conditional Grants. Additional funds were received in the second half of the year and a large amount relate to multi year projects.

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

Additional provision was made for the Roads Agency payable 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 to the financial year end. This was not the case during the 2015/2016 financial year and resulted in an over appropriation.

##### Employee Benefits

The Calculation that is made for the Future Medical Liability, Ex Gratia Pension and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end.

##### Non-Current Liabilities

##### Finance lease obligation

Refer to comment above

##### Operating lease liability

The budget preparation did not consider operating leases.

##### Employee Benefits

The Calculation that is made for the Future Medical Liability, Ex Gratia Pension and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end.

##### Net Assets

##### Revaluation Reserve

Variance as a result of the prior period error on the revaluation of PPE.

##### Accumulated Surplus

Variance as result of savings on employee related cost as well as general expenditure. Actuarial gain significantly more than anticipated.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

### 46. Actual operating expenditure versus budgeted operating expenditure (continued)

#### Statement of Financial Performance

##### Revenue from exchange transactions

##### Service Charges

Service Charges mainly relate to fire fighting service accounts. During the 2015/2016 financial year the Cape Winelands District experienced an abnormal fire season resulting in increased service charges.

##### Rental of Facilities and Equipment

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

##### Agency Services

Funds is transferred from Provincial Government only after the municipality has submitted claims. Additional funding was received in February and due to time constraints the municipality was unable to spend all the funds; hence the under spending.

##### Other Income

Other Income mainly consists of Income the Municipality does not have control over, hence cannot be accurately projected. The Income consists of various sources such as insurance income, municipal health income, solar panels (farms) etc.

##### Interest received - investment

During the 2015/2016 financial year approximately 85% of the budget was spent. This resulted in more funds being available for investing during the year which increased finance income. In addition interest rate increases were a further contributing factor.

##### Revenue from non-exchange transactions

##### Transfer revenue

##### Government Grants and Subsidies

The variance relates to multi year projects that have been rolled-over to the 2016/2017 financial year.

##### Public Contributions and Donations

Less funding were received from private land owners for the installation of solar warmwater units than budgeted for.

##### Expenditure

##### Employee Related Cost

A large portion of the variance relates to interest allocated in respect of future liabilities and service cost in respect of medical aid liabilities which is a complex calculation that cannot always be accurately estimated. Vacancies in respect of the Roads function vacancies were only filled towards the end of the year. Furthermore, the recovery of future medical aid contributions from Province was set off against the concomitant receivable.

##### Remuneration of Councillors

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

##### Depreciation and Amortisation

The variance in depreciation is due to the fact that only 43% of the Capital budget for 2015/2016 realised.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

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### 46. Actual operating expenditure versus budgeted operating expenditure (continued)

#### 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.

#### Lease rentals on operating lease

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

#### Debt Impairment

Due to the inability to collect all fire fighting accounts the municipality had to impair a large number of fire fighting accounts.

#### Repairs and Maintenance

Additional funds were received in the second half of the year for the Roads function which resulted in underspending.

#### General Expenses

This expenditure category consists of various items. A large portion of the expenditure is classified as projects, and reflects a saving of R3.8 million. Due to grant funding received in the latter part of the year and non-responsive bids R6.6 million will be rolled over to the next financial year. Additional R2million areal fighting expenditure that was anticipated was not incurred due to unexpected rains. VAT claimed on expenditure further added to this underspending.

#### Cashflow statement

##### Sale of goods and services

Refer to reasons provided above.

##### Grants

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.

# Cape Winelands District Municipality

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

### 46. Actual operating expenditure versus budgeted operating expenditure (continued)

#### Proceeds on sale of assets

Refer to reasons provided above.

#### Purchase of Intangible assets

Refer to reasons provided above.

#### Finance lease payments

Refer to reasons provided above.

### 47. Prior period comparative note

In the previous financial year certain expenditure items included in other expenditure as per subnote other expenditure, have been reallocated within general expenditure to better reflect the nature of such expenses.

This change does not represent a change in accounting policy, correction of error or reclassification.

The following items were previously included in other expenditure:

|                                     |   |                  |
|-------------------------------------|---|------------------|
| Emergency aid                       | - | 32 502           |
| Cash handling                       | - | 48 627           |
| Year- end function                  | - | 74 316           |
| Supplier verification               | - | 40 625           |
| Program changes                     | - | 51 372           |
| Stakeholder workshops               | - | 125 495          |
| Website development and maintenance | - | 60 000           |
| Disciplinary hearings               | - | 159 569          |
| Community development workers       | - | 120 784          |
| ID campaign                         | - | 24 430           |
| Pool championship                   | - | 120 000          |
| Cape Winelands biosphere reserve    | - | 150 000          |
| Workshops                           | - | 97 055           |
| Contribution; Academy of learning   | - | 21 460           |
| Hiring of Sandhills toilets         | - | 352 779          |
| IDP project                         | - | 63 788           |
| Video/ DVD                          | - | 46 200           |
| Trade Union (Imatu)                 | - | 40 477           |
| Trade Union (SAMWU)                 | - | 48 279           |
| Trade Union: Representation         | - | 38 587           |
| Other expenses                      | - | 255 378          |
|                                     | - | <b>1 971 723</b> |



