



**CAPE WINELANDS DISTRICT**  
MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

**Annual Financial Statements  
for the year ended  
30 June 2006**

**0861 265 263**

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

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## CAPE WINELANDS DISTRICT MUNICIPALITY

### GENERAL INFORMATION

#### COUNCILLORS AS AT 30 JUNE 2006

##### MAYORAL COMMITTEE

Cllr. C.W. JOHNSON (Executive Mayor)  
Cllr. A.H. KROTZ (Deputy Executive Mayor)  
Cllr. C.C.BRINK  
Cllr. C.G. DU PLESSIS  
Cllr. Z.J. MTHINI  
Cllr. D.J. OOSTHUIZEN  
Cllr. E.B.PHEKO  
Cllr. S. ROSS

##### ANDER/OTHER:

Cllr. J.J. ABRAHAMS  
Cllr. D. ADAMS  
Cllr. R. BRAND  
Cllr. G. BRUWER  
Cllr. E.N. BUSHWANA  
Cllr. C.A. DE BRUYN  
Cllr. A.M. DU TOIT  
Cllr. J.I.K. GAGIANO  
Cllr. H.P. GEYER  
Cllr. S. GOEDEMAN  
Cllr. C.J. GROOTBOOM  
Cllr. N.D. HANI  
Cllr. H.M. JANSEN  
Cllr. L.E.J. JANTJIES  
Cllr. (Dr) N.E. KAHLBERG  
Cllr. B. MFUTWANA  
Cllr. A. MULLER  
Cllr. W.F. ORTELL  
Cllr. C. PHILANDER  
Cllr. H.J. SMIT  
Cllr. J. SMIT  
Cllr. L. SIWAKAMISA  
Cllr. J. THOMAS  
Cllr. A. TITUS  
Cllr. S.W. VAN EEDEN  
Cllr. E.J. VAN ZYL  
Cllr. D.K. XHASO

##### GRADING OF COUNCIL

GRADE 9

##### AUDITOR

AUDITOR GENERAL

##### BANKER

ABSA

##### REGISTERED OFFICES

**STELLENBOSCH:**  
46 ALEXANDER STREET  
STELLENBOSCH 7600

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P O BOX 100  
STELLENBOSCH 7599

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**WORCESTER**  
51 TRAPPES STREET  
WORCESTER 6850

**POSTAL ADDRESS**  
P O BOX 91  
WORCESTER 6850

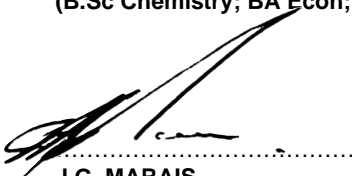
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.....  
**K. CHETTY**  
**MUNICIPAL MANAGER**  
(B.Sc Chemistry; BA Econ; BA Hons - Public Finance)

10/01/2007

.....  
**DATE**



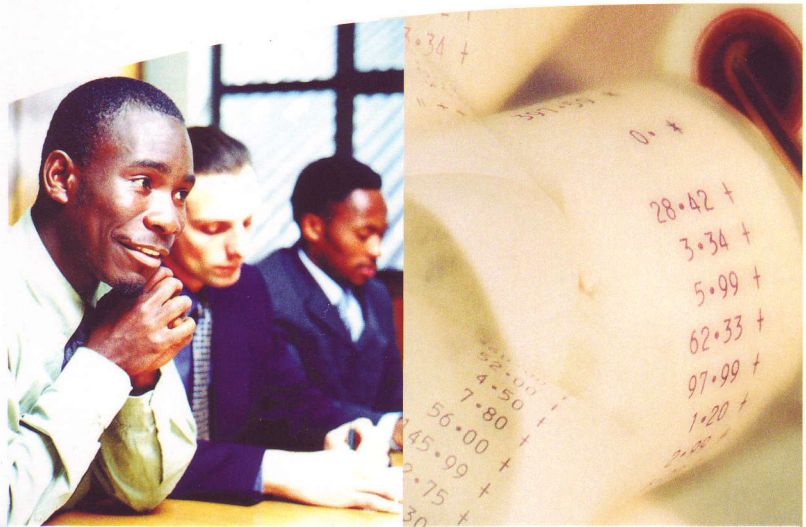
.....  
**J.G. MARAIS**  
**EXECUTIVE DIRECTOR:**  
**FINANCIAL SERVICES**  
(B. COMM; AIMFO Registered Municipal Accountant - Associate)

10/01/2007

.....  
**DATE**



AUDITOR - GENERAL



## REPORT OF THE AUDITOR GENERAL

FINANCIAL STATEMENTS OF  
CAPE WINELANDS DISTRICT  
MUNICIPALITY  
30 JUNE 2006

Accountability

Integrity

Independence

Impartiality



## **REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE FINANCIAL STATEMENTS OF CAPE WINELANDS DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006**

### **1. AUDIT ASSIGNMENT**

The financial statements as set out on pages 7 to 42, for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 126(3) of the Local Government Municipal Finance Management Act, 2003 (Act no. 56 of 2003) (MFMA). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

The supplementary schedules set out on pages 43 to 53 of the financial statements are presented as additional information. These schedules have not been audited and accordingly, no opinion is expressed thereon.

### **2. SCOPE**

The audit was conducted in accordance with the International Standards of Auditing read with *General Notice 1512 of 2006*, issued in *Government Gazette* no. 29326 of 27 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

### **3. BASIS OF ACCOUNTING**

The Municipality is required to prepare financial statements on the basis of accounting determined by the National Treasury, as described in the addendum to this report.

### **4. AUDIT OPINION**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Cape Winelands District Municipality on 30 June 2006 and the results of its operations and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa as described in paragraph 3, and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

### **5. EMPHASIS OF MATTER**

Without further qualifying the audit opinion, attention is drawn to the following matters:

#### **5.1 No service level agreement (SLA) with PAWC Health**

A service level agreement between the Provincial Department of Health and Cape Winelands District Municipality relating to health services provided by the municipality on their behalf, has not been compiled and agreed prior to the rendering of the service. The recoverability of the outstanding debt amounting to R10,9 million may not be legally enforceable, since the obligation for repayment has not been committed to. This matter was reported in the prior year as well.

#### **5.2 Performance measurement audit**

An evaluation has been performed of the controls implemented by the accounting officer during the financial year to develop and manage the performance management system of the municipality as required by section 45(b) of the Local Government: Municipal Systems Act of 2000. A separate report has been issued in this regard.

### 5.3 Late submission of financial statements

Section 126 (1) (a) of the MFMA requires financial statements to be submitted to the Auditor-General within two months (31 August 2006) after the end of the financial year. The financial statements were submitted for audit purposes on 31 August 2006. However, due to the fact that the liability for post retirement benefits and provision for future medical aid contributions were not adequately disclosed in the financial statements, the financial statements were retracted on 30 November 2006 by the municipality to ensure that the post retirement benefits and provision for future medical aid contributions were accurately reflected in the financial statements. Amended financial statements were resubmitted on 10 January 2007 which is considered a late submission and non-compliance to the MFMA.

## 6. APPRECIATION

The assistance rendered by the staff of Cape Winelands District Municipality during the audit is sincerely appreciated.



Z. Abrams for Auditor-General

Cape Town

11 January 2007



A U D I T O R - G E N E R A L



**ADDENDUM TO THE REPORT OF THE AUDITOR-GENERAL TO THE  
COUNCIL ON THE FINANCIAL STATEMENTS OF THE CAPE WINELANDS  
DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006**

*GRAP & GAMAP:*

**Basis of preparation**

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- *General Notice 991 of 2005, issued in Government Gazette no. 28095 of 7 December 2005; and*
- *General Notice 992 of 2005, issued in Government Gazette no. 28095 of 15 December 2005.*

The standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

**CAPE WINELANDS DISTRICT MUNICIPALITY**

4. DECLARATION: MUNICIPAL MANAGER

**CAPE WINELANDS DISTRICT MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

for the year ended

30 June 2006

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 to 48, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



**K. Chetty**  
**Municipal Manager**  
(B.Sc Chemistry; BA Econ; BA Hons - Public Finance)

10/01/2007

**Date**

## **5. GRAP ACCOUNTING POLICY FOR THE YEAR ENDED 30 JUNE 2006**

### **1. BASIS OF PRESENTATION**

The Cape Winelands District Municipality has adopted standards of Generally Recognised Accounting Practice (GRAP) during the 2004/2005 financial year - issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act 56 of 2003). GAMAP and GRAP standards are fundamentally different to the fund accounting policies adopted previously and has been approved by National Treasury. In terms of the MFMA phased implementation strategy, medium capacity municipalities should only comply within the 2006/2007 financial year with the new GRAP compliant financial statements.

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the Standards of Generally Accepted Municipal Accounting Practice (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 7 December 2005; and
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 15 December 2005.

The Standard comprise the following:

#### 3 Standards of Generally Recognised Accounting Practice (GRAP)

- Preface to Standards of Generally Recognised Accounting Practice
- GRAP 1 Presentation of financial statements
- GRAP 2 Cash Flow statements
- GRAP 3 Accounting policies, changes in accounting estimates and errors

#### 8 Standards of Generally Accepted Municipal Accounting Practice Standards (GAMAP)

- GAMAP 4 Effects of changes in foreign exchange rates
- GAMAP 6 Consolidated financial statements and accounting for controlled entities
- GAMAP 7 Accounting for investments in associates
- GAMAP 8 Financial reporting of interests in joint ventures
- GAMAP 9 Revenue
- GAMAP 12 Inventories
- GAMAP 17 Property, Plant and Equipment
- GAMAP 19 Provisions, contingent liabilities and contingent assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of Grap 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GAMAP or GRAP.

### **2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

### **3. GOING CONCERN ASSUMPTION**

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

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

RSC Levies as the primary source of revenue for the Cape Winelands District Municipality was phased out on 30 June 2006. The Minister of Finance compensated District Municipalities for their loss by means of transfer payments called the Equitable Share. The following Provisonal allocations were made to Cape Winelands District Municipality:

2006/2007 Financial Year R127 434 000

2007/2008 Financial Year R145 358 000

2008/2009 Financial Year R163 641 000

The average growth rate of the RSC Levies amounted to 9% in the past. The abovementioned allocations are therefore sufficient for the sustainability of the District Municipality. An alternative source of income should be explored to reduce the dependancy of the Disrict Municipality on National funds.

### **4. RESERVES**

#### **4.1 Capital Replacement Reserve (CRR)**

In order to finance the future provision of infrastructure and other items of property, plant and equipment from internal sources amounts are transferred from the accumulated surplus/(deficit) to the Capital Replacement Reserve (CRR). A corresponding amount is transferred to a designated CRR bank account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment with a value of more than R10 000. The following provisions are set for the creation and utilisation of the CRR:

- \* The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- \* Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance.
- \* 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.
- \* The CRR is reduced and the accumulated surplus/(deficit) credited with corresponding amounts when the funds are utilised.
- \* If a gain or loss is made on the sale of assets the gain or loss on the sale of assets is reflected in the Statement of Financial Performance.
- \* The amounts transferred to the CRR is based on the Municipality's need to finance future capital projects included in the Integrated Development Plan.

#### **4.2 Government Grant Reserve**

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

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

#### **4.3 Public Contributions and Donations Reserve**

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

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Public Contributions and Donations Reserve relating to such item is transferred to the accumulated surplus/(deficit).

#### **4.4 Revaluation Reserve**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on current values, are credited or charged to the Statement of Financial Performance.

