

WITZENBERG

MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2011

WITZENBERG MUNICIPALITY

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WITZENBERG MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

NATURE OF BUSINESS

Witzenberg Municipality is a local municipality performing the functions as set out in Part B of Schedules 4 & 5 of the Constitution of the Republic of South Africa. (Act No. 108 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Witzenberg Municipality includes the following areas:

Ceres
Op-die-Berg
Prince Alfred's Hamlet
Tulbagh
Wolseley

MUNICIPAL MANAGER

D Nasson

CHIEF FINANCIAL OFFICER

PR Esau

REGISTERED OFFICE

50 Voortrekker Street, Ceres, 6835

AUDITORS

Auditor-General South Africa

PRINCIPLE BANKERS

ABSA, Ceres

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

WITZENBERG MUNICIPALITY

MEMBERS OF THE WITZENBERG MUNICIPALITY

COUNCILLORS

Position	Surname	Party	Seat type
Executive Mayor	Louw, S	DA	PR 1
Deputy Executive Mayor	Adams, K	Independent	Ward 6
Speaker	Godden, TT	COPE	PR 1
Member of Mayoral Committee	Hanekom, WJ	DA	Ward 3
Member of Mayoral Committee	Klaasen, BC	DA	PR 2
Member of Mayoral Committee	Smit, HJ	DA	Ward 5
Member of Mayoral Committee	Visagie, JJ	DA	Ward 4
Ordinary Councillor	Badela, R	ANC	Ward 12
Ordinary Councillor	Du Plessis, JJ	DA	PR 3
Ordinary Councillor	Du Toit, MC	ANC	PR 1
Ordinary Councillor	Heradien, P	DA	Ward 7
Ordinary Councillor	Klazen, JNED	DCP	PR 1
Ordinary Councillor	Mouton, JS	ANC	PR 2
Ordinary Councillor	Ndwanya, SM	ANC	PR 4
Ordinary Councillor	Phungula, JT	ANC	PR 3
Ordinary Councillor	Salmon, L	ANC	Ward 8
Ordinary Councillor	Saula, MI	ANC	Ward 1
Ordinary Councillor	Sidego, EM	DA	Ward 11
Ordinary Councillor	Simpson, RJ	ANC	Ward 9
Ordinary Councillor	Swart, D	DA	Ward 2
Ordinary Councillor	Thomas, J	NPP	PR 1
Ordinary Councillor	Vischini, JA	VIP	PR 1
Ordinary Councillor	Waterboer, P	DA	Ward 10

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, 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 the notes 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.



D Nason
Municipal Manager

30 November 2011

Date

WITZENBERG MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	2010 R
NET ASSETS AND LIABILITIES			
Net Assets		97 490 804	55 588 524
Capital Replacement Reserve	2	5 636 990	7 172 401
Housing Development Fund	2	-	3 247 432
Accumulated Surplus		91 853 814	45 168 691
Non-Current Liabilities		114 051 515	104 060 084
Long-term Liabilities	3	42 931 893	48 553 087
Employee benefits	4	51 509 990	37 119 275
Non-Current Provisions	5	19 609 632	18 387 722
Current Liabilities		64 659 614	72 096 756
Consumer Deposits	6	1 691 142	1 632 767
Current Employee benefits	7	9 721 131	8 584 288
Provisions	8	2 260 556	2 422 024
Payables from exchange transactions	9	26 857 259	24 985 031
Unspent Conditional Government Grants and Receipts	10	15 205 593	25 027 226
Unspent Public Contributions	11	365 569	449 104
Taxes	12	386 582	1 077 807
Current Portion of Long-term Liabilities	3	8 171 781	7 918 509
Total Net Assets and Liabilities		276 201 933	231 745 365
ASSETS			
Non-Current Assets		205 992 765	152 989 401
Property, Plant and Equipment	13	203 328 576	150 167 110
Intangible Assets	14	1 010 614	227 378
Capitalised Restoration Cost	15	1 389 228	2 165 852
Non-Current Investments	16	23 025	23 025
Long-Term Receivables	17	241 322	406 035
Current Assets		70 209 168	78 755 964
Inventory	18	5 340 576	4 426 247
Receivables from exchange transactions	19	33 783 765	28 180 306
Receivables from non-exchange transactions	20	2 934 334	2 282 813
Unpaid Conditional Government Grants and Receipts	10	6 176 179	274 862
Operating Lease Asset	21	32 897	31 119
Current Portion of Long-term Receivables	17	67 325	58 266
Cash and Cash Equivalents	22	21 874 091	43 502 352
Total Assets		276 201 933	231 745 365