## DC2 Cape Winelands DM - Reconciliation of Table A1 Budget Summary

## Annexure A

| Description  | 2015/16         |   |                          |                |                          |                 |                                     | 2014/15                                |                                   |   |                         |                          |
|--|-----------------|---|--------------------------|----------------|--------------------------|-----------------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
|  | Original Budget | Budget Adjustments<br>(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                       |
| <b>R thousands</b>   |                 |   |                          |                |                          |                 |                                     |  |                                   |   |                         |                          |
| <b>Financial Performance</b>   |                 |   |                          |                |                          |                 |                                     |  |                                   |   |                         |                          |
| Property rates   | -               | -                                       | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         | -                        |
| Service charges  | 165             | -                                       | 165                      | 2 503          |                          | 2 338           | 1518.9%                             | 1518.9%                                |                                   |   |                         | -                        |
| Investment revenue   | 34 960          | (415)                                   | 34 545                   | 43 014         |                          | 8 469           | 124.5%                              | 123.0%                                 |                                   |   |                         | -                        |
| Transfers recognised - operational                                   | 226 448         | 3 130                                   | 229 578                  | 222 733        |                          | (6 845)         | 97.0%                               | 98.4%                                  |                                   |   |                         | -                        |
| Other own revenue  | 106 716         | 28 924                                  | 135 640                  | 118 383        |                          | (17 257)        | 87.3%                               | 110.9%                                 |                                   |   |                         | -                        |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>368 289</b>  | <b>31 639</b>                           | <b>399 927</b>           | <b>386 633</b> |                          | <b>(13 294)</b> | <b>96.7%</b>                        | <b>105.0%</b>                          |                                   |   |                         | -                        |
| Employee costs   | 184 950         | 3 464                                   | 188 414                  | 155 554        |                          | (32 859)        | 82.6%                               | 84.1%                                  |                                   |   |                         | -                        |
| Remuneration of councillors  | 11 947          | (94)                                    | 11 853                   | 10 779         |                          | (1 074)         | 90.9%                               | 90.2%                                  |                                   |   |                         | -                        |
| Debt impairment  | 126             | 114                                     | 240                      | 240            |                          | (0)             | 99.9%                               | 190.5%                                 |                                   |   |                         | -                        |
| Depreciation & asset impairment                                      | 7 983           | 2 113                                   | 10 096                   | 9 886          |                          | (210)           | 97.9%                               | 123.8%                                 |                                   |   |                         | -                        |
| Finance charges  | 29              | -                                       | 29                       | 2              |                          | (26)            | 7.8%                                | 7.8%                                   |                                   |   |                         | -                        |
| Materials and bulk purchases   | -               | -                                       | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         | -                        |
| Transfers and grants   | -               | -                                       | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         | -                        |
| Other expenditure  | 163 254         | 26 042                                  | 189 296                  | 164 391        |                          | (24 905)        | 86.8%                               | 100.7%                                 |                                   |   |                         | -                        |
| <b>Total Expenditure</b>   | <b>368 289</b>  | <b>31 639</b>                           | <b>399 927</b>           | <b>340 852</b> |                          | <b>(59 075)</b> | <b>85.2%</b>                        | <b>92.6%</b>                           |                                   |   |                         | -                        |
| <b>Surplus/(Deficit)</b>   | <b>-</b>        | <b>-</b>                                | <b>-</b>                 | <b>45 781</b>  |                          | <b>45 781</b>   | <b>-</b>                            | <b>-</b>                               |                                   |   |                         | -                        |
| Transfers recognised - capital                                       | -               | -                                       | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         | -                        |
| Contributions recognised - capital & contributed assets              | -               | -                                       | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         | -                        |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b> | <b>-</b>        | <b>-</b>                                | <b>-</b>                 | <b>45 781</b>  |                          | <b>45 781</b>   | <b>-</b>                            | <b>-</b>                               |                                   |   |                         | -                        |
| Share of surplus/ (deficit) of associate                             | -               | -                                       | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         | -                        |
| <b>Surplus/(Deficit) for the year</b>                                | <b>-</b>        | <b>-</b>                                | <b>-</b>                 | <b>45 781</b>  |                          | <b>45 781</b>   | <b>-</b>                            | <b>-</b>                               |                                   |   |                         | -                        |
| <b>Capital expenditure &amp; funds sources</b>                       |                 |   |                          |                |                          |                 |                                     |  |                                   |   |                         |                          |
| <b>Capital expenditure</b>   |                 |   |                          |                |                          |                 |                                     |  |                                   |   |                         |                          |
| Transfers recognised - capital                                       | 1 104           | 246                                     | 1 350                    | 419            |                          | (931)           | 31.0%                               | 37.9%                                  |                                   |   |                         | -                        |
| Public contributions & donations                                     | -               | -                                       | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         | -                        |
| Borrowing  | -               | -                                       | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         | -                        |
| Internally generated funds   | 17 085          | (7 418)                                 | 9 667                    | 4 339          |                          | (5 328)         | 44.9%                               | 25.4%                                  |                                   |   |                         | -                        |
| <b>Total sources of capital funds</b>                                | <b>18 189</b>   | <b>(7 172)</b>                          | <b>11 017</b>            | <b>4 758</b>   |                          | <b>(6 259)</b>  | <b>43.2%</b>                        | <b>26.2%</b>                           |                                   |   |                         | -                        |
| <b>Cash flows</b>  |                 |   |                          |                |                          |                 |                                     |  |                                   |   |                         |                          |
| Net cash from (used) operating                                       | 8 109           | 13 270                                  | 21 379                   | 70 638         |                          | 49 259          | 330.4%                              | 871.1%                                 |                                   |   |                         | -                        |
| Net cash from (used) investing                                       | (18 189)        | 7 172                                   | (11 017)                 | (4 744)        |                          | 6 273           | 43.1%                               | 26.1%                                  |                                   |   |                         | -                        |
| Net cash from (used) financing                                       | -               | -                                       | -                        | (28)           |                          | (28)            | #DIV/0!                             | #DIV/0!                                |                                   |   |                         | -                        |
| <b>Cash/cash equivalents at the year end</b>                         | <b>462 016</b>  | <b>20 442</b>                           | <b>482 457</b>           | <b>569 984</b> |                          | <b>87 526</b>   | <b>118.1%</b>                       | <b>123.4%</b>                          |                                   |   |                         | -                        |