**5. PROPERTY, PLANT AND EQUIPMENT (PPE)**

5.1 PPE is stated:

\* At cost less accumulated depreciation

Heritage assets : Building in 46 Alexander street, was declared as an Provincial Heritage site on 8 September 1967.

5.2 Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

5.3 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

5.4 The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R10 000 per item of PPE.

**5.5 Depreciation and impairment losses**

5.5.1 Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives:

Buildings	30
Specialist Vehicles	10
Other Vehicles	5
Office Equipment	3
Furniture & Fittings	5
Specialist plant & equipment	10
Other Plant & Equipment	5

5.5.2 Heritage assets, which are defined as culturally significant resources are not depreciated as they are regarded as having an infinite life. Land is also not depreciated for the same reason.

5.5.3 Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

5.5.4 The carrying amount of an item or a group of identical items of PPE is reviewed periodically in order to assess whether or not the recoverable amount has declined below the carrying amount (impairment loss). When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense immediately, unless it reverses a previous revaluation, in which case it is charged to the revaluation non distributable reserve.

#### 5.6 **Disposal and retirement of assets**

\* Assets are written off on disposal or retirement.

\* The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

### 6. **REVALUATION OF LAND AND BUILDINGS**

Land, Buildings and Heritage assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Land and Buildings are revalued every 4 years.

### 7. **INTANGIBLE ASSETS**

Intangible assets are treated in accordance with the provisions of International Accounting Standard (IAS) 38. In accordance with these provisions intangible assets are initially recorded at their cost price and are subsequently amortised over their expected useful lives. An intangible asset is defined as an identifiable non – monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. The intangible assets under the control of the Municipality, such as the general valuation roll (4 years), is amortised according to the straight line method.

### 8. **INVESTMENTS**

#### 8.1 **Financial Instruments**

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

The municipality may have the following types of financial instruments.

- \* **Held to maturity (HTM) investments** are financial assets with fixed or determinable payments and fixed maturity where the entity has the positive intent and ability to hold the investment to maturity.
- \* **Loans and receivables originated by the enterprise** are financial assets that are created by providing money, goods or services directly to a debtor.

**INITIAL MEASUREMENT** of financial instruments is **at cost, which is the fair value** of the consideration given. The fair value is usually the transaction price or market price. **Transaction costs** are included in the initial measurement of financial assets. Transaction costs include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges; and transfer taxes and duties. Transaction costs do not include debt premium or discount, financing costs or allocations of internal administrative or holding costs.

**SUBSEQUENT MEASUREMENT** of financial assets.

**HTM investments and loans and receivables originated by the entity and not held for trading** are subsequently recognised at **amortised cost using the effective interest rate method**. **Amortised cost** is the amount at which the financial asset was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any write-down for impairment or uncollectability.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Investments in municipal entities under the ownership control of the Municipality are carried at cost. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post-acquisition results of these investments.

## **8.2 Interests in Joint Ventures**

A joint venture is a contractual arrangement whereby the Municipality and other parties undertake an economic activity that is subject to joint control. Interests in joint ventures are stated at cost.



**9. INVENTORIES**

Inventories consist of consumables, raw materials, work in progress and finished goods which are valued at the lower of cost, determined on the weighted average cost basis, and net realisable value. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

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

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow moving inventories are identified and written down with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

**10. ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Provision is made for debts - outstanding longer than 120 days.

**11. TRADE CREDITORS**

Trade creditors are stated at their nominal value.

**12. UNUTILISED CONDITIONAL GRANTS**

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unspent Conditional Grants. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

- \* The cash which backs up the creditor is invested until it is utilised.
- \* Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

- \* Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue. Thereafter an equal amount is transferred on the Statement of changes in net assets to a Government Grant Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unspent Conditional Grants. The Government Grant Reserve is used to offset depreciation charged on assets purchased out of the Unutilised Conditional Grants.

**13. VALUE ADDED TAX**

The Council accounts for Value Added Tax on the cash basis.

**14. REVENUE RECOGNITION**

Revenue excluding value-added taxation where applicable is derived from a variety of sources which include rates levied in the District Management Area Grants from other spheres of Government RSC Levies and other services provided. Revenue is Recognised when it is Probable that future Economic Benefits or Service potential will flow to the Municipality and these benefits can be measured reliably.

- \* The Regional Establishment Levy and Regional Services Levy are recognized at the time of receipt of the RSC 4 return submitted by all registered levy payers. Where RSC4 returns are not submitted an historical estimate is made of revenue for the year. Levies that must be recognised are calculated as a percentage of turnover and remuneration.
- \* Revenue from rates in the DMA is recognised when the Legal Entitlement to this revenue arises. Rates are levied on the land and improvements value of property.
- \* Income in respect of housing rental and instalments sales agreements is accrued monthly in terms of the agreement.
- \* Government grants and public contributions are recognised as revenue when all conditions associated with the grant have been met.
- \* Interest earned on unutilised conditional grants is allocated directly to the creditor : unspent conditional grants, if the grant conditions indicate that interest is payable to the funder.

- \* Interest on outstanding debtors is recognised on a time proportionate basis and is charged on all outstanding debtors older than 30 days.
- \* Collection charges are recognized when such amounts are legally enforceable.
- \* Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.
- \* Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant authorized tariff. This includes the issuing of licences and permits.

## **15. CONDITIONAL GRANTS AND RECEIPTS**

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.

## **16. PROVISIONS**

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### **17.1 Employee Benefits**

#### **17.1.1 Pension / Retirement Fund**

The Council and its employees contribute to various Pension and Retirement Funds and its councillors contribute to the Pension Fund for Municipal Councillors. These funds provide retirement benefits to such employees and councillors.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis.

Current contributions are charged against the operating account of the Council at a percentage of the pensionable remuneration paid to employees or councillors.

A provision is made for the best estimate of the current cost of gratuities payable to employees that were not previously members of a pension fund.

A provision is raised as the best estimate of the current cost of paying future pensions to employees who have become disabled as a result of injuries sustained whilst on duty.

#### **17.1.2 Medical Aid: Continued Members**

Council provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which Council is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% or 40% of the medical aid membership fee, and Council for the remaining 70% or 60%. Council adopted a policy whereby the age of staff appointed under the new conditions of service would determine their portion of contribution to the medical aid on retirement.

An Actuarial valuation was performed during December 2004. According to AC116 Council has 5 years from the first date the accounting standard is implemented to recognize the liability. Approximately 51% of this liability was recognized as at 30 June 2005. As at 30 June 2006 approximately 67% of the initial liability has been recognized. The intention of Council is to recognize the remaining 33% of the initial liability during the 2006/2007 financial year.

#### **17.1.3 Actuarial (Gain)/Loss**

Actuarial gains or losses are recognized as income or expenses when the cumulative actuarial gains or losses exceed 10% of the higher of the defined benefit obligation and the fair value of the plan assets, if any, at that date. These gains or losses are recognized over the expected average remaining working lives of the employees.

#### **17.1.4 Accrued Leave Pay**

Liabilities for annual leave are recognised as they accrue to employees. Provision is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

#### **17.1.5 Provision for Performance Bonuses**

The Municipality makes provision for bonuses payable owing to officials in terms of performance agreements.

## **17.2 Provision for constructive obligations**

Provision is made for any constructive obligations of the Municipality. A constructive obligation arises through an established pattern of past practice, published policies or a sufficiently specific current standard, whereby the Municipality has indicated to other parties that it will accept certain responsibilities and as a result, the Municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

## **18. LEASES**

### **LESSEE ACCOUNTING**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the lease term or any other basis which is representative of the time pattern of the lessees benefit.

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on the straight line basis over the estimated useful lives of the assets. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

### **LESSOR ACCOUNTING**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Currently Council does not have any leases.

**19. FOREIGN CURRENCY TRANSACTIONS**

Transactions in foreign currencies are initially accounted for at the rate of exchange ruling on the date of the transaction. Trade creditors denominated in foreign currency are reported at the Statement of Financial Position date by using the exchange rate at that date. Exchange differences arising on the settlement of creditors or on reporting of creditors at rates different from those at which they were initially recorded during the period are recognised as revenue or as expenses in the period in which they arise.

Where the transaction is covered by a forward exchange contract, the rate specified in the contract is used. The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

**20. SEGMENTAL INFORMATION**

The principal segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes. The secondary basis classifies all operations based on the classification of income and expenditure.

**21. COMMUNITY SUPPORT**

The Cape Winelands District Municipality annually awards grants to organisations in terms of section 67 of the MFMA. When making these transfers, Council does not:

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

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

In order to comply with the MFMA section 67(4)(a) a limit of R30 000 was approved by Council.

**22. CASH AND CASH EQUIVALENTS**

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

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

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

**23. UNAUTHORISED EXPENDITURE**

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

**24. IRREGULAR EXPENDITURE**

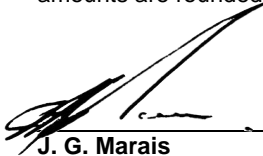
Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure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

**25. FRUITLESS AND WASTEFUL EXPENDITURE**

In terms of the MFMA, fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**26. ROUNDING**

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

  
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**J. G. Marais**  
**Executive Director: Financial Services**  
**(B. Comm; AIMFO Registered Municipal Accountant - Associate Member)**

10/01/2007  
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**Date**

**CAPE WINELANDS DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006**

	Note	2006 R	2005 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		299,120,468	176,291,299
Housing Development Fund		-	-
Capital Replacement Reserve		24,995,112	14,970,294
Capitalisation reserve		-	-
Government Grant Reserve		873,605	483,225
Donations and Public Contribution Reserves		-	-
Self-Insurance Reserve		-	-
Revaluation Reserve		97,974,791	-
Accumulated Surplus/(Deficit)		175,276,960	160,837,780
<b>Non-current liabilities</b>		39,900,576	27,591,312
Long-term Liabilities		-	-
Non-current Provisions	1	39,900,576	27,591,312
<b>Current liabilities</b>		31,298,845	39,154,514
Consumer Deposits		-	-
Provisions		-	-
Creditors	2	9,888,248	21,854,437
Unspent conditional grants and receipts	3	12,310,059	12,445,136
Taxes	4	1,246,538	268,786
Short-term Loans		-	-
Bank Overdraft		-	-
Current portion of Provisions		7,854,000	4,586,155
<b>Total Net Assets and Liabilities</b>		<u>370,319,889</u>	<u>243,037,125</u>
<b>ASSETS</b>			
<b>Non-current assets</b>		138,855,970	41,857,795
Property, Plant and Equipment	5	137,563,671	39,060,375
Investment Property		-	-
Investments		-	-
Long-term receivables	6	1,292,299	2,797,420
<b>Current assets</b>		231,463,919	201,179,330
Inventory	7	832,835	845,443
Consumer Debtors	8	2,916,286	786,623
Other Debtors	9	10,771,696	12,827,117
Taxes	4	-	-
Current portion of long-term receivables	6	865,409	1,147,713
Call investment deposits	10	209,000,000	160,000,000
Bank balances and cash	11	7,077,692	25,572,434
<b>Total Assets</b>		<u>370,319,889</u>	<u>243,037,125</u>