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

Notes	2011 (Actual) R	2010 (Restated) R	Correction of error R	2010 (Previously reported) R
REVENUE				
Revenue from Non-exchange Transactions	132 384 422	107 368 580	44 734	107 323 846
Taxation Revenue	31 427 430	27 409 314	-	27 409 314
Property rates	30 681 075	26 695 180	-	26 695 180
Property Rates - penalties imposed and collection charges	746 355	714 134	-	714 134
Transfer Revenue	100 378 700	79 297 008	44 734	79 252 274
Government Grants and Subsidies - Capital	46 706 732	17 504 377	17 504 377	-
Government Grants and Subsidies - Operating	53 584 639	61 262 595	(17 459 643)	78 722 237
Public Contributions and Donations	87 329	530 036	-	530 036
Other Revenue	578 292	662 259	-	662 259
Actuarial Gains	19 316	-	-	-
Fines	558 976	662 259	-	662 259
Revenue from Exchange Transactions	175 547 330	156 602 107	276 806	156 325 301
Service Charges	155 680 875	137 151 469	332 377	136 819 092
Rental of Facilities and Equipment	6 483 446	5 960 304	-	5 960 304
Interest Earned - external investments	2 888 492	3 670 746	-	3 670 746
Interest Earned - outstanding debtors	4 065 990	3 472 115	-	3 472 115
Licences and Permits	193 678	136 546	-	136 546
Agency Services	2 666 670	2 614 042	-	2 614 042
Other Income	3 563 799	3 591 578	-	3 591 578
Unamortised Discount - Interest	4 379	5 308	(55 571)	60 879
Total Revenue	307 931 751	263 970 687	321 540	263 649 147
EXPENDITURE				
Employee related costs	76 907 923	70 424 817	-	70 424 817
Remuneration of Councillors	5 577 034	5 087 137	-	5 087 137
Debt Impairment	12 887 170	20 157 436	(926 111)	21 083 547
Collection Costs	333 472	149 176	-	149 176
Depreciation and Amortisation	8 789 312	7 429 789	804 346	6 625 443
Impairments	-	9 044	-	9 044
Repairs and Maintenance	11 004 672	8 941 819	(7 616 887)	16 558 706
Unamortised Discount - Interest paid	1 874 434	1 841 911	974 510	867 401
Actuarial losses	11 495 612	1 260 347	-	1 260 347
Finance Charges	12 054 182	12 758 179	1 256 245	11 501 933
Bulk Purchases	79 826 385	61 490 651	-	61 490 651
Contracted services	9 141 617	5 741 516	-	5 741 516
Grants and Subsidies	652 614	710 600	-	710 600
Stock Adjustments	17 430	117 191	-	117 191
Operating Grant Expenditure	11 198 492	30 816 410	-	30 816 410
General Expenses	24 269 122	20 216 838	240 170	19 976 669
Total Expenditure	266 029 471	247 152 860	(5 267 727)	252 420 586
NET SURPLUS FOR THE YEAR	41 902 280	16 817 828	5 589 267	11 228 560

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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/(Deficit)	Total
		R	R	R	R
Balance at 1 JULY 2009		3 274 569	8 318 870	25 545 544	37 138 983
Correction of error	36.3	-	-	1 631 713	1 631 713
Restated Balance at 1 JULY 2009		3 274 569	8 318 870	27 177 257	38 770 697
Contribution to Capital Replacement Reserve		-	6 226 558	(6 226 558)	-
Property, Plant and Equipment purchased		-	(7 373 028)	7 373 028	-
Contribution to/(from) Housing Development Fund		(27 137)	-	27 137	-
Net Surplus for the year		-	-	16 817 828	16 817 828
Balance at 30 JUNE 2010		3 247 432	7 172 401	45 168 691	55 588 524
Contribution to Capital Replacement Reserve		-	13 677 803	(13 677 803)	-
Property, Plant and Equipment purchased		-	(15 213 213)	15 213 213	-
Contribution to/(from) Housing Development Fund		(3 247 432)	-	3 247 432	-
Net Surplus for the year		-	-	41 902 280	41 902 280
Balance at 30 JUNE 2011		0	5 636 990	91 853 814	97 490 804