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

| Description                                | 2015/16         |                                      |                          |                |                          |   |                                     |  | 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 | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| R thousand                                 | 1               | 2                                    | 3                        | 4              | 5                        | 6   | 7                                   | 8                                      | 9                                 | 10  | 11                      | 12                       |
| <b>Revenue - Standard</b>                  |                 |                                      |                          |                |                          |   |                                     |  |                                   |   |                         |                          |
| <i>Governance and administration</i>       | 254 938         | 1 968                                | 256 906                  | 263 934        |                          | 7 028   | 102.7%                              | 103.5%                                 |                                   |   |                         | -                        |
| Executive and council                      | 41 167          | (415)                                | 40 752                   | 49 603         |                          | 8 851   | 121.7%                              | 120.5%                                 |                                   |   |                         |                          |
| Budget and treasury office                 | 213 272         | 2 006                                | 215 278                  | 213 705        |                          | (1 574)   | 99.3%                               | 100.2%                                 |                                   |   |                         |                          |
| Corporate services                         | 498             | 377                                  | 876                      | 627            |                          | (249)   | 71.6%                               | 125.7%                                 |                                   |   |                         |                          |
| <i>Community and public safety</i>         | 6 013           | (160)                                | 5 853                    | 5 387          |                          | (466)   | 92.0%                               | 89.6%                                  |                                   |   |                         | -                        |
| Community and social services              | 72              | 19                                   | 91                       | 49             |                          | (43)  | 53.5%                               | 67.8%                                  |                                   |   |                         |                          |
| Sport and recreation                       | -               | -                                    | -                        | -              |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Public safety                              | 175             | -                                    | 175                      | 2 503          |                          | 2 328   | 1429.6%                             | 1429.6%                                |                                   |   |                         |                          |
| Housing                                    | 5 526           | (229)                                | 5 297                    | 2 493          |                          | (2 804)   | 47.1%                               | 45.1%                                  |                                   |   |                         |                          |
| Health                                     | 239             | 50                                   | 289                      | 342            |                          | 53  | 118.4%                              | 143.1%                                 |                                   |   |                         |                          |
| <i>Economic and environmental services</i> | 107 315         | 29 700                               | 137 015                  | 118 940        |                          | (18 075)  | 86.8%                               | 110.8%                                 |                                   |   |                         | -                        |
| Planning and development                   | 1 343           | -                                    | 1 343                    | 986            |                          | (357)   | 73.4%                               | 73.4%                                  |                                   |   |                         |                          |
| Road transport                             | 101 859         | 29 700                               | 131 559                  | 115 919        |                          | (15 641)  | 88.1%                               | 113.8%                                 |                                   |   |                         |                          |
| Environmental protection                   | 4 113           | -                                    | 4 113                    | 2 036          |                          | (2 078)   | 49.5%                               | 49.5%                                  |                                   |   |                         |                          |
| <i>Trading services</i>                    | -               | -                                    | -                        | -              |                          | -   | -                                   | -                                      |                                   |   |                         | -                        |
| Electricity                                | -               | -                                    | -                        | -              |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Water                                      | -               | -                                    | -                        | -              |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Waste water management                     | -               | -                                    | -                        | -              |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Waste management                           | -               | -                                    | -                        | -              |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| <i>Other</i>                               | 23              | 130                                  | 154                      | 163            |                          | 9   | 105.8%                              | 696.6%                                 |                                   |   |                         |                          |
| <b>Total Revenue - Standard</b>            | <b>368 289</b>  | <b>31 639</b>                        | <b>399 927</b>           | <b>388 424</b> |                          | <b>(11 504)</b>                                       | <b>97.1%</b>                        | <b>105.5%</b>                          |                                   |   |                         | <b>-</b>                 |