**CAPE WINELANDS DISTRICT MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30th JUNE 2006**

Budget			Actual	
2005	2006		2006	2005
R	R	Note	R	R
<b>REVENUE</b>				
498,670	779,210		740,720	493,802
-	-		-	-
113,200	118,350		2,789,928	285,758
21,500,000	24,521,630		26,298,152	22,862,715
86,000,000	95,718,410		101,604,975	92,222,655
-	77,800		157,754	119,718
7,500,000	6,500,000		15,977,943	13,286,906
665,000	740,335		950,922	996,788
-	-		-	-
-	-		-	-
-	-		-	-
-	-		-	-
95,541,133	107,984,508		91,793,009	86,738,889
30,532,996	13,646,115		4,493,722	9,755,953
-	27,386,180		12,312,162	-
-	-		-	-
-	-		-	-
-	-		435,814	-
<b>242,350,999</b>	<b>277,472,538</b>		<b>257,555,102</b>	<b>226,763,184</b>
<b>EXPENDITURE</b>				
87,411,690	80,135,086		68,458,766	75,100,621
5,018,054	3,485,602		3,306,068	3,198,048
360,000	361,300		1,518,355	4,518,663
327,500	470,000		452,576	277,317
2,000,000	3,449,126		5,988,445	5,217,033
48,253,454	56,768,297		52,121,603	48,110,207
-	-		1,193,834	178,968
-	-		5,317,000	-
-	-		2,537,000	-
-	-		9,933,119	-
-	-		-	-
-	-		-	-
-	-		-	-
95,868,779	120,976,752		74,392,727	65,746,989
-	11,826,375		6,602,358	-
-	-		-	-
<b>239,239,477</b>	<b>277,472,538</b>		<b>231,821,850</b>	<b>202,347,846</b>
<b>3,111,522</b>	<b>-</b>		<b>25,733,251</b>	<b>24,415,338</b>
<b>Share of surplus/(deficit) of associate accounted for under the equity method</b>				
<b>3,111,522</b>	<b>-</b>		<b>25,733,251</b>	<b>24,415,338</b>

Refer to Appendix E(1) for explanation of variances

**CAPE WINELANDS DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 R	2005 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		-	-
Cash paid to suppliers and employees		-	-
Cash generated from/(utilised in) operations	21	17,955,514	39,627,971
Interest received		16,928,865	14,283,694
Interest paid		-	(178,968)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>34,884,378</b>	<b>53,732,697</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(6,602,358)	(8,568,315)
Proceeds on disposal of fixed assets		435,814	-
Increase in investment properties		-	-
(Increase)/decrease in non-current loans		1,787,425	1,804,297
Increase in non-current investments		-	-
Decrease in call investment deposits		(49,000,000)	(60,000,000)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(53,379,120)</b>	<b>(66,764,018)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised/(repaid)		-	-
Increase in consumer deposits		-	-
Decrease/(increase) in short-term loans		-	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(18,494,742)</b>	<b>(13,031,321)</b>
Cash and cash equivalents at the beginning of the year		25,572,434	38,603,755
Cash and cash equivalents at the end of the year		7,077,692	25,572,434
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(18,494,742)</b>	<b>(13,031,321)</b>

**CAPE WINELANDS DISTRICT MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006**

	<u>Capital Replacement Reserve</u>	<u>Capitalisation Reserve</u>	<u>Government Grant Reserve</u>	<u>Donations and Public Contribution Reserve</u>	<u>Self-Insurance Reserve</u>	<u>Revaluation Reserve</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
	R	R	R	R	R	R	R	R
<b>2005</b>								
Balance at 1 July 2004	23,538,609	-	716,502	-	-	-	156,723,755	180,978,866
Prior Year Adjustments (Note 20)							1,538,472	1,538,472
Implementation of GRAP (Note 19)							(30,641,377)	(30,641,377)
<b>Restated balance</b>	<b>23,538,609</b>	<b>-</b>	<b>716,502</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>127,620,850</b>	<b>151,875,961</b>
Net surplus/(deficit) for the year	-	-	-	-	-	-	24,415,338	24,415,338
Transfer of Functions to B-Municipalities	-	-	-	-	-	-	-	-
Transfer to CRR	-	-	-	-	-	-	-	-
Property, plant and equipment purchased	(8,568,315)	-	-	-	-	-	8,568,315	-
Capital grants used to purchase PPE	-	-	-	-	-	-	-	-
Donated/contributed PPE	-	-	-	-	-	-	-	-
Contribution to Insurance Reserve	-	-	-	-	-	-	-	-
Insurance claims processed	-	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	(233,277)	-	-	-	233,277	-
Depretiation on Heritage Assets reversed	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2005</b>	<b>14,970,294</b>	<b>-</b>	<b>483,225</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160,837,780</b>	<b>176,291,299</b>
<b>2006</b>								
Correction of errors (Note 20)	-	-	-	-	-	-	3,479,001	3,479,001
Implementation of GRAP (Note 19)	-	-	-	-	-	-	(9,397,642)	(9,397,642)
Change in accounting policy (Note 31)	-	-	-	-	-	-	-	-
<b>Restated balance</b>	<b>14,970,294</b>	<b>-</b>	<b>483,225</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>154,919,139</b>	<b>170,372,658</b>
Net surplus/(deficit) for the year	-	-	-	-	-	-	25,733,251	25,733,251
Transfer of Functions to B-Municipalities	-	-	-	-	-	-	-	-
Transfer to CRR	16,000,000	-	-	-	-	-	-	16,000,000
Property, plant and equipment purchased	(5,975,182)	-	-	-	-	-	5,975,182	-
Capital grants used to purchase PPE	-	-	627,176	-	-	-	(627,176)	0
Donated/contributed PPE	-	-	-	-	-	-	-	-
Revaluation of Property	-	-	-	-	-	97,974,791	-	97,974,791
Contribution for the year	-	-	-	-	-	-	(10,960,233)	(10,960,233)
Insurance claims processed	-	-	-	-	-	-	-	-
Transfer to Housing Development Fund	-	-	-	-	-	-	-	-
Asset disposals	-	-	-	-	-	-	-	-
Offsetting of depreciation	-	-	(236,796)	-	-	-	236,796	-
<b>Balance at 30 June 2006</b>	<b>24,995,112</b>	<b>-</b>	<b>873,605</b>	<b>-</b>	<b>-</b>	<b>97,974,791</b>	<b>175,276,960</b>	<b>299,120,468</b>

**CAPE WINELANDS DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006 R	2005 R
<b>1 PROVISIONS</b>		
Performance bonus	-	-
Ex Gratia Pensions	-	-
Medical Contributions	47,754,576	32,177,467
Auditfees (Removed with implementation of GAMAP)	-	-
Current portion of long-service provision	(7,854,000)	(4,586,155)
<b>Total Provisions</b>	<b><u>39,900,576</u></b>	<b><u>27,591,312</u></b>
<b>1.1 FUTURE MEDICAL AID LIABILITY</b>		
<b>1.1.1 Reconciliation of Net liability recognized in the Balance Sheet:</b>		
Opening Balance	32,177,457	-
Current Service Cost	2,537,000	-
Interest Cost	5,317,000	-
Transitional Liability Recognised	9,933,119	32,177,457
Actuarial (Gain) / Loss Recognized	-	-
Past Service cost Recognized	-	-
Effect of Curtailment or Settlement	-	-
Miscellaneous Item	-	-
Expense Recognized	49,964,576	32,177,457
Expected Employer Benefit Payments	(2,210,000)	-
Closing Balance	<u>47,754,576</u>	<u>32,177,457</u>
<b>1.1.2 Reconciliation of Unrecognised Teransitinal Liability</b>		
Opening Unrecognized Transitional Liability	30,375,543	62,553,000
Transitional Liability Recognized	(9,933,119)	(32,177,457)
Closing Unrecognized Transitional Liability	<u>20,442,424</u>	<u>30,375,543</u>
Transitional Liability at Date of adopting AC116	62,553,000	62,553,000
Transitional Liability to be Recognized in Current Year	9,933,119	32,177,457
<b>1.1.3 Reconciliation of Unrecognized Actuarial Gains and Losses</b>		
Opening Unrecognized Gain/(Loss)	-	-
Actuarial Gain/(Loss) Arising	1,609,000	-
Actuarial Gain/(Loss) Recognized	-	-
Closing Unrecognized Gain/(Loss)	<u>1,609,000</u>	<u>-</u>
<b>1.1.4 Reconciliation of Assets and Liabilities Recognized in the Balance Sheet</b>		
Present Value of Funded Obligations	-	-
Fair Value of Plan Assets	47,754,576	32,177,457
Present Value of Unfunded Obligations	<u>66,588,000</u>	<u>62,553,000</u>
Present Value of Obligations in excess of Plan assets	18,833,424	-
Unrecognized Transitional Liability	(20,442,424)	(30,375,543)
Unrecognized Actuarial Gains/(Losses)	1,609,000	-
Unrecognized Past Service Cost	-	-
Miscellaneous Item	-	-
Net Liability in Balance Sheet	<u>-</u>	<u>-</u>

**CAPE WINELANDS DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

**1.1.5 Reconciliation of fair Value of plan Assets Recongnized in the Balance Sheet**

Opening of Fair value of Plan Assets	32,177,457	
Expected Return on Plan Assets	2,735,084	-
Actuarial Gain/(Loss)	(157,975)	-
Employer Contribution	15,210,000	32,177,457
Employer Benefit Payments	(2,210,010)	-
Closing Fair Value of Plan Assets	47,754,556	32,177,457

**1.2 ACTUARIAL ASSUMPTIONS**

**1.2.1 Rate of Interest**

Medical Aid inflation rate	8% p.a.
Investment return	9% p.a.

Accounting Standard AC 116 defines the determination of the investment return assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds should be consistent with the currency and estimated term of the postemployment benefit obligations."

Our investment return assumption was based on the yields of the R186 government bonds plus a risk premium as a proxy for the yields on high quality corporate bonds and we tested this against the yields of corporate bonds available in South Africa.

The two assumptions should be considered in relation to each other, i.e. the difference between the two. This real rate is equal to approximately 1% p.a. The reason for using a low real interest rate for the valuation of the subsidies is that the contributions are expected to increase at a faster rate than the normal inflation rate. The above would mean that if funds are set aside and they earn an investment return of 9%, an increase of 8% for the medical aid contributions can be accommodated without a higher than expected increase in the liability, all else being equal.

Even though the nominal value of the above two assumptions have changed from those used in our projections as at 30 June 2005, the difference between the assumptions have remained the same. Hence the effect on the valuation is negligible.

**1.2.2 Normal Retirement Age**

The Normal Retirement Age for employees that are members of the Cape Joint Provident Fund is 60 years.

The Normal Retirement Age for employees that are members of the Cape Joint Pension Fund is the earlier of age 65 or age after 55 when the employee has completed 35 years of service.

**1.2.3 Mortality Rates**

Mortality for pre-retirement benefits has been based on the SA 56-62 mortality table rated down three years for females and on the PA(90) ult. mortality table for post retirement benefits.

**1.2.4 Spouse Dependents**

It was assumed that 90% of current single male employees and 20% of current single female employees would be married at retirement. It was assumed that all employees who are currently married will be married at retirement. Actual marital status was taken into account in calculating the pre retirement benefit.

We have assumed an age difference of 5 years (male spouses 5 years older than their female spouses) between members and their spouses, where required.

**CAPE WINELANDS DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

**1.2.5 Child Dependants**

It was assumed that Child Depndant status ceases at age 21. We made no provision for the children of the pensioners.