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	30 JUNE 2011 R	30 JUNE 2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		165 856 306	170 192 235
Government - operating		53 584 639	61 262 595
Government - capital		46 706 732	17 504 377
Interest		6 954 482	7 142 860
Payments			
Suppliers and employees		(212 886 451)	(195 880 052)
Finance charges	32	(12 054 182)	(11 501 933)
Transfers and Grants		(652 614)	(710 600)
Cash generated by operations	37	47 508 913	48 009 482
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	13	(61 142 564)	(29 798 878)
Purchase of Intangible Assets		(845 461)	-
Increase in Long-term Receivables	17	33 721	86 120
Net Cash from Investing Activities		(61 954 303)	(29 712 758)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(7 241 246)	(7 511 126)
Increase in Consumer Deposits		58 375	144 162
Net Cash from Financing Activities		(7 182 871)	(7 366 964)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		(21 628 261)	10 929 759
Cash and Cash Equivalents at the beginning of the year		43 502 352	32 572 592
Cash and Cash Equivalents at the end of the year	38	21 874 091	43 502 352
NET INCREASE IN CASH AND CASH EQUIVALENTS		(21 628 261)	10 929 759

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members’ Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories

GRAP 16 – Investment Property

GRAP 17 – Property, Plant and Equipment

GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets

GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations

GRAP 102 – Intangible Assets

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	Presentation of Budget Information in Financial Statements Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 25	Employee Benefits Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 103	Heritage Assets No adjustments necessary as the Municipality has no heritage assets.	1 April 2012
GRAP 104	Financial Instruments Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 105	Transfer of Functions Between Entities Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	Transfer of Functions Between Entities Not Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107	Mergers No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

1.7. RESERVES

1.7.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.8. LEASES

1.8.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which 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 accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.8.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality 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.

1.10. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

1.12. EMPLOYEE BENEFITS

1.12.1 *Post Retirement Medical obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.12.2 Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.12.3 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability 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.

1.12.4 Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

1.12.5 Performance bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.12.6 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

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1.12.7 Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

1.13. PROPERTY, PLANT AND EQUIPMENT

1.13.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.13.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.13.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
		Specialised plant and Equipment	10-15
<u>Community</u>		Other plant and Equipment	2-5
Buildings	30	Landfill sites	15
Recreational Facilities	20-30	Quarries	25
Security	5	Emergency equipment	10
Halls	20-30	Computer equipment	3
Libraries	20-30		
Parks and gardens	15-20		
Other assets	15-20		
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

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1.13.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13.5 Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The municipality is in the process of updating the Land and Buildings assets without cost to the fair value as determined by a valuator. The 2010/2011 financial year is the last year that the transitional provisions can be used. The Land and Buildings without cost will be updated before 30 June 2012. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.14. INTANGIBLE ASSETS

1.14.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.14.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.14.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	5
Computer Software Licenses	5

1.14.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15. INVESTMENT PROPERTY

1.15.1 Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

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Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.15.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. IMPAIRMENT OF NON-FINANCIAL ASSETS

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of non-current assets held for sale.

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1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.17.1 *Cash-generating assets*

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.17.2 *Non-cash-generating assets*

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

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- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

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

1.18. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

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.

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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.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.19. INVENTORIES

1.19.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.19.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

The municipality opted to take advantage of the provision contained in Directive 4 relating to the measurement of inventory.

1.20. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where

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the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.21.1 Initial Recognition

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

1.21.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. , Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.1 Receivables

Receivables are classified as loans and receivables, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a

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subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash 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, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.21.3 De-recognition of Financial Instruments

1.21.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

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Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.22. REVENUE

1.22.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment,

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when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

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

Revenue shall be measured at the fair value of the consideration received or receivable.

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

1.22.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in

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the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred.

When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.22.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the

WITZENBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.23. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.24. 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 a 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.

1.25. 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, and (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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.27. CONTINGENT LIABILITIES

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

Management judgement is required when recognising and measuring contingent liabilities.