| <b>Expenditure - Standard</b>              |                 |                                      |                          |                |                          |   |                                     |  |                                   |   |                         |                          |
| <i>Governance and administration</i>       | 127 333         | (23 172)                             | 104 161                  | 82 943         | (21 218)                 | (21 218)  | 79.6%                               | 65.1%                                  | -                                 | -   | -                       | -                        |
| Executive and council                      | 39 162          | (3 973)                              | 35 189                   | 22 074         | (13 116)                 | (13 116)  | 62.7%                               | 56.4%                                  |                                   |   |                         |                          |
| Budget and treasury office                 | 24 636          | (295)                                | 24 340                   | 20 057         | (4 284)                  | (4 284)   | 82.4%                               | 81.4%                                  |                                   |   |                         |                          |
| Corporate services                         | 63 535          | (18 903)                             | 44 631                   | 40 813         | (3 819)                  | (3 819)   | 91.4%                               | 64.2%                                  |                                   |   |                         |                          |
| <i>Community and public safety</i>         | 119 431         | 13 032                               | 132 464                  | 115 929        | (16 535)                 | (16 535)  | 87.5%                               | 97.1%                                  |                                   |   |                         | -                        |
| Community and social services              | 13 085          | 4 155                                | 17 240                   | 14 758         | (2 482)                  | (2 482)   | 85.6%                               | 112.8%                                 |                                   |   |                         |                          |
| Sport and recreation                       | -               | -                                    | -                        | -              |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Public safety                              | 55 165          | 6 861                                | 62 026                   | 55 283         | (6 743)                  | (6 743)   | 89.1%                               | 100.2%                                 |                                   |   |                         |                          |
| Housing                                    | 18 100          | (2 214)                              | 15 886                   | 12 317         | (3 570)                  | (3 570)   | 77.5%                               | 68.0%                                  |                                   |   |                         |                          |
| Health                                     | 33 082          | 4 230                                | 37 311                   | 33 571         | (3 741)                  | (3 741)   | 90.0%                               | 101.5%                                 |                                   |   |                         |                          |
| <i>Economic and environmental services</i> | 116 463         | 41 243                               | 157 706                  | 138 280        | (19 426)                 | (19 426)  | 87.7%                               | 118.7%                                 |                                   |   |                         | -                        |
| Planning and development                   | 8 617           | 760                                  | 9 377                    | 8 493          | (884)                    | (884)   | 90.6%                               | 98.6%                                  |                                   |   |                         |                          |
| Road transport                             | 103 020         | 40 211                               | 143 231                  | 126 039        | (17 192)                 | (17 192)  | 88.0%                               | 122.3%                                 |                                   |   |                         |                          |
| Environmental protection                   | 4 826           | 272                                  | 5 099                    | 3 748          | (1 350)                  | (1 350)   | 73.5%                               | 77.7%                                  |                                   |   |                         |                          |
| <i>Trading services</i>                    | -               | -                                    | -                        | -              |                          | -   | -                                   | -                                      |                                   |   |                         | -                        |
| Electricity                                | -               | -                                    | -                        | -              |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Water                                      | -               | -                                    | -                        | -              |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Waste water management                     | -               | -                                    | -                        | -              |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Waste management                           | -               | -                                    | -                        | -              |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| <i>Other</i>                               | 5 061           | 535                                  | 5 596                    | 5 491          | (105)                    | (105)   | 98.1%                               | 108.5%                                 |                                   |   |                         |                          |
| <b>Total Expenditure - Standard</b>        | <b>368 289</b>  | <b>31 639</b>                        | <b>399 927</b>           | <b>342 643</b> | <b>(57 285)</b>          | <b>(57 285)</b>                                       | <b>85.7%</b>                        | <b>93.0%</b>                           | <b>-</b>                          | <b>-</b>  | <b>-</b>                | <b>-</b>                 |
| <b>Surplus/(Deficit) for the year</b>      | <b>-</b>        | <b>-</b>                             | <b>-</b>                 | <b>45 781</b>  | <b>45 781</b>            | <b>45 781</b>   | <b>#DIV/0!</b>                      | <b>#DIV/0!</b>                         | <b>-</b>                          | <b>-</b>  | <b>-</b>                | <b>-</b>                 |