**1.2.6 Withdrawals**

<b>AGE</b>	<b>MALES</b>	<b>FEMALES</b>
20	16%	24%
25	12%	18%
30	10%	15%
35	8%	10%
40	6%	6%
45	4%	4%
50	2%	2%
55+	0%	0%

**1.2.7 III -Health Retirement**

<b>AGES</b>	<b>MALES</b>	<b>FEMALES</b>
25	0.00%	0.00%
30	0.01%	0.02%
35	0.08%	0.12%
40	0.21%	0.22%
45	0.38%	0.32%
50	0.82%	0.50%
55	1.96%	1.02%
59	3.00%	1.50%
64	4.30%	2.50%

**1.2.8 Early Retirement**

<b>AGES</b>	<b>MALES</b>	<b>FEMALES</b>
55	2.00%	2.00%
56	1.00%	1.00%
57	1.00%	1.00%
58	1.00%	1.00%
59	2.00%	2.00%
60	2.00%	2.00%
61	2.00%	2.00%
62	3.00%	3.00%
63	4.00%	4.00%
64	5.00%	5.00%

**CAPE WINELANDS DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	R	R
<b>2 CREDITORS</b>		
Trade creditors	-	-
Payments received in advance	2,237,277	3,545,495
Retentions	1,778,216	3,138,592
Staff leave	4,397,921	3,792,280
Advance: Op die Berg (Witzenberg Mun.)	-	-
Other creditors	1,474,833	11,378,070
<b>Total Creditors</b>	<b><u>9,888,248</u></b>	<b><u>21,854,437</u></b>

**3 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**3.1 Conditional Grants from other spheres of Government**

	12,310,059	12,445,136
MIG Grants	-	-
PAWC and State Funds: Various Projects	12,310,059	12,445,136
Provincial LED Projects	-	-

**3.2 Other Conditional Receipts**

Developers Contributions – Electricity	-	-
Public contributions	-	-

<b>Total Conditional Grants and Receipts</b>	<b><u>12,310,059</u></b>	<b><u>12,445,136</u></b>
--	--------------------------	--------------------------

See Note 14 and Appendix G for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized

**4 TAXES**

VAT payable	<b><u>1,246,538</u></b>	<b><u>268,786</u></b>
VAT receivable	<u>-</u>	<u>-</u>

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

**5 PROPERTY, PLANT AND EQUIPMENT**

Please refer to the detailed schedule of Property, Plant and Equipment on page 39.

A revaluation of Land and Buildings was carried out during May and June 2006.

**CAPE WINELANDS DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>6 LONG-TERM RECEIVABLES</b>		
Loans to controlled Municipal Entities	-	-
Car loans	2,157,709	3,945,133
Sewerage connection loans	-	-
Electricity appliance purchase scheme	-	-
Housing selling scheme loans	-	-
	<u>2,157,709</u>	<u>3,945,133</u>
Less : Current portion transferred to current receivables	865,409	1,147,713
Car loans	<u>865,409</u>	<u>1,147,713</u>
Sewerage connection loans	-	-
Electricity appliance purchase scheme	-	-
Housing selling scheme loans	-	-
<b>Total</b>	<u><u>1,292,299</u></u>	<u><u>2,797,420</u></u>
<b>7 INVENTORY</b>		
Consumable stores – at cost	832,835	845,443
Maintenance materials – at cost	-	-
Spare parts – at realisable value	-	-
Water – at cost	-	-
Other goods held for resale – at cost	-	-
Unsold properties held for resale – at realisable value	-	-
<b>Total Inventory</b>	<u><u>832,835</u></u>	<u><u>845,443</u></u>
<b>8 CONSUMER DEBTORS</b>		
Service debtors	248,262	102,138
Rates	<u>248,262</u>	<u>102,138</u>
Electricity	-	-
Water	-	-
Sewerage	-	-
Trade Debtors (VAT included)	17,677,664	16,320,330
Levy Debtors (VAT included)	5,363,962	3,228,361
Housing rentals	-	-
Less : Provision for bad debts	<u>(20,373,601)</u>	<u>(18,864,206)</u>
<b>Total</b>	<u><u>2,916,286</u></u>	<u><u>786,623</u></u>
<b><i>Trade Debtors: Ageing</i></b>		
Current (0 – 30 days)	51,218	85,133
31 - 60 Days	1,035,658	143,307
61 - 90 Days	17,150	571,642
91 - 120 Days	1,938,109	54,963
+ 120 Days	14,635,529	15,465,285
<b>Total</b>	<u><u>17,677,664</u></u>	<u><u>16,320,330</u></u>



**CAPE WINELANDS DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	R	R
<b><u>Levy Debtors: Ageing</u></b>		
Current (0 – 30 days)	-	-
31 - 60 Days	26,638	722
61 - 90 Days	222,494	199,699
91 - 120 Days	203,399	144,177
+ 120 Days	4,911,431	2,985,901
<b>Total</b>	<b><u>5,363,962</u></b>	<b><u>3,330,499</u></b>

**8 CONSUMER DEBTORS (continued)**

<b><u>Housing rentals: Ageing</u></b>		
Current (0 – 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+120 Days	-	-
<b>Total</b>	<b><u>-</u></b>	<b><u>-</u></b>

**Summary of Debtors by Customer Classification**

**30 June 2006**

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
	R	R	R
Current (0 – 30 days)	51,218	-	-
31 - 60 Days	1,035,658	26,638	-
61 - 90 Days	17,150	222,494	-
91 - 120 Days	1,938,109	203,399	-
121 - 365 Days	538,922	4,911,431	14,344,868
Sub-total	<u>3,581,057</u>	<u>5,363,962</u>	<u>14,344,868</u>
Less: Provision for bad debts	<u>(664,771)</u>	<u>(5,363,962)</u>	<u>(14,344,868)</u>
<b>Total debtors by customer classification</b>	<b><u>2,916,286</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

**Summary of Debtors by Customer Classification**

**30 June 2005**

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
	R	R	R
Current	-	-	-
Current (0 – 30 days)	85,133	-	-
31 - 60 Days	143,307	722	-
61 - 90 Days	571,642	199,699	-
91 - 120 Days	54,963	144,177	-
121 - 365 Days	436,355	2,883,763	15,131,068
Sub-total	<u>1,291,400</u>	<u>3,228,361</u>	<u>15,131,068</u>
Less: Provision for bad debts	<u>(747,237)</u>	<u>(2,985,901)</u>	<u>(15,131,068)</u>
<b>Total debtors by customer classification</b>	<b><u>544,163</u></b>	<b><u>242,460</u></b>	<b><u>-</u></b>

Due to major fires during December, January and February Industrial and Commercial Debtors increased substantially.

**CAPE WINELANDS DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

<b>9 OTHER DEBTORS</b>	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
Payments made in advance	-	-
Unauthorized expenditure (see Note 35)	-	-
Fruitless and wasteful expenditure (see Note 35)	-	-
Other	10,759,356	12,787,808
Insurance claims	12,340	39,309
Government subsidies	-	-
<b>Total Other Debtors</b>	<b>10,771,696</b>	<b>12,827,117</b>

**10 CALL INVESTMENT DEPOSITS**

ABSA	50,000,000	30,000,000
FNB	40,000,000	30,000,000
INVESTEC	55,000,000	40,000,000
NEDCOR	34,000,000	30,000,000
STANDARD BANK	30,000,000	30,000,000
Other Deposits	209,000,000	160,000,000

Average Rate of Return on Investments	7.13%	7.83%
---------------------------------------	-------	-------

Other deposits of R9 134 193 (2004: R10 405 960) are ring-fenced and attributable to the Capital Replacement Reserve.

**11 BANK BALANCES AND CASH**

The Municipality has the following bank accounts: -

**Current Account (Primary Bank Account)**

ABSA Bank Ltd  
Account Number 4053536026

Cash book balance at beginning of year	25,572,434	38,603,755
Cash book balance at end of year	7,077,692	25,572,434
Primary Bank Account	7,069,882	25,538,104
Floats	-	830
Petty Cash	7,810	33,500
Bank statement balance at beginning of year - (overdrawn)	38,140,963	54,292,397
Bank statement balance at end of year - (overdrawn)	12,254,313	38,140,963

**CAPE WINELANDS DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

**12 PROPERTY RATES**

	<b>2006</b>	<b>2005</b>
	R	R
<b><u>Actual</u></b>		
Residential	-	-
Commercial	740,720	493,802
State	-	-
<b>Total Assessment Rates</b>	<b><u>740,720</u></b>	<b><u>493,802</u></b>
<b><u>Valuations</u></b>		
	<b><u>July 2003</u></b>	<b><u>July 2002</u></b>
	<b><u>R000's</u></b>	<b><u>R000's</u></b>
Residential	-	-
Commercial	-	-
State	-	-
Municipal	-	-
<b>Total Property Valuations</b>	<b><u>-</u></b>	<b><u>-</u></b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2003. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

**13 SERVICE CHARGES**

Electric Prepaid Income	4,810	6,234
Building Plan Scrutiny Fees	18,507	2,672
Fire Fighting Services	2,766,611	276,852
Sewerage and sanitation charges	-	-
<b>Total Service Charges</b>	<b><u>2,789,928</u></b>	<b><u>285,758</u></b>

**14 GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	2,153,160	2,360,982
Provincial LED Projects	180,457	865,799
CMIP	2,559,192	10,021,190
Public Contributions	3,082,340	869,000
PAWC Housing Subsidy	2,335,254	637,890
Land Affairs Subsidy	-	2,705,063
PAWC - Roads Agency Function	53,632,000	45,180,000
PAWC - Health Agency Function	16,599,824	17,406,110
Contributions from Municipalities - Health	-	864,868
Global Funding	1,121,167	126,500
Public Transport Regulations	2,082,415	1,565,278
WCPG - Planning Grant	-	2,145
PIM centre	3,718,320	2,314,107
Finance Management Grant	945,423	1,819,957
MIG Grant	-	-
WCPG - Wolwekloof	2,769,664	-
Entrepre. Support (PAWC)	60,821	-
Sandhills	552,972	-
<b>Government Grant and Subsidies</b>	<b><u>91,793,009</u></b>	<b><u>86,738,889</u></b>

**CAPE WINELANDS DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

<b>15 OTHER INCOME</b>	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
Sale of housing	-	-
Task Refund ( Salaries)	964,426	2,259,659
Tourism	87,657	147,434
Roads	1,039,879	2,315,233
Comprehensive Health	14,222	757,669
Environmental Services	187,775	-
Sale of Milk		1,554,361
Seta Refund	285,405	131,579
Contribution form Leave Account	-	1,195,824
Recoverables - Personell	-	150,662
Fire Fighting Services	667,887	
Transport Pool	309,972	
Other	936,499	1,243,532
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 35)	-	-
<b>Total Other Income</b>	<b><u>4,493,722</u></b>	<b><u>9,755,953</u></b>

**16 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	77,088,819	78,941,850
Employee related costs - Contributions for UIF, pensions and medical aids	16,248,587	14,639,197
Travel, motor car, accommodation, subsistence and other allowances	-	-
Housing benefits and allowances	-	-
Overtime Payments	-	-
Performance bonus	-	-
Long-service awards	-	-
Less: Employee costs capitalised to Property, Plant and Equipment	-	-
Less: Employee costs included in other expenses	(24,878,641)	(18,480,426)
<b>Total Employee Related Costs</b>	<b><u>68,458,766</u></b>	<b><u>75,100,621</u></b>

***Remuneration of the Municipal Manager***

Annual Remuneration	747,135	699,840
Performance Bonuses	128,743	-
Car Allowance	80,000	93,333
Contributions to UIF, Medical and Pension funds	145,691	136,469
<b>Total</b>	<b><u>1,101,569</u></b>	<b><u>929,642</u></b>