1.28. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical obligations and Long service awards

The cost of post retirement medical obligations, long service awards and ex-gartia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
2 NET ASSET RESERVES		
Capital Replacement Reserve	5 636 990	7 172 401
Housing Development Fund	-	3 247 432
Total Net Asset Reserves	<u>5 636 990</u>	<u>10 419 833</u>
Balance previously reported		10 998 394
Correction of VAT incorrectly claimed on Vehicle - Note 36.4		(42 662)
Winding up of Valuation Reserve - Note 36.4		(535 900)
Balance as reported		<u>10 419 833</u>
3 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	59 480 495	66 468 380
Capitalised Lease Liability - At amortised cost	190 745	444 106
	<u>59 671 240</u>	<u>66 912 486</u>
Current Portion transferred to Current Liabilities	(8 171 781)	(7 918 509)
Annuity Loans - At amortised cost	(7 981 036)	(7 665 148)
Capitalised Lease Liability - At amortised cost	(190 745)	(253 361)
	<u>51 499 459</u>	<u>58 993 977</u>
Unamortised charges on loans	(8 567 567)	(10 440 890)
Balance 1 July	(10 440 890)	(12 281 287)
Adjustment for the period	1 873 324	1 840 397
	<u>42 931 893</u>	<u>48 553 087</u>
Total Long-term Liabilities - At amortised cost using the effective interest rate method		
Unamortised charges on loans: Opening balance		(7 486 147)
Balance previously reported		<u>(4 795 140)</u>
Correction of error - Note 36.7		(12 281 287)
Balance as reported		<u>(12 281 287)</u>
Unamortised charges on loans: Adjustment for the period		810 316
Amount previously reported		<u>1 030 081</u>
Correction of error - Note 36.8		1 840 397
Amount as reported		<u>1 840 397</u>

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	14 082 984	14 457 538
Payable within two to five years	50 411 824	52 418 351
Payable after five years	25 940 788	38 017 244
	<u>90 435 596</u>	<u>104 893 134</u>
Less: Future finance obligations	(30 955 100)	(38 424 754)
Present value of annuity obligations	<u>59 480 495</u>	<u>66 468 380</u>

Annuity loans at amortised cost is calculated at an average 12.47% interest rate, with a final maturity date of 30 June 2023.

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	201 450	302 211
Payable within two to five years	-	201 450
	<u>201 450</u>	<u>503 661</u>
Less: Future finance obligations	(10 705)	(59 555)
Present value of lease obligations	<u>190 745</u>	<u>444 106</u>

Leases are secured by property, plant and equipment - Note 13

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
4	EMPLOYEE BENEFITS		
	Post Retirement Benefits - Refer to Note 4.1	49 771 106	35 543 633
	Long Service Awards - Refer to Note 4.2	1 526 308	1 248 815
	Ex-Gratia Pension Benefits	212 577	326 827
	Total Non-current Employee Benefit Liabilities	51 509 990	37 119 275
	<u>Post Retirement Benefits</u>		
	Balance 1 July	36 276 187	31 935 203
	Contribution for the year	1 528 405	4 290 236
	Interest Cost	3 336 517	-
	Expenditure for the year	(1 190 967)	(1 053 161)
	Actuarial Loss/(Gain)	11 065 532	1 103 909
	Total post retirement benefits 30 June	51 015 674	36 276 187
	Less: Transfer of Current Portion - Note 7	(1 244 568)	(732 554)
	Balance 30 June	49 771 106	35 543 633
	<u>Long Service Awards</u>		
	Balance 1 July	1 522 979	1 393 580
	Contribution for the year	232 392	296 150
	Interest Cost	120 610	-
	Expenditure for the year	(499 707)	(302 796)
	Actuarial Loss/(Gain)	430 080	136 045
	Total long service 30 June	1 806 355	1 522 979
	Less: Transfer of Current Portion - Note 7	(280 047)	(274 164)
	Balance 30 June	1 526 308	1 248 815
	<u>Ex-Gratia Pensions</u>		
	Balance 1 July	360 815	346 951
	Contribution for the year	4 582	34 739
	Interest Cost	29 662	-
	Expenditure for the year	(48 391)	(41 268)
	Actuarial Loss/(Gain)	(19 316)	20 393
	Total Ex-Gratia 30 June	327 352	360 815
	Less: Transfer of Current Portion - Note 7	(114 775)	(33 988)
	Balance 30 June	212 577	326 827
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	38 159 981	33 675 734
	Contribution for the year	1 765 379	4 621 125
	Interest cost	3 486 789	-
	Expenditure for the year	(1 739 066)	(1 397 225)
	Actuarial Loss/(Gain)	11 476 296	1 260 347
	Total employee benefits 30 June	53 149 380	38 159 981
	Less: Transfer of Current Portion - Note 7	(1 639 390)	(1 040 706)
	Balance 30 June	51 509 990	37 119 275
4.1	Post Retirement Benefits		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	254	232
	In-service (employee) non-members	273	251
	Continuation members (e.g. Retirees, widows, orphans)	53	33
	Total Members	580	516
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	27 992 000	26 124 600
	Continuation members	18 579 000	10 151 587
	Total Liability	46 571 000	36 276 187
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		2009 R
	In-service members		22 717 210
	Continuation members		9 217 993
	Total Liability		31 935 203