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

| Vote Description                              | 2015/16         |                                      |                          |                |                          |   |                                     |  | 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 | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| R thousand                                    | 1               | 2                                    | 3                        | 4              | 5                        | 6   | 7                                   | 8                                      | 9                                 | 10  | 11                      | 12                       |
| <b>Revenue by Vote</b>                        |                 |                                      |                          |                |                          |   |                                     |  |                                   |   |                         |                          |
| Vote 1 - REGIONAL DEVELOPMENT AND PLAN        | 5 479           | -                                    | 5 479                    | 3 072          |                          | (2 407)   | 56.1%                               | 56.1%                                  |                                   |   |                         |                          |
| Vote 2 - COMM AND DEV                         | 414             | 50                                   | 464                      | 2 845          |                          | 2 381   | 613.1%                              | 687.2%                                 |                                   |   |                         |                          |
| Vote 3 - ENGINEERING                          | 6 557           | 1 301                                | 7 858                    | 3 465          |                          | (4 393)   | 44.1%                               | 52.8%                                  |                                   |   |                         |                          |
| Vote 4 - RURAL AND SOCIAL                     | 72              | 19                                   | 91                       | 49             |                          | (43)  | 53.5%                               | 67.8%                                  |                                   |   |                         |                          |
| Vote 5 - OFFICE OF THE MM                     | -               | 507                                  | 507                      | 179            |                          | (328)   | 35.3%                               | #DIV/0!                                |                                   |   |                         |                          |
| Vote 6 - FINANCIAL SERVICES                   | 213 272         | 2 006                                | 215 278                  | 213 705        |                          | (1 574)   | 99.3%                               | 100.2%                                 |                                   |   |                         |                          |
| Vote 7 - CORPORATE SERVICES                   | 41 535          | (415)                                | 41 120                   | 50 050         |                          | 8 930   | 121.7%                              | 120.5%                                 |                                   |   |                         |                          |
| Vote 8 - ROADS AGENCY                         | 100 959         | 28 170                               | 129 129                  | 115 059        |                          | (14 070)  | 89.1%                               | 114.0%                                 |                                   |   |                         |                          |
| Vote 9 - TASK                                 | -               |                                      | -                        |                |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Vote 10 - HEALTH AGENCY                       |                 |                                      | -                        |                |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Vote 11 - CORPORATE SERVICES                  |                 |                                      | -                        |                |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Example 12 - Vote12                           |                 |                                      | -                        |                |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Example 13 - Vote13                           |                 |                                      | -                        |                |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Example 14 - Vote14                           |                 |                                      | -                        |                |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Example 15 - Vote15                           |                 |                                      | -                        |                |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| <b>Total Revenue by Vote</b>                  | <b>368 289</b>  | <b>31 639</b>                        | <b>399 927</b>           | <b>388 424</b> |                          | <b>(11 504)</b>                                       | <b>97.1%</b>                        | <b>105.5%</b>                          |                                   |   |                         | -                        |
| <b>Expenditure by Vote to be appropriated</b> |                 |                                      |                          |                |                          |   |                                     |  |                                   |   |                         |                          |
| Vote 1 - REGIONAL DEVELOPMENT AND PLAN        | 18 505          | 1 224                                | 19 728                   | 16 920         |                          | (2 809)   | 85.8%                               | 91.4%                                  |                                   |   |                         |                          |
| Vote 2 - COMM AND DEV                         | 88 246          | 11 091                               | 99 338                   | 88 854         |                          | (10 484)  | 89.4%                               | 100.7%                                 |                                   |   |                         |                          |
| Vote 3 - ENGINEERING                          | 36 283          | (5 951)                              | 30 331                   | 23 851         |                          | (6 480)   | 78.6%                               | 65.7%                                  |                                   |   |                         |                          |
| Vote 4 - RURAL AND SOCIAL                     | 13 085          | 4 155                                | 17 240                   | 14 758         |                          | (2 482)   | 85.6%                               | 112.8%                                 |                                   |   |                         |                          |
| Vote 5 - OFFICE OF THE MM                     | 7 326           | 2 080                                | 9 406                    | 7 233          |                          | (2 173)   | 76.9%                               | 98.7%                                  |                                   |   |                         |                          |
| Vote 6 - FINANCIAL SERVICES                   | 24 636          | (295)                                | 24 340                   | 20 057         |                          | (4 284)   | 82.4%                               | 81.4%                                  |                                   |   |                         |                          |
| Vote 7 - CORPORATE SERVICES                   | 83 807          | (22 295)                             | 61 513                   | 47 771         |                          | (13 741)  | 77.7%                               | 57.0%                                  |                                   |   |                         |                          |
| Vote 8 - ROADS AGENCY                         | 89 327          | 39 803                               | 129 129                  | 115 317        |                          | (13 812)  | 89.3%                               | 129.1%                                 |                                   |   |                         |                          |
| Vote 9 - TASK                                 | -               |                                      | -                        |                |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Vote 10 - HEALTH AGENCY                       | -               |                                      | -                        |                |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Vote 11 - CORPORATE SERVICES                  | 7 074           | 1 828                                | 8 902                    | 7 882          |                          | (1 020)   | 88.5%                               | 111.4%                                 |                                   |   |                         |                          |
| Example 12 - Vote12                           |                 |                                      | -                        |                |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Example 13 - Vote13                           |                 |                                      | -                        |                |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Example 14 - Vote14                           |                 |                                      | -                        |                |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| Example 15 - Vote15                           |                 |                                      | -                        |                |                          | -   | -                                   | -                                      |                                   |   |                         |                          |
| <b>Total Expenditure by Vote</b>              | <b>368 289</b>  | <b>31 639</b>                        | <b>399 927</b>           | <b>342 643</b> | <b>-</b>                 | <b>(57 284)</b>                                       | <b>85.7%</b>                        | <b>93.0%</b>                           | <b>-</b>                          | <b>-</b>  | <b>-</b>                | <b>-</b>                 |
| <b>Surplus/(Deficit) for the year</b>         | <b>-</b>        | <b>0</b>                             | <b>0</b>                 | <b>45 781</b>  |                          | <b>45 781</b>   |                                     |  |                                   |   |                         |                          |