**CAPE WINELANDS DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

<b>16 EMPLOYEE RELATED COSTS (continued)</b>	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<i>Remuneration of the Chief Finance Officer</i>		
Annual Remuneration	465,767	348,482
Performance Bonuses	83,445	-
Car Allowance	12,200	120,000
Contributions to UIF, Medical and Pension funds	119,316	92,411
<b>Total</b>	<b>680,728</b>	<b>560,893</b>

*Remuneration of Individual Executive Directors*

<b>30 June 2006</b>	<u>Technical</u> <u>Services</u> R	<u>Corporate</u> <u>Services</u> R	<u>Community</u> <u>Services</u> R
Annual Remuneration	416,155	375,394	749,453
Performance Bonuses	83,445	83,445	166,889
Car Allowance	71,314	120,000	192,000
Medical and pension funds	108,373	85,874	157,903
<b>Total</b>	<b>679,287</b>	<b>664,713</b>	<b>1,266,245</b>
<b>30 June 2005</b>	<u>Technical</u> <u>Services</u> R	<u>Corporate</u> <u>Services</u> R	<u>Community</u> <u>Services</u> R
Annual Remuneration	370,000	347,859	673,805
Performance Bonuses	-	-	-
Car Allowance	94,286	120,000	220,000
Medical and pension funds	99,054	78,393	142,089
<b>Total</b>	<b>563,340</b>	<b>546,252</b>	<b>1,035,894</b>

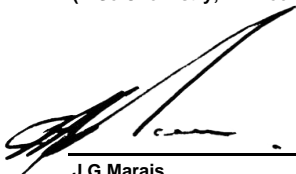
Performance bonuses accrue to employees biannually, subject to certain conditions. The provision is an estimate of the amount due to staff at the reporting date.

In the previous Financial year provision for performance bonuses was made but, not indicated in the notes.



10/01/2007

**K. Chetty**  
**Municipal Manager**  
**(B.Sc Chemistry; BA Econ; BA Hons - Public Finance)**



10/01/2007

**J.G Marais**  
**Executive Director Finance**  
**(B.Com AIMFO; Registered Municipal Accountant)**

**CAPE WINELANDS DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

<b>17 REMUNERATION OF COUNCILLORS</b>	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
Executive Mayor	222,313	220,576
Deputy Executive Mayor	50,461	176,461
Speaker	178,613	176,461
Mayoral Committee Members	946,502	801,963
Councillors	571,731	528,602
Travelling Expenses	501,813	476,016
Allowances: Other	614,211	598,671
Councillors' pension contribution	220,423	219,298
<b>Total Councillors' Remuneration</b>	<b><u>3,306,067</u></b>	<b><u>3,198,048</u></b>

***In-kind Benefits***

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

**18 INTEREST PAID**

Unspend Grands and Funds	1,193,834	178,968
<b>Total Interest on External Borrowings</b>	<b><u>1,193,834</u></b>	<b><u>178,968</u></b>

**19 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GRAP**

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of Grap: -

Due to the implementation of GRAP Council had to make the following adjustments:

Transfer Exgratia prov. to Surplus	-	1,536,090
Provision for Future Medical Aid	-	-32,177,467
Transfer to increase the Capital Replacement Reserve	-9,397,642	-
	<b><u>(9,397,642)</u></b>	<b><u>(30,641,377)</u></b>

The effect of the change in accounting policy at the beginning of the year on the accumulated surplus/(deficit) is as follows: -

	<b><u>(9,397,642)</u></b>	<b><u>(30,641,377)</u></b>
--	---------------------------	----------------------------

**20 CORRECTION OF ERRORS**

During the year ended 30 June 2006, errors were corrected: -

The comparative amount has been restated as follows: -

Correction - Deposits on disks		75
Interest paid to SARS i.r.o. Medical Aid Restructuring		(137,987)
Interest and Redemption received i.r.o. Medical Aid Restructuring		11,072
Stelb.Mun. Not available for further Development		600,902
Correction - Exgratia Pension		43
Funds obtained from ABSA not utilised		3,404
Retention previously settled erroneously		521,934
Valluation Roll previously written of against Expenditure		539,029
Expenditure on Lanquedoc Housing in prior years	(2,306,466)	
Various projects completed in prior years	222,006	
Prior year Levies written off, levied again	9,282	
Provision for Task Creditor written back	5,554,179	
<b>Net effect on surplus/(deficit) for the year</b>	<b><u>3,479,001</u></b>	<b><u>1,538,472</u></b>

**CAPE WINELANDS DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

<b>21 CASH GENERATED FROM OPERATIONS</b>	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
Surplus for the year	25,733,251	24,415,338
Adjustment for:-		
Depreciation	5,988,445	5,217,033
Previous year Operating Transactions	3,479,001	1,014,009
Corrections on PPE	13,396	
Gain on disposal of property, plant and equipment	(435,814)	-
Contribution to Capital Replacement Reserve	6,602,358	
Contribution to provisions - non-current	-	-
Contribution to provisions – current	-	-
Contribution to bad debt provision	-	-
Equity accounted share of associate’s surplus	-	-
Investment income	(16,928,865)	(14,283,694)
Internal Interest Paid	3,770,943	
Interest paid	-	178,968
<b>Operating surplus before working capital changes:</b>	<b>28,222,715</b>	<b>16,541,654</b>
Decrease in inventories	12,608	77,919
(Increase)/decrease in debtors	(2,129,663)	1,614,177
(Increase)/decrease in other debtors	2,055,421	5,781,559
(Decrease)/increase in conditional grants and receipts	(135,077)	8,217,035
Increase in creditors	(11,048,243)	3,807,128
Decrease in provisions	-	-
(Increase)/decrease in VAT	977,752	3,588,499
<b>Cash generated by/(utilised in) operations</b>	<b>17,955,514</b>	<b>39,627,971</b>

During the implementation of GAMAP, only 2004 figures were converted to GRAP. No comparison 2003 figures was converted, thus no Cash Flow Statement could be compiled.

**22 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**22.1 Contributions to organized local government**

Opening balance	-	-
Council subscriptions	-	-
Amount paid - current year	-	-
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**CAPE WINELANDS DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

**22 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE**

**MANAGEMENT ACT (continued)**

<b>2006</b>	<b>2005</b>
R	R

**22.2 Audit fees**

Opening balance	-	-
Current year audit fee	-	446,067
Amount paid - current year	-	(446,067)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

The balance unpaid represents the audit fee for an interim audit conducted during May and June 2005 and is payable by 31 July 2005

**22.3 VAT**

VAT inputs receivables and VAT outputs receivables are shown in note 8. All VAT returns have been submitted by the due date throughout the year.

**22.4 PAYE and UIF**

Opening balance	-	-
Current year payroll deductions	-	11,446,204
Amount paid - current year	-	(11,446,204)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**22.5 Pension and Medical Aid Deductions**

Opening balance	-	-
Current year payroll deductions and Council Contributions	-	19,583,052
Amount paid - current year	-	(19,583,052)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**22.6 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

A supply Chain Management policy has been developed and has been implemented in January 2006.



**CAPE WINELANDS DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
23 RETIREMENT BENEFIT INFORMATION	R	R

All Council's employees belong to one of the following funds. These schemes are subject to a tri- annual, bi- annual or annual actuarial valuation as set out. The Council's contributions to these funds are reflected as a charge against income in the financial statements.

- 23.1 Cape Joint Pensionfund, which is a defined benefit fund and is governed by the Pension finds Act of 1956. 6.81% of Council's employees are members of this fund. The fund is also a multi employer plan and the contribution rate payable is 27 %, p% by the members and 18 % by Council. No actuarial valuation is available yet. The actuarial valuation of the Cape Joint Pension Fund disclosed an assets value or R 2 865 million on 30 June 2006. The funding level of the fund was 111.4% on 30 June 2006
- 23.2 Cape Joint Retirement Fund is defined contribution fund and is governed by the Pensions Funds Act of 1956. 86.88 of Council's employees are members of this fund. The contribution rate paid by the members ( 9%) and Council (18%) is sufficient to fund the benefits accruing from the fund in future. According to the actuarial valuation the value of total net assets of the Cape Joint Retirement Fund is R 5 809 million on 30 June 2006.
- 23.3 SAMWU National Provident Fund, which is a privately-administered fund. The fund is subject to actuarial valuation. According to the actuarial valuation the value of total assets of the SAMWU National provident Fund was R 1 511 461 million on 30 June 2005. 6.49 % of Council's employees are members of this fund.
- 23.4 13 Councillors of the Cape Winelands District Municipality are members of the Municipal Councillors Pension Fund, which operates as a defined contribution scheme. The fund was established in 1988 and an actuarial valuation is carried out every 3 years. The fund was sound at its previous valuation in 2005 and was valued at R 691 million. There is no actuarial valuation for the year under review available.

**24 CONTINGENT LIABILITY**

Guarantees to Building Societies and Banks in respect of housing loans to employees	156,400	226,943
Obligation to implement TASK	5,950,192	
	<u><b>6,106,592</b></u>	<u><b>226,943</b></u>

This liability is going to be phased out.

**25 REGIONAL SERVICE LEVIES**

With regard to item 14 of the accounting policy the following needs to be noted: Provisional RSC Levies are raised where levy payers do not submit declarations of their actual liabilities. The provisional RSC Levies are calculated based on actual historical declarations or information submitted with initial registration as a levy payer. As these provisional levies cannot be determined accurately and the eventual recovery thereof is uncertain, a possible income of R25.3 mil was not recognised in the Statement of Financial Performance for the year under review.

**CAPE WINELANDS DISTRICT MUNICIPALITY****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006****26 DEVIATIONS****2006****2005****R****R**

1. Six supplies for emergency vehicle recovery to the value of R36 387.09 were procured without acquiring quotations.
2. One supply for special work of art to the value of R11 000.00 was procured without acquiring quotations.

The total of R47 387.09 represented 0.0165% of total procurement.

**27 PRIMARY HEALTH CARE**

The Primary Health Care function is in the process of being transferred to the Provincial Government of the Western Cape. The decrease in the salary cost is caused by this process. This transfer process will be completed during the 2006/2007 financial year.

**28 FUTURE COMMITMENTS**

Please refer to APPENDIX F

**29 GENERAL EXPENSES**

RSC 5	6,252,247
Transport Internal	4,969,917
Fire Fighting Special Events	3,283,721
Fuel - Diesel	2,897,457
Telephones & Telexes	2,183,137
Vehicle Repairs (External)	1,994,288
Consultancy Fees Planning	1,885,777
Fuel - Petrol	1,755,492
Parts and Accessories	1,516,433
Insurance	1,402,428
Printing and Stationery	1,275,260
Assets Below R10 000	1,152,335
Electricity	793,572
Exhibitions	761,405
Cellphone Charges	697,833
Seta Levies	658,685
Audit Fees	658,052
Training of Personnel	597,864
Software Purchases	573,045
Property Tax	554,991
Uniforms	524,825
Advertisements	430,916
Municipal Police	400,106
Equipment General items	314,068
Medical Services	287,233
Audit Support Service	283,051
Miscellaneous Expenses	281,070
Member Fees	271,654
Congress Expenses	256,007
Security Services / Monitoring	249,411
Study and Examination fees	247,919
Cleaning Services and Cleans.	242,785
Brochures	234,060
Postage and Minor Expense.	232,837
Water Supply	213,111
Contingencies	211,881
Refreshments and Tee	204,164
Relocation Costs	203,635
Consumable Materials	198,140

**CAPE WINELANDS DISTRICT MUNICIPALITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	R	R
Oil and Lubrications	188,659	
Communication	187,506	
Water/Food Sample/Testing	186,418	
Tourism	175,798	
Co-operational Agreements	173,295	
Task Pos Evaluation	171,519	
Translation	171,191	
Public Functions	147,378	
Banking Costs	142,539	
Public Participation	128,985	
Licence Fees - Other	124,536	
Voluntary Fire Service	113,129	
Sanitary Services	109,617	
Operators Costs	107,616	
Rental General	101,894	
Other	1,641,297	
Projects	46,975,450	
Sub Total	93,638,936	
Less Expenditure by TASK	-106,485	
Less Expenditure by Debited elsewhere	-19,139,724	
Total General Expenses	<u><u>74,392,727</u></u>	

**30 RELATED PARTIES**

Council do not have any relations with related parties.