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4 EMPLOYEE BENEFITS (CONTINUE)

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

Bonitas;
LA Health
Samwumed; and
Keyhealth.

Key actuarial assumptions used:

i) Rate of interest

Discount rate	8.73%	9.29%
Health Care Cost Inflation Rate	7.30%	7.36%
Net Effective Discount Rate	1.33%	1.80%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

	2011 R	2010 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	49 771 106	35 543 633
Net liability/(asset)	49 771 106	35 543 633

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	36 276 187	31 935 203
Total expenses	3 673 955	3 237 075
Current service cost	1 528 405	4 290 236
Interest Cost	3 336 517	-
Benefits Paid	(1 190 967)	(1 053 161)
Actuarial (gains)/losses	11 065 532	1 103 909
Present value of fund obligation at the end of the year	51 015 674	36 276 187
Less: Transfer of Current Portion - Note 7	(1 244 568)	(732 554)
Balance 30 June	49 771 106	35 543 633

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (R'000)	Continuation members liability (R'000)	Total liability (R'000)
Central Assumptions	32 437	18 579	51 016

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (R'000)	Continuation members liability (R'000)	Total liability (R'000)	% change
Health care inflation	1%	38 774	20 754	59 528	17
Health care inflation	-1%	27 402	16 722	44 124	-14
Post-retirement mortality	-1 year	33 379	19 252	52 631	3
Average retirement age	-1 year	35 096	18 579	53 674	5
Withdrawal Rate	-50%	36 392	18 579	54 971	8

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	
4 EMPLOYEE BENEFITS (CONTINUE)			
4.2 Long Service Bonuses			
The Long Service Bonus plans are defined benefit plans.			
As at year end, the following number of employees were eligible for Long Service Bonuses.	502	511	
Key actuarial assumptions used:	2011 %	2010 %	
i) Rate of interest			
Discount rate	7.66%	8.68%	
General Salary Inflation (long-term)	6.25%	6.24%	
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.33%	2.30%	
	2011 R	2010 R	
The amounts recognised in the Statement of Financial Position are as follows:			
Present value of fund obligations	1 526 308	1 248 815	
Net liability	1 526 308	1 248 815	
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		2009 R	
Net liability		1 393 580	
	2011 R	2010 R	
Reconciliation of present value of fund obligation:			
Present value of fund obligation at the beginning of the year	1 522 979	1 393 580	
Total expenses	(146 705)	(6 646)	
Current service cost	232 392	296 150	
Interest Cost	120 610	-	
Benefits Paid	(499 707)	(302 796)	
Actuarial (gains)/losses	430 080	136 045	
Present value of fund obligation at the end of the year	1 806 355	1 522 979	
Less: Transfer of Current Portion - Note 7	(280 047)	(274 164)	
Balance 30 June	1 526 308	1 248 815	
Sensitivity Analysis on the Unfunded Accrued Liability			
Assumption	Change	Liability (R'000)	% change
Central assumptions		1 803	
General salary inflation	1.00%	1 902	5%
General salary inflation	-1.00%	1 712	-5%
Average retirement age	-2 yrs	1 492	-17%
Average retirement age	2 yrs	2 117	17%
Withdrawal rates	-50.00%	2 173	21%