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

| Description  | 2015/16         |                                      |                          |                |                          |                 |                                     |  | 2014/15                           |   |                         |                          |
|--|-----------------|--------------------------------------|--------------------------|----------------|--------------------------|-----------------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
|  | 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 |
| R thousand   | 1               | 2                                    | 3                        | 4              | 5                        | 6               | 7                                   | 8                                      | 9                                 | 10  | 11                      | 12                       |
| <b>Revenue By Source</b>   |                 |                                      |                          |                |                          |                 |                                     |  |                                   |   |                         |                          |
| 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  | 165             | -                                    | 165                      | 2 503          |                          | 2 338           | 1518.9%                             | 1518.9%                                |                                   |   |                         |                          |
| Rental of facilities and equipment                                   | 127             | -                                    | 127                      | 100            |                          | (27)            | 79.0%                               | 79.0%                                  |                                   |   |                         |                          |
| Interest earned - external investments                               | 34 960          | (415)                                | 34 545                   | 43 014         |                          | 8 469           | 124.5%                              | 123.0%                                 |                                   |   |                         |                          |
| Interest earned - outstanding debtors                                | -               | -                                    | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         |                          |
| Dividends received   | -               | -                                    | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         |                          |
| Fines  | -               | -                                    | -                        | 5              |                          | 5               | -                                   | -                                      |                                   |   |                         |                          |
| Licences and permits   | -               | -                                    | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         |                          |
| Agency services  | 103 746         | 29 274                               | 133 020                  | 115 574        |                          | (17 446)        | 86.9%                               | 111.4%                                 |                                   |   |                         |                          |
| Transfers recognised - operational                                   | 226 448         | 3 130                                | 229 578                  | 222 733        |                          | (6 845)         | 97.0%                               | 98.4%                                  |                                   |   |                         |                          |
| Other revenue  | 2 843           | (350)                                | 2 493                    | 2 704          |                          | 211             | 108.5%                              | 95.1%                                  |                                   |   |                         |                          |
| Gains on disposal of PPE   | -               | -                                    | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         |                          |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>368 289</b>  | <b>31 639</b>                        | <b>399 927</b>           | <b>386 633</b> |                          | <b>(13 294)</b> | <b>96.7%</b>                        | <b>105.0%</b>                          |                                   |   |                         | <b>-</b>                 |
| <b>Expenditure By Type</b>   |                 |                                      |                          |                |                          |                 |                                     |  |                                   |   |                         |                          |
| Employee related costs   | 184 950         | 3 464                                | 188 414                  | 155 554        |                          | (32 859)        | 82.6%                               | 84.1%                                  |                                   |   |                         |                          |
| Remuneration of councillors  | 11 947          | (94)                                 | 11 853                   | 10 779         |                          | (1 074)         | 90.9%                               | 90.2%                                  |                                   |   |                         |                          |
| Debt impairment  | 126             | 114                                  | 240                      | 240            |                          | (0)             | 99.9%                               | 190.5%                                 |                                   |   |                         |                          |
| Depreciation & asset impairment                                      | 7 983           | 2 113                                | 10 096                   | 9 886          |                          | (210)           | 97.9%                               | 123.8%                                 |                                   |   |                         |                          |
| Finance charges  | 29              | -                                    | 29                       | 2              |                          | (26)            | 7.8%                                | 7.8%                                   |                                   |   |                         |                          |
| Bulk purchases   | -               | -                                    | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         |                          |
| Other materials  | -               | -                                    | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         |                          |
| Contracted services  | -               | -                                    | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         |                          |
| Transfers and grants   | -               | -                                    | -                        | -              |                          | -               | -                                   | -                                      |                                   |   |                         |                          |
| Other expenditure  | 162 266         | 24 103                               | 186 370                  | 161 479        |                          | (24 891)        | 86.6%                               | 99.5%                                  |                                   |   |                         |                          |
| Loss on disposal of PPE  | 988             | 1 939                                | 2 926                    | 2 912          |                          | (14)            | 99.5%                               | 294.8%                                 |                                   |   |                         |                          |
| <b>Total Expenditure</b>   | <b>368 289</b>  | <b>31 639</b>                        | <b>399 927</b>           | <b>340 852</b> | <b>-</b>                 | <b>(59 075)</b> | <b>85.2%</b>                        | <b>92.6%</b>                           | <b>-</b>                          | <b>-</b>  | <b>-</b>                | <b>-</b>                 |
| <b>Surplus/(Deficit)</b>   | <b>-</b>        | <b>-</b>                             | <b>-</b>                 | <b>45 781</b>  | <b>-</b>                 | <b>45 781</b>   | <b>-</b>                            | <b>-</b>                               | <b>-</b>                          | <b>-</b>  | <b>-</b>                | <b>-</b>                 |
| Transfers recognised - capital                                       |                 |                                      |                          |                |                          |                 |                                     |  |                                   |   |                         |                          |
| Contributions recognised - capital                                   |                 |                                      |                          |                |                          |                 |                                     |  |                                   |   |                         |                          |
| Contributed assets   |                 |                                      |                          |                |                          |                 |                                     |  |                                   |   |                         |                          |
| <b>Surplus/(Deficit) after capital transfers &amp; contributions</b> | <b>-</b>        | <b>-</b>                             | <b>-</b>                 | <b>45 781</b>  | <b>-</b>                 | <b>45 781</b>   | <b>-</b>                            | <b>-</b>                               | <b>-</b>                          | <b>-</b>  | <b>-</b>                | <b>-</b>                 |
| Taxation   |                 |                                      |                          |                |                          |                 |                                     |  |                                   |   |                         |                          |
| <b>Surplus/(Deficit) after taxation</b>                              | <b>-</b>        | <b>-</b>                             | <b>-</b>                 | <b>45 781</b>  | <b>-</b>                 | <b>45 781</b>   | <b>-</b>                            | <b>-</b>                               | <b>-</b>                          | <b>-</b>  | <b>-</b>                | <b>-</b>                 |
| Attributable to minorities   |                 |                                      |                          |                |                          |                 |                                     |  |                                   |   |                         |                          |
| <b>Surplus/(Deficit) attributable to municipality</b>                | <b>-</b>        | <b>-</b>                             | <b>-</b>                 | <b>45 781</b>  | <b>-</b>                 | <b>45 781</b>   | <b>-</b>                            | <b>-</b>                               | <b>-</b>                          | <b>-</b>  | <b>-</b>                | <b>-</b>                 |
| Share of surplus/ (deficit) of associate                             |                 |                                      |                          |                |                          |                 |                                     |  |                                   |   |                         |                          |
| <b>Surplus/(Deficit) for the year</b>                                | <b>-</b>        | <b>-</b>                             | <b>-</b>                 | <b>45 781</b>  | <b>-</b>                 | <b>45 781</b>   | <b>-</b>                            | <b>-</b>                               | <b>-</b>                          | <b>-</b>  | <b>-</b>                | <b>-</b>                 |