**31 RISK MANAGEMENT****31.1 CREDIT RISK**

Credit Risk primarily relates to cash investments. Council deposits cash surpluses with financial institutions of high quality and standing. A cash management and investment policy has been approved

In terms of the MFMA Act 56 of 2003 the granting of credit ( Loans ) are prohibited.

**31.2 RELIANCE ON NATIONAL GOVERNMENT FOR FUNDS ( INCOME)**

With the phasing u to the Regional Services Levies on 30 June 2006 the Cape Winelands will be dependant of the National and Provincial Governments for its income +/- 96%. This created a lot of uncertainties regarding the future of District Municipalities.

**31.3 INTEREST RISK ( EXTERNAL BORROWING )**

The Council has no outstanding loans as at 30 June 2006. The increases in interest rates will therefore have no effect on the liquidity of Council.

**31.4 FOREIGN EXCHANGE RISK**

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

**CAPE WINELANDS DISTRICT MUNICIPALITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

2006  
R

2005  
R

31.5 POLITICAL RISK

The political landscape of the Western Cape has been quite stable and there is respect for the rule of law.

31.6 DISCLOSURE ON COLLATERAL

Refer to note 24.

32 INVESTMENT PLAN

Particulars of the investments as prescribed by section 17(1)(f) of the Local Government: Municipal Finance Management Act(Act 56 of 2003)

Invested as at 30 June 2005 at the following A1 Banks as prescribed by Council's Investment Policy:

ABSA	50,000,000	30,000,000
FNB	40,000,000	30,000,000
INVESTEC	55,000,000	40,000,000
NEDCOR	34,000,000	30,000,000
STANDARD BANK	30,000,000	30,000,000
	<u>209,000,000</u>	<u>160,000,000</u>
Bank / Cash - ABSA	<u>7,077,692</u>	<u>25,572,434</u>
TOTAL : CASH AND INVESTMENTS	<u>216,077,692</u>	<u>185,572,434</u>

Commitments linked to investments as at 30 June 2006

Future Medical Aid contributions	66,588,000	64,238,167
Capital Replacement Reserve	24,995,112	14,970,294
Future Depreciation	23,571,727	42,153,477
Government Grant Reserve	873,605	483,225
Future Commitments	3,134,422	6,294,152
Unspent Grants	12,310,059	12,445,136
Staff Leave	4,397,921	3,792,280
Retention	1,778,216	3,138,592
Task Implementation		5,554,179
Unbundeling: Stellenbosch Municipality		2,247,222
Working Capital	78,428,630	30,255,710
	<u>216,077,692</u>	<u>185,572,434</u>

**CAPE WINELANDS DISTRICT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEART ENDED 30 JUNE 2006**

**5. PROPERTY, PLANT AND EQUIPMENT**

**30 June 2006**

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Housing Develop. Fund</u>	<u>Leased infrastructure</u>	<u>Total</u>
	R	R	R	R	R	R	R	R
<b>Carrying values at 1 July 2005</b>	<b>10,463,623</b>	-	<b>5,381,606</b>	<b>3,944,419</b>	<b>19,270,727</b>	-	-	<b>39,060,375</b>
<i>Cost</i>	34,092,745	-	7,292,208	3,944,419	35,884,480	-	-	81,213,852
<i>Correction of error ( note 20)</i>	0	-	0	-	-	-	-	0
<i>Revaluation</i>	-	-	-	-	-	-	-	-
<i>Accumulated depreciation</i>	(23,629,122)	-	(1,910,602)	-	(16,613,753)	-	-	(42,153,477)
- <i>Cost</i>	(23,629,122)	-	(1,910,602)	-	(16,613,753)	-	-	(42,153,477)
- <i>Revaluation</i>	-	-	-	-	-	-	-	-
Acquisitions	2,415,621	-	-	-	4,186,737	-	-	6,602,358
Capital under Construction	-	-	-	-	-	-	-	-
Increases/decreases in revaluation	80,882,976	-	12,569,234	4,522,581	-	-	-	97,974,791
Depreciation written back	23,238,712	-	356,804	-	-	-	-	23,595,516
Depreciation	(23,238,712)	-	(692,947)	-	(5,652,302)	-	-	(29,583,961)
- based on cost	-	-	(336,143)	-	(5,652,302)	-	-	(5,988,445)
- based on revaluation	(23,238,712)	-	(356,804)	-	-	-	-	(23,595,516)
Carrying value of disposals	-	-	-	-	40,898	-	-	40,898
<i>Cost/revaluation</i>	-	-	-	-	1,015,577	-	-	1,015,577
<i>Accumulated depreciation</i>	-	-	-	-	(974,678)	-	-	(974,678)
Impairment losses	-	-	-	-	-	-	-	-
Corrections	(449,164)	-	399,661	-	4,993	-	-	(44,510)
	<b>93,313,056</b>	-	<b>18,014,358</b>	<b>8,467,000</b>	<b>17,769,257</b>	-	-	<b>137,563,671</b>
<b>Carrying values at 30 June 2006</b>	<b>93,313,056</b>	-	<b>18,014,358</b>	<b>8,467,000</b>	<b>17,769,257</b>	-	-	<b>137,563,671</b>
<i>Cost</i>	36,059,202	-	7,691,869	3,944,419	40,076,210	-	-	87,771,700
<i>Depreciation written back</i>	23,238,712	-	356,804	-	-	-	-	23,595,516
<i>Revaluation</i>	80,882,976	-	12,569,234	4,522,581	-	-	-	97,974,791
<i>Disposals</i>	-	-	-	-	(40,898)	-	-	(40,898)
<i>Accumulated depreciation</i>	(46,867,834)	-	(2,603,549)	-	(22,266,055)	-	-	(71,737,438)
- <i>Cost</i>	(46,867,834)	-	(2,603,549)	-	(22,266,055)	-	-	(71,737,438)
- <i>Revaluation</i>	-	-	-	-	-	-	-	-

**CAPE WINELANDS DISTRICT MUNICIPALITY**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEART ENDED 30 JUNE 2006

**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

**30 June 2005**

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Housing Develop. Fund</u>	<u>Leased infrastru</u> <u>re</u>	<u>Total</u>
	R	R	R	R	R	R	R	R
<b>Carrying values at 1 July 2004</b>	<b>10,466,379</b>	-	<b>4,743,878</b>	<b>3,944,419</b>	<b>16,554,418</b>	-	-	<b>35,709,094</b>
Cost	33,464,451	-	6,479,376	3,944,419	28,757,291	-	-	72,645,537
Correct Error ( note 32 )	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(22,998,072)	-	(1,735,498)	-	(12,202,873)	-	-	(36,936,443)
- Cost	(22,998,072)	-	(1,735,498)	-	(12,202,873)	-	-	(36,936,443)
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	628,294	-	812,832	-	7,127,189	-	-	8,568,315
Capital under construction	-	-	-	-	-	-	-	-
Increases/decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation	(631,050)	-	(175,104)	-	(4,410,880)	-	-	(5,217,034)
- based on cost	(631,050)	-	(175,104)	-	(4,410,880)	-	-	(5,217,034)
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
	<b>10,463,623</b>	-	<b>5,381,606</b>	<b>3,944,419</b>	<b>19,270,727</b>	-	-	<b>39,060,375</b>
<b>Carrying values at 30 June 2005</b>	<b>10,463,623</b>	-	<b>5,381,606</b>	<b>3,944,419</b>	<b>19,270,727</b>	-	-	<b>39,060,375</b>
Cost	34,092,745	-	7,292,208	3,944,419	35,884,480	-	-	81,213,852
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(23,629,122)	-	(1,910,602)	-	(16,613,753)	-	-	(42,153,477)
- Cost	(23,629,122)	-	(1,910,602)	-	(16,613,753)	-	-	(42,153,477)
- Revaluation	-	-	-	-	-	-	-	-

Land and buildings are carried at cost in accordance with GRAP on property, plant and equipment. The general valuation of land and buildings will be effected by B-Municipalities in terms of the Local Government: Municipal Property Rates Act (Act 6 of 2004).

No impairment losses were identified during the 2005/2006 Financial year.

A revaluation of Land and Buildings was done June 2006.

APPENDIX A

CAPE WINELANDS DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/03	Received during the period	Redeemed written off during the period	Balance at 30/06/04	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
LONG-TERM LOANS			R	R	R	R	R	R
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
Total long-term loans			-	-	-	-	-	-
ANNUITY LOAN								
			-	-	-	-	-	-
GOVERNMENT LOANS								
			-	-	-	-	-	-
Total Government Loans			-	-	-	-	-	-
LEASE LIABILITY								
			-	-	-	-	-	-
TOTAL EXTERNAL LOANS			-	-	-	-	-	-

Council do not have any outstanding loans.

APPENDIX B

CAPE WINELANDS DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost/Revaluation						Accumulated Depreciation						Carrying Value	Budget Additions 2006
	Opening Balance	Additions	Revaluation	Depr. Write back	Corrections	Disposals	Closing Balance	Opening Balance	Additions	Depr. Write back	Corrections	Disposals		
<b>Land and Buildings</b>														
Land	-	-					-	-					-	-
Buildings	34,092,745	2,415,621	80,882,976	(23,238,712)	(839,574)	-	93,313,056	23,629,122	-	(23,238,712)	(390,410)	-	0	93,313,056
	<b>34,092,745</b>	<b>2,415,621</b>	<b>80,882,976</b>	<b>(23,238,712)</b>	<b>(839,574)</b>	<b>-</b>	<b>93,313,056</b>	<b>23,629,122</b>	<b>-</b>	<b>(23,238,712)</b>	<b>(390,410)</b>	<b>-</b>	<b>0</b>	<b>93,313,056</b>
<b>Infrastructure</b>														
Water Schemes	-	-					-	-					-	-
Sewerage Mains & Purif	-	-					-	-					-	-
Beach Improvements	-	-					-	-					-	-
Sewerage Mains & Purif	-	-					-	-					-	-
Electricity Mains	-	-					-	-					-	-
Electricity Peak Load Equip	-	-					-	-					-	-
Water Mains & Purification	-	-					-	-					-	-
Reservoirs – Water	-	-					-	-					-	-
Water Meters	-	-					-	-					-	-
Water Mains	-	-					-	-					-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community Assets</b>														
Parks & Gardens	-	-					-	-					-	-
Libraries	-	-					-	-					-	-
Recreation Grounds	-	-					-	-					-	-
Civic Buildings	7,292,208	-	12,569,234	(356,804)	790,071	-	20,294,709	1,910,602	336,143	(356,804)	390,410	-	2,280,351	18,014,358
	<b>7,292,208</b>	<b>-</b>	<b>12,569,234</b>	<b>(356,804)</b>	<b>790,071</b>	<b>-</b>	<b>20,294,709</b>	<b>1,910,602</b>	<b>336,143</b>	<b>(356,804)</b>	<b>390,410</b>	<b>-</b>	<b>2,280,351</b>	<b>18,014,358</b>
<b>Heritage Assets</b>														
Historical Buildings	3,944,419	-	4,522,581				8,467,000	-					-	8,467,000
Painting & Art Galleries	-	-					-	-					-	-
	<b>3,944,419</b>	<b>-</b>	<b>4,522,581</b>				<b>8,467,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,467,000</b>
<b>Total carried forward</b>	<b>45,329,372</b>	<b>2,415,621</b>	<b>97,974,791</b>	<b>(23,595,516)</b>	<b>(49,503)</b>	<b>-</b>	<b>122,074,765</b>	<b>25,539,724</b>	<b>336,143</b>	<b>(23,595,516)</b>	<b>-</b>	<b>-</b>	<b>2,280,351</b>	<b>119,794,414</b>

\* Includes correction of error referred to in Note 32.



APPENDIX B

CAPE WINELANDS DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost						Accumulated Depreciation						Carrying Value	Budget Additions 2006	
	Opening Balance	Additions	Revaluation	Depr. Write back	Corrections	Disposals	Closing Balance	Opening Balance	Additions	Depr. Write back	Corrections	Disposals			Closing Balance
<b>Total brought forward</b>	45,329,372	2,415,621	97,974,791	(23,595,516)	(49,503)	-	122,074,765	25,539,724	336,143	(23,595,516)	-	-	2,280,351	119,794,414	-
<b>Housing Rental Stock</b>															
Housing Rental 1	-	-			-	-	-	-	-			-	-	-	-
Housing Rental 2	-	-			-	-	-	-	-			-	-	-	-
	-	-	-	-	-	-	-	-	-			-	-	-	-
<b>Leased Assets (Infrastructure)</b>															
Sewerage Mains & Purify	-	-			-	-	-	-	-			-	-	-	-
	-	-	-	-	-	-	-	-	-			-	-	-	-
<b>Other Assets</b>															
Furniture & Fittings	376,146	97,488			(2,664)	-	470,970	263,398	59,490			-	322,888	148,082	-
Office Equipment	4,132,091	441,561			1,486,005	-	6,059,657	2,718,185	1,582,503		676,501	-	4,977,189	1,082,468	-
Other Plant	2,220,170	166,059			(1,370,495)	-	1,015,734	1,100,625	127,538		(676,501)	-	551,662	464,071	-
Other Vehicles	28,314,023	3,444,334			(459,414)	(1,001,957)	30,296,987	12,004,404	3,682,987			(973,024)	14,714,367	15,582,620	-
Special Plant	303,021	37,295			351,561	(13,620)	678,257	122,500	65,396			(1,654)	186,242	492,015	-
Special Vehicles	-	-			-	-	-	-	-			-	-	-	-
Fire engines	-	-			-	-	-	-	-			-	-	-	-
Refuse tankers	-	-			-	-	-	-	-			-	-	-	-
Computer equipment	-	-			-	-	-	-	-			-	-	-	-
Councillors Regalia	-	-			-	-	-	-	-			-	-	-	-
Conservancy tankers	-	-			-	-	-	-	-			-	-	-	-
Valuation Roll	539,029	-			-	-	539,029	404,641	134,388			-	539,029	(0)	-
Watercraft	-	-			-	-	-	-	-			-	-	-	-
	<b>35,884,480</b>	<b>4,186,737</b>	-	-	<b>4,993</b>	<b>(1,015,577)</b>	<b>39,060,633</b>	<b>16,613,753</b>	<b>5,652,302</b>	-	-	<b>(974,678)</b>	<b>21,291,376</b>	<b>17,769,257</b>	-
<b>Total</b>	<b>81,213,852</b>	<b>6,602,358</b>	<b>97,974,791</b>	<b>(23,595,516)</b>	<b>(44,510)</b>	<b>(1,015,577)</b>	<b>161,135,398</b>	<b>42,153,477</b>	<b>5,988,445</b>	<b>(23,595,516)</b>	-	<b>(974,678)</b>	<b>23,571,727</b>	<b>137,563,671</b>	-

Other Assets include the Other Assets of the two agency functions: Roads (R382 288) and Comprehensive Health (R244 887)

**APPENDIX C**  
**CAPE WINELANDS DISTRICT MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
 30 June 2006

	Cost							Accumulated Depreciation						Carrying Value
	Opening Balance	Additions	Revaluation	Transfers	Depr. Write Back	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Depr. Write Back	Disposals	Closing Balance	
Executive & Council	515,926			539,029			1,054,955	309,590	270,392	404,642			984,624	70,331
Finance & Admin	65,200,839	2,326,861	97,974,791	(539,029)	(23,595,515)	(309,370)	141,677,317	37,733,685	4,132,197	(404,642)	(23,595,515)	439,610	17,426,115	124,251,202
Planning & Development	73,606					-	73,606	38,419	22,699				61,118	12,488
Health	1,209,746	2,493,445				812,832	2,890,359	145,832	(30,582)			198,772	(83,522)	2,973,881
Community & Social Services	-					-	-	-					-	-
Housing	66,678					-	66,678	46,171	12,088				58,259	8,419
Public Safety	13,178,102	1,703,048				556,625	14,324,525	3,313,417	1,606,992			81,123	4,839,286	9,485,239
Sport & Recreation	-					-	-	-					-	-
Environmental Protection	-					-	-	-					-	-
Waste Management	-					-	-	-					-	-
Road Transport	951,140	79,004				-	1,030,144	560,425	(31,280)			255,173	273,972	756,172
Water	-					-	-	-					-	-
Electricity	-					-	-	-					-	-
Other	17,815					-	17,815	5,938	5,938				11,876	5,939
<b>TOTAL</b>	<b>81,213,853</b>	<b>6,602,358</b>	<b>97,974,791</b>	<b>-</b>	<b>(23,595,515)</b>	<b>1,060,087</b>	<b>161,135,399</b>	<b>42,153,477</b>	<b>5,988,444</b>	<b>-</b>	<b>(23,595,515)</b>	<b>974,678</b>	<b>23,571,728</b>	<b>137,563,671</b>

**APPENDIX D**

**CAPE WINELANDS DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
30 June 2006**

<b>2005</b>	<b>2005</b>	<b>2005</b>		<b>2006</b>	<b>2006</b>	<b>2006</b>
<b>Actual</b>	<b>Actual</b>	<b>Surplus/</b>		<b>Actual</b>	<b>Actual</b>	<b>Surplus/</b>
<b>Income</b>	<b>Expenditure</b>	<b>(Deficit)</b>		<b>Income</b>	<b>Expenditure</b>	<b>(Deficit)</b>
R	R	R		R	R	R
16,747,808	19,672,949	(2,925,141)	Executive & Council	19,962,567	18,220,784	1,741,783
124,827,825	33,104,651	91,723,174	Finance & Admin	139,208,245	64,735,515	74,472,730
585,739	5,884,386	(5,298,647)	Planning & Development	2,963,441	9,179,311	(6,215,869)
20,709,510	22,799,564	(2,090,054)	Health	20,615,227	20,740,620	(125,393)
		-	Community & Social Services			-
14,318,511	27,324,368	(13,005,857)	Housing	11,611,738	20,162,533	(8,550,794)
318,668	17,806,763	(17,488,095)	Public Safety	3,835,817	24,384,710	(20,548,893)
		-	Sport & Recreation			-
22,550	17,237,287	(17,214,737)	Environmental Protection	3,198,171	18,898,970	(15,700,798)
		-	Waste Management			-
45,802,568	48,765,717	(2,963,149)	Road Transport	58,717,236	51,152,377	7,564,859
		-	Water			-
		-	Electricity			-
438,005	6,760,161	(6,322,156)	Other	257,042	7,161,415	(6,904,373)
						-
<b>223,771,184</b>	<b>199,355,846</b>	<b>24,415,338</b>	<b>Sub Total</b>	<b>260,369,485</b>	<b>234,636,233</b>	<b>25,733,251</b>
(17,876,251)	(17,876,251)	-	Less Inter-Dep Charges	(24,898,681)	(24,898,681)	-
<b>205,894,933</b>	<b>181,479,595</b>	<b>24,415,338</b>	<b>Total</b>	<b>235,470,804</b>	<b>209,737,552</b>	<b>25,733,251</b>
		-	Add: Share of Associate			-
		<b>24,415,338</b>				<b>25,733,251</b>

APPENDIX E(1)

CAPE WINELANDS DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2006

REVENUE	2006	2006	2006	2006	Explanation of Significant Variances greater than 10% versus Budget
	Actual (R)	Budget (R)	Variance (R)	Variance (%)	
Property rates	740,720	779,210	(38,490)	-4.94%	(Explanations to be recorded)
Property rates - penalties imposed and collection charges	-	-	-	0.00%	
Service charges	2,789,928	118,350	2,671,578	2257.35%	Extensive mountain fires during December 2005
Regional Services Levies - remuneration	26,298,152	24,521,630	1,776,522	7.24%	
Regional Services Levies - turnover	101,604,975	95,718,410	5,886,565	6.15%	
Rental of facilities and equipment	157,754	77,800	79,954	102.77%	More facilities was rented out than anticipated
Interest earned - external investments	15,977,943	6,500,000	9,477,943	145.81%	Investments increased with R49 000 000
Interest earned - outstanding debtors	950,922	740,335	210,587	28.44%	
Dividends received	-	-	-	0.00%	
Fines	-	-	-	0.00%	
Licences and permits	-	-	-	0.00%	
Income for agency services	-	-	-	0.00%	
Government grants and subsidies	91,793,009	107,984,508	(16,191,499)	-14.99%	Due to the transfer of the Health function to PAWC les expenditure was incurred therefore less money was claimed from PAWC.
Other income	4,493,722	13,646,115	(9,152,393)	-67.07%	The selling of milk was discontinued.
Contributions from Surplus	12,312,162	27,386,180	(15,074,018)	-55.04%	Not all the role over Projects realised
Public contributions, donated/contributed PPE	-	-	-	0.00%	
Gains on disposal of property, plant and equipment	435,814	-	435,814	0.00%	
<b>Total Revenue</b>	<b>257,555,102</b>	<b>277,472,538</b>	<b>(19,917,436)</b>	<b>-7.18%</b>	
<b>EXPENDITURE</b>					
Employee related costs	68,458,766	80,135,086	(11,676,320)	-14.57%	Budgeted for full staff establishment. Health pers. To PAWC
Remuneration of Councillors	3,306,068	3,485,602	(179,534)	-5.15%	
Bad debts	1,518,355	361,300	1,157,055	320.25%	Extensive mountain fires - Accounts handed over.
Collection costs	452,576	470,000	(17,424)	-3.71%	
Depreciation	5,988,445	3,449,126	2,539,319	73.62%	Due to the implimentation of GRAP and an electronic asset management system at the beginning of the 2005/2006 financial year depreciation could not have been budgeted accurately.
Repairs and maintenance	52,121,603	56,768,297	(4,646,694)	-8.19%	
Internal Interest paid	1,193,834	-	1,193,834	0.00%	
Medical Aid Liability - Interest Paid	5,317,000	-	5,317,000	0.00%	Council dit not budget for this item because AC116 was implemented during the audit process of 0506.
Medical Aid Liability - Current Service Cost	2,537,000	-	2,537,000	0.00%	Council dit not budget for this item because AC116 was implemented during the audit process of 0506.
Medical Aid Liability - Transitional Liability Recognised	9,933,119	-	9,933,119	0.00%	Council dit not budget for this item because AC116 was implemented during the audit process of 0506.
Bulk purchases	-	-	-	0.00%	
Contracted services	-	-	-	0.00%	
Grants and subsidies paid	-	-	-	0.00%	
General expenses - other	74,392,727	120,976,752	(46,584,025)	-38.51%	Not all the Projects realised. Weather conditions also had an influence on the maintenance work on roads.
Contributions to Capital Replacement Reserve	6,602,358	11,826,375	(5,224,017)	-44.17%	The vehicle tracking system, disaster management centre as well as the upgrade of the firebrigade building was not completed.
Loss on disposal of property, plant and equipment	-	-	-	0.00%	
<b>Total Expenditure</b>	<b>231,821,850</b>	<b>277,472,538</b>	<b>(45,650,688)</b>	<b>-16.45%</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>25,733,251</b>	<b>-</b>	<b>25,733,251</b>	<b>0.00%</b>	