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

| Vote Description                           | 2015/16         |   |                          |                |                          |          |                                     |  | 2014/15                           |   |                         |                          |
|--|-----------------|---|--------------------------|----------------|--------------------------|----------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
|  | Original Budget | Total Budget Adjustments<br>(i.l.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 |
| R thousand                                 | 1               | 2   | 3                        | 4              | 5                        | 6        | 7                                   | 8                                      | 9                                 | 10  | 11                      | 12                       |
| <b>Single-year expenditure</b>             |                 |   |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| Vote 1 - REGIONAL DEVELOPMENT AND PLAN     | 35              | -   | 35                       | 35             |                          | -        | 100%                                | 100%                                   |                                   |   | -                       |                          |
| Vote 2 - COMM AND DEV                      | 5 576           | 22  | 5 598                    | 1 410          |                          | (4 188)  | 25%                                 | 25%                                    |                                   |   | -                       |                          |
| Vote 3 - ENGINEERING                       | 3 891           | (1 775)                                       | 2 116                    | 1 403          |                          | (713)    | 66%                                 | 36%                                    |                                   |   | -                       |                          |
| Vote 4 - RURAL AND SOCIAL                  | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| Vote 5 - OFFICE OF THE MM                  | 3               | (2)   | 1                        | 1              |                          | -        | 100%                                | 47%                                    |                                   |   | -                       |                          |
| Vote 6 - FINANCIAL SERVICES                | 3 621           | (3 418)                                       | 203                      | 138            |                          | (66)     | 68%                                 | 4%                                     |                                   |   | -                       |                          |
| Vote 7 - CORPORATE SERVICES                | 3 955           | (2 245)                                       | 1 709                    | 1 349          |                          | (360)    | 79%                                 | 34%                                    |                                   |   | -                       |                          |
| Vote 8 - ROADS AGENCY                      | 1 104           | 246   | 1 350                    | 419            |                          | (931)    | 31%                                 | 38%                                    |                                   |   | -                       |                          |
| Vote 9 - TASK                              | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| Vote 10 - HEALTH AGENCY                    | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| Vote 11 - CORPORATE SERVICES               | 4               | -   | 4                        | 3              |                          | (1)      | 79%                                 | 79%                                    |                                   |   | -                       |                          |
| Example 12 - Vote12                        | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| Example 13 - Vote13                        | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| Example 14 - Vote14                        | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| Example 15 - Vote15                        | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| Capital single-year expenditure            | 18 189          | (7 172)                                       | 11 017                   | 4 758          | -                        | (6 259)  | 43%                                 | 26%                                    | -                                 | -   | -                       | -                        |
| Total Capital Expenditure - Vote           | 18 189          | (7 172)                                       | 11 017                   | 4 758          | -                        | (6 259)  | 43%                                 | 26%                                    | -                                 | -   | -                       | -                        |
| <b>Capital Expenditure - Standard</b>      |                 |   |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| <i>Governance and administration</i>       | 11 473          | (9 556)                                       | 1 918                    | 1 491          | -                        | (426)    | 78%                                 | 13%                                    | -                                 | -   | -                       | -                        |
| Executive and council                      | 4               | -   | 4                        | 3              |                          | (1)      | 79%                                 | 79%                                    |                                   |   | -                       |                          |
| Budget and treasury office                 | 3 621           | (3 418)                                       | 203                      | 138            |                          | (66)     | 68%                                 | 4%                                     |                                   |   | -                       |                          |
| Corporate services                         | 7 849           | (6 138)                                       | 1 711                    | 1 351          |                          | (360)    | 79%                                 | 17%                                    |                                   |   | -                       |                          |
| <i>Community and public safety</i>         | 5 576           | 22  | 5 598                    | 1 410          | -                        | (4 188)  | 25%                                 | 25%                                    | -                                 | -   | -                       | -                        |
| Community and social services              | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| Sport and recreation                       | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| Public safety                              | 5 549           | 28  | 5 577                    | 1 389          |                          | (4 188)  | 25%                                 | 25%                                    |                                   |   | -                       |                          |
| Housing                                    | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| Health                                     | 27              | (6)   | 21                       | 21             |                          | (0)      | 100%                                | 77%                                    |                                   |   | -                       |                          |
| <i>Economic and environmental services</i> | 1 139           | 246   | 1 385                    | 454            | -                        | (931)    | 33%                                 | 40%                                    | -                                 | -   | -                       | -                        |
| Planning and development                   | 35              | -   | 35                       | 35             |                          | -        | 100%                                | 100%                                   |                                   |   | -                       |                          |
| Road transport                             | 1 104           | 246   | 1 350                    | 419            |                          | (931)    | 31%                                 | 38%                                    |                                   |   | -                       |                          |
| Environmental protection                   | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| <i>Trading services</i>                    | -               | -   | -                        | -              | -                        | -        | -                                   | -                                      | -                                 | -   | -                       | -                        |
| Electricity                                | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| Water                                      | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| Waste water management                     | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| Waste management                           | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   | -                       |                          |
| <i>Other</i>                               | -               | 2 116   | 2 116                    | 1 403          |                          | (713)    | 66%                                 | -                                      |                                   |   | -                       |                          |
| Total Capital Expenditure - Standard       | 18 189          | (7 172)                                       | 11 017                   | 4 758          | -                        | (6 259)  | 43%                                 | 26%                                    | -                                 | -   | -                       | -                        |
| <b>Funded by:</b>                          |                 |   |                          |                |                          |          |                                     |  |                                   |   |                         |                          |
| National Government                        | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         |                          |
| Provincial Government                      | 1 104           | 246   | 1 350                    | 419            |                          | (931)    | 31%                                 | 38%                                    |                                   |   |                         |                          |
| District Municipality                      | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         |                          |
| Other transfers and grants                 | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         |                          |
| Transfers recognised - capital             | 1 104           | 246   | 1 350                    | 419            |                          | (931)    | 31%                                 | 38%                                    |                                   |   |                         |                          |
| Public contributions & donations           | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         |                          |
| Borrowing                                  | -               | -   | -                        | -              |                          | -        | -                                   | -                                      |                                   |   |                         |                          |
| Internally generated funds                 | 17 085          | (7 418)                                       | 9 667                    | 4 339          |                          | (5 328)  | 45%                                 | 25%                                    |                                   |   |                         |                          |
| Total Capital Funding                      | 18 189          | (7 172)                                       | 11 017                   | 4 758          |                          | (6 259)  | 43%                                 | 26%                                    |                                   |   |                         |                          |