APPENDIX E(1)

CAPE WINELANDS DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2005

REVENUE	2005	2005	2005	2005	Explanation of Significant Variances greater than 10% versus Budget
	Actual (R)	Budget (R)	Variance (R)	Variance (%)	
Property rates	493,802	498,670	(4,868)	-0.98%	<i>(Explanations to be recorded)</i>
Property rates - penalties imposed and collection charges	-	-	-	0.00%	
Service charges	285,758	113,200	172,558	152.44%	
Regional Services Levies - turnover	22,862,715	21,500,000	1,362,715	6.34%	
Regional Services Levies - remuneration	92,222,655	86,000,000	6,222,655	7.24%	
Rental of facilities and equipment	119,718	-	119,718	0.00%	
Interest earned - external investments	13,286,906	7,500,000	5,786,906	77.16%	
Interest earned - outstanding debtors	996,788	665,000	331,788	49.89%	
Dividends received	-	-	-	0.00%	
Fines	-	-	-	0.00%	
Licences and permits	-	-	-	0.00%	
Income for agency services	-	-	-	0.00%	
Government grants and subsidies	86,738,889	95,541,133	(8,802,244)	-9.21%	
Other income	9,755,953	30,532,996	(20,777,043)	-68.05%	
Public contributions, donated/contributed PPE	-	-	-	0.00%	
Gains on disposal of property, plant and equipment	-	-	-	0.00%	
<b>Total Revenue</b>	<b>226,763,184</b>	<b>242,350,999</b>	<b>(15,587,815)</b>	<b>-6.43%</b>	
<b>EXPENDITURE</b>					
Employee related costs	75,100,621	87,411,690	(12,311,069)	-14.08%	
Remuneration of Councillors	3,198,048	5,018,054	(1,820,006)	-36.27%	
Bad debts	4,518,663	360,000	4,158,663	1155.18%	
Collection costs	277,317	327,500	(50,183)	-15.32%	
Depreciation	5,217,033	2,000,000	3,217,033	160.85%	
Repairs and maintenance	48,110,207	48,253,454	(143,247)	-0.30%	
Interest paid	178,968	-	178,968	0.00%	
Bulk purchases	-	-	-	0.00%	
Contracted services	-	-	-	0.00%	
Grants and subsidies paid	-	-	-	0.00%	
General expenses - other	65,746,989	95,868,779	(30,121,790)	-31.42%	
Loss on disposal of property, plant and equipment	-	-	-	0.00%	
<b>Total Expenditure</b>	<b>202,347,846</b>	<b>239,239,477</b>	<b>(36,891,631)</b>	<b>-15.42%</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>24,415,338</b>	<b>3,111,522</b>	<b>21,303,816</b>	<b>684.68%</b>	

APPENDIX E(2)

CAPE WINELANDS DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2006

	<u>2006</u> <u>Actual</u>	<u>2006</u> <u>Under</u> <u>Construction</u>	<u>2006</u> <u>Total</u> <u>Additions</u>	<u>2006</u> <u>Budget</u>	<u>2006</u> <u>Variance</u>	<u>2006</u> <u>Variance</u> <u>greater than 5% versus Budget</u>	<u>Explanation of Significant Variances</u> <u>greater than 5% versus Budget</u>
	R	R	R	R	R	%	<i>(Explanations to be recorded)</i>
<b>Land and Buildings</b>							
Land			-		-	0.00%	
Buildings	2,415,621		2,415,621	3,650,000	(1,234,379)	-33.82%	Disaster Management centre was not build and the upgrading of firebrigade building was not done
	<b>2,415,621</b>	<b>-</b>	<b>2,415,621</b>	<b>3,650,000</b>	<b>(1,234,379)</b>	<b>-33.82%</b>	
<b>Infrastructure</b>							
Drains			-		-	0.00%	
Roads			-		-	0.00%	
Beach Improvements			-		-	0.00%	
Sewerage Mains & Purif			-		-	0.00%	
Electricity Mains			-		-	0.00%	
Electricity Peak Load Equip			-		-	0.00%	
Water Mains & Purification			-		-	0.00%	
Reservoirs - Water			-		-	0.00%	
Water Meters			-		-	0.00%	
Water Mains			-		-	0.00%	
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	
<b>Community Assets</b>							
Parks & Gardens			-		-	0.00%	
Libraries			-		-	0.00%	
Recreation Grounds			-		-	0.00%	
Civic Buildings	-		-		-	0.00%	
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	
<b>Heritage Assets</b>							
Historical Buildings			-		-	0.00%	
Painting & Art Galleries			-		-	0.00%	
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	
<b>Total carried forward</b>	<b>2,415,621</b>	<b>-</b>	<b>2,415,621</b>	<b>3,650,000</b>	<b>(1,234,379)</b>		

APPENDIX E(2)

CAPE WINELANDS DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2005

	2006 Actual	2006 Under Construction	2006 Total Additions	2006 Budget	2006 Variance	2006 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Total brought forward	2,415,621	-	2,415,621	3,650,000	(1,234,379)		
<b>Housing Rental Stock</b>							
Housing Rental 1			-		-	0.00%	
Housing Rental 2			-		-		
	-	-	-	-	-	0.00%	
<b>Leased Assets (Infrastructure)</b>							
Sewerage Mains & Purify			-		-	0.00%	
	-	-	-	-	-	0.00%	
<b>Other Assets</b>							
Furniture & Fittings	97,488		97,488	480,400	(382,912)	-79.71%	Less furniture and fittings were bought because buildings was not completed.
Office Equipment	441,561		441,561	2,069,975	(1,628,414)	-78.67%	Less office equipment were bought because buildings was not completed.
Other Plant	166,059		166,059	239,000	(72,941)	-30.52%	
Other Vehicles	3,444,334		3,444,334	5,300,000	(1,855,666)	-35.01%	The GPS system was not bought
Special Plant	37,295		37,295	87,000	(49,705)	-57.13%	
Special Vehicles	-		-		-	0.00%	
Fire engines			-		-	0.00%	
Refuse tankers			-		-	0.00%	
Computer equipment			-		-	0.00%	
Councillors Regalia			-		-	0.00%	
Conservancy tankers			-		-	0.00%	
Watercraft			-		-	0.00%	
	4,186,737	-	4,186,737	8,176,375	(3,989,638)	-48.79%	
<b>Total</b>	<b>6,602,358</b>	<b>-</b>	<b>6,602,358</b>	<b>11,826,375</b>	<b>(5,224,017)</b>	<b>-44.17%</b>	

FINANCIAL COMMITMENTS

Non-Capital Projects approved and contracted for

Vote number	Project name	Contractor / Service Provider	Period	Classification	2005/2006		
					Budget	Expenditure	Balance
113305151	Contract CWDM 03/05 C - Upgrading Rural road 49 : Jasonfontein	Witels Construction		Infrastructure	1,262,342.55	454,445.27	807,897.28
113305154	Contract CWDM 07/05 - Upgrading of Muscadel Street	Shar Civils		Infrastructure	1,300,000.00	1,153,658.23	146,341.77
116155126 / 7	Contract CWDM 16/04 - Slanghoek Pedestrian Road	Dennis Lendor Civils		Infrastructure	2,325,000.00	1,652,691.55	672,308.45
116155124	Contract CWDM 16/05 - Public Transport Infrastructure Projects	Earl Links		Infrastructure	814,079.41	431,232.43	382,846.98
113611403	Contract SW/MA 191.1/2005W - Sidewalks Main Road 191	Dreyer Cleaning Solutions		Infrastructure	416,704.87	95,263.70	321,441.17
110045001	Small business Development	Business Opportunities Network		Development	2,065,000.00	1,348,387.92	716,612.08
	Cellphone Contracts	Vodacom			782,513.00	695,538.69	86,974.31
					<b>8,965,639.83</b>	<b>5,831,217.79</b>	<b>3,134,422.04</b>



**APPENDIX G**

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grants and Subsidies Received**

<b>Name of Grant</b>	<b>FUNDS UNSPENT 01/07/2005</b>	<b>RECEIVED 2005/ 2006</b>	<b>EXPENDITURE 2005/2006</b>	<b>UNSPENT 31/06/2006</b>
Tourism Training- PAWC	-443,110.47	-31,593.76	-	-474,704.23
Publ. Works: Meerlust Housing	-64,707.60	-4,613.65	-	-69,321.25
Wolwekloof: Contribution PAWC	-4,434,456.02	-3,296,436.24	2,769,664.02	-4,961,228.24
Pawc: Econ Dev- Madiba House	-177,802.58	-12,670.91	-	-190,473.49
Pawc: Econ Dev Unit	-377,447.45	-227,602.97	180,457.28	-424,593.14
FMG	-1,244,545.57	-2,110,384.26	945,422.66	-2,409,507.17
Spatial Dev. Plan ( CC)	-595,033.82	-125,254.47	-	-720,288.29
Breerivier Struktuurplan	-267,468.42	-19,070.50	-	-286,538.92
Pim Centre: PAWC	-2,796,679.71	-1,061,142.35	3,718,590.31	-139,231.75
Tourism Dev. Framework	-80,872.50	-5,766.21	-	-86,638.71
Multi- Purpose Centre	-431,320.00	-30,753.12	-	-462,073.12
Pedestn/ Cycle path MR 191/201	-661,965.88	-5,015.10	599,959.66	-67,021.32
Upgrade Rest Areas & Bains/KL	-495,469.79	-5,172.44	425,025.45	-75,616.78
Improve Sidewalks Imp' Pedestrian	-248,058.12	-9,789.10	223,363.13	-34,484.09
Sidewalk Slanghoek	-7,340.47	-2,181,626.31	834,066.56	-1,354,900.22
LED- Program: Rural Tourism	-1,755.30	-125.15	-	-1,880.45
Management Support Programme		-577,461.90	539,029.12	-38,432.78
Public Transport Infrastructure PAWC	-112,272.39	-8,005.02	-	-120,277.41
Clean- up Operation: Dep of Enviromental Affairs	-4,829.95			
Global Fund	-	-1,514,014.85	1,121,166.80	-392,848.05
	<b>-12,445,136.04</b>	<b>-11,226,498.31</b>	<b>11,356,744.99</b>	<b>-12,310,059.41</b>