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

## Annexure A

| Description                                       | 2015/16         |                                 |                          |                |               |                                     |  | 2014/15                  |
|---|-----------------|---------------------------------|--------------------------|----------------|---------------|-------------------------------------|--|--------------------------|
|   | 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 |
| R thousand  | 1               | 2                               | 3                        | 4              | 5             | 6                                   | 7                                      | 8                        |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>        |                 |                                 |                          |                |               |                                     |  |                          |
| <b>Receipts</b>                                   |                 |                                 |                          |                |               |                                     |  |                          |
| Ratepayers and other                              | 106 880         | 29 624                          | 136 505                  | 114 251        | (22 254)      | 83.7%                               | 106.9%                                 |                          |
| Government - operating                            | 226 448         | 3 737                           | 230 185                  | 223 779        | (6 406)       | 97.2%                               | 98.8%                                  |                          |
| Government - capital                              | -               | -                               | -                        | -              | -             | -                                   | -                                      |                          |
| Interest  | 34 960          | -                               | 34 960                   | 40 538         | 5 578         | 116.0%                              | 116.0%                                 |                          |
| Dividends   | -               | -                               | -                        | -              | -             | -                                   | -                                      |                          |
| <b>Payments</b>                                   |                 |                                 |                          |                |               |                                     |  |                          |
| Suppliers and employees                           | (360 151)       | (20 091)                        | (380 242)                | (307 930)      | 72 312        | 81.0%                               | 85.5%                                  |                          |
| Finance charges                                   | (29)            | -                               | (29)                     | -              | 29            | -                                   | -                                      |                          |
| Transfers and Grants                              | -               | -                               | -                        | -              | -             | -                                   | -                                      |                          |
| <b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>  | <b>8 109</b>    | <b>13 270</b>                   | <b>21 379</b>            | <b>70 638</b>  | <b>49 259</b> | <b>330.4%</b>                       | <b>871.1%</b>                          | <b>-</b>                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |                 |                                 |                          |                |               |                                     |  |                          |
| <b>Receipts</b>                                   |                 |                                 |                          |                |               |                                     |  |                          |
| Proceeds on disposal of PPE                       | -               | -                               | -                        | 14             | 14            | -                                   | -                                      |                          |
| Decrease (Increase) in non-current debtors        | -               | -                               | -                        | -              | -             | -                                   | -                                      |                          |
| Decrease (increase) other non-current receivables | -               | -                               | -                        | -              | -             | -                                   | -                                      |                          |
| Decrease (increase) in non-current investments    | -               | -                               | -                        | -              | -             | -                                   | -                                      |                          |
| <b>Payments</b>                                   |                 |                                 |                          |                |               |                                     |  |                          |
| Capital assets                                    | (18 189)        | 7 172                           | (11 017)                 | (4 758)        | 6 259         | 43.2%                               | 26.2%                                  |                          |
| <b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>  | <b>(18 189)</b> | <b>7 172</b>                    | <b>(11 017)</b>          | <b>(4 744)</b> | <b>6 273</b>  | <b>43.1%</b>                        | <b>26.1%</b>                           | <b>-</b>                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>       |                 |                                 |                          |                |               |                                     |  |                          |
| <b>Receipts</b>                                   |                 |                                 |                          |                |               |                                     |  |                          |
| Short term loans                                  | -               | -                               | -                        | -              | -             | -                                   | -                                      |                          |
| Borrowing long term/refinancing                   | -               | -                               | -                        | (28)           | (28)          | -                                   | -                                      |                          |
| Increase (decrease) in consumer deposits          | -               | -                               | -                        | -              | -             | -                                   | -                                      |                          |
| <b>Payments</b>                                   |                 |                                 |                          |                |               |                                     |  |                          |
| Repayment of borrowing                            | -               | -                               | -                        | -              | -             | -                                   | -                                      |                          |
| <b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>  | <b>-</b>        | <b>-</b>                        | <b>-</b>                 | <b>(28)</b>    | <b>(28)</b>   | <b>-</b>                            | <b>-</b>                               | <b>-</b>                 |
| <b>NET INCREASE/ (DECREASE) IN CASH HELD</b>      | <b>(10 080)</b> | <b>20 442</b>                   | <b>10 362</b>            | <b>65 865</b>  |               |                                     |  | <b>-</b>                 |
| Cash/cash equivalents at the year begin:          | 472 096         | -                               | 472 096                  | 504 118        |               |                                     |  |                          |
| Cash/cash equivalents at the year end:            | 462 016         | 20 442                          | 482 457                  | 569 984        | 87 526        | 118.1%                              | 123.4%                                 |                          |

## Mayoral Bursary 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.

|                 | 2016               | 2015        |
|-----------------|--------------------|-------------|
| WM Neethling    | <b>R 97 890.00</b> | R 70 000.00 |
| SC Magalela     |                    | R 16 201.00 |
| FJ Africa       |                    | R 14 985.00 |
| K Eland         |                    | R 30 000.00 |
| TJ Solomon      | <b>R 30 000.00</b> | R 35 000.00 |
| N Bhubhi        |                    | R 20 545.00 |
| AC Swanepoel    |                    | R 12 330.00 |
| RWB van Wyk     | <b>R 30 000.00</b> | R 30 000.00 |
| I van Schalkwyk |                    | R 30 000.00 |
| CT Nkasela      |                    | R 30 000.00 |
| RR Gelderbloem  |                    | R 21 130.00 |
| LP Woolward     | <b>R 16 000.00</b> | R 13 900.00 |

| 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          | 2016             | 2015             |
| H A CONRADIE & VENNOTE ING   | Business Associate | C V SCHROEDER - SNR MANAGER CWDM     | NID-NATIONAL INSTITUTE FOR DEAF | 1 520            | 4 560            |
| MEYER ELECTRICAL AND CONSTRUCTION  | Business Associate | CLLR.P MARRAN - CWDM / BREEDE VALLEY | BMMX TRADING (PTY) LTD          | 1 940 575        | 1 806 550        |
|  |                    |                                      |                                 | <b>1 944 111</b> | <b>1 813 125</b> |
| <p>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</p> <p>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.</p> <p>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</p> |                    |                                      |                                 |                  |                  |