4.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
4 EMPLOYEE BENEFITS (CONTINUE)		
<u>CAPE JOINT PENSION FUND</u>		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2009 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2010 financial year.		
Contributions paid recognised in the Statement of Financial Performance	<u>253 495</u>	<u>256 601</u>
<u>CAPE RETIREMENT FUND</u>		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).		
Contributions paid recognised in the Statement of Financial Performance	<u>5 370 754</u>	<u>4 432 820</u>
<u>DEFINED CONTRIBUTION FUNDS</u>		
Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statement of Financial Performance		
Government Employees Pension Fund	178 448	148 020
Municipal Councillors Pension Fund	559 021	519 157
IMATU Retirement Fund	77 642	68 779
SAMWU National Provident Fund	<u>2 313 306</u>	<u>2 078 728</u>
	<u>3 128 416</u>	<u>2 814 683</u>
5 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	19 609 632	18 387 722
Total Non-current Provisions	<u>19 609 632</u>	<u>18 387 722</u>
The Municipality did not measure the rehabilitation costs of the refuse sites in the past correctly in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting period the municipality de-recognised the provision recognised in the past and recognised the following non-current provision:		
The provision includes the rehabilitation cost of landfill sites in Ceres, Prince Alfred's Hamlet, Op-die-Berg, Tulbagh and Wolseley. The closing dates of the sites are: Ceres - 2010 (The site is longer in operation) Prince Alfred's Hamlet - 2014 Op-die- Berg - 2015 Tulbagh - 2014 Wolseley - 2013		
<u>Landfill Sites</u>		
Balance 1 July	20 809 746	19 553 501
Balance previously reported		12 933 037
Correction of error - note 36.3		(12 933 037)
Correction of error - note 36.8		9 788 456
Correction of error - note 15		7 221 099
Correction of error - note 36.8		<u>2 452 646</u>
Contribution for the year	1 060 442	1 256 245
Balance previously reported		7 616 887
Correction of error - note 36.8		<u>(6 360 642)</u>
Total provision 30 June	<u>21 870 188</u>	<u>20 809 746</u>
Less: Transfer of Current Portion to Current Provisions - Note 8	<u>(2 260 556)</u>	<u>(2 422 024)</u>
Balance 30 June	<u>19 609 632</u>	<u>18 387 722</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
6 CONSUMER DEPOSITS		
Water and Electricity	1 691 142	1 632 767
Total Consumer Deposits	1 691 142	1 632 767

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

	2011 R	2010 R
7 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 4	1 244 568	732 554
Current Portion of Long-Service Provisions - Note 4	280 047	274 164
Current Portion of Ex-gratia Pension Provisions - Note 4	114 775	33 988
Staff Leave	4 748 020	4 192 859
Performance Bonuses	574 885	529 945
Staff Bonuses	2 225 686	1 960 382
Backdated Remuneration	533 151	860 395
Total Current Employee Benefits	9 721 131	8 584 288

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	4 192 859	2 780 974
Contribution to current portion	889 687	1 925 001
Expenditure incurred	(334 526)	(513 116)
Balance at end of year	4 748 020	4 192 859

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Performance Bonuses

Balance at beginning of year	529 945	363 255
Contribution to current portion	530 236	490 903
Expenditure incurred	(485 296)	(324 213)
Balance at end of year	574 885	529 945

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Staff Bonuses

Balance at beginning of year	1 960 382	1 740 569
Contribution to current portion	3 868 330	3 382 267
Expenditure incurred	(3 603 027)	(3 162 454)
Balance at end of year	2 225 686	1 960 382

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Backdated Remuneration

Balance at beginning of year	860 395	1 500 000
Contribution to current portion	917 502	-
Adjustment for the period	-	(639 605)
Expenditure incurred	(1 244 746)	-
Balance at end of year	533 151	860 395

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive backpay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
8 PROVISIONS		
Current Portion of Rehabilitation of Landfill-sites - Note 5	2 260 556	2 422 024
Total Provisions	2 260 556	2 422 024

	2011 R	2010 R
9 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	21 593 799	19 168 859
Deposits: Other	225 407	140 378
Interest Accrued	1 491 662	1 665 142
Other Creditors	333 103	826 094
Library books	5 849	1 626
Payments Received in Advance	1 519 311	1 814 829
Pre-paid Electricity	656 725	553 125
Retentions	1 031 404	814 979
Total Trade Payables	26 857 259	24 985 031

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include hall, builders and housing Deposits.

Balance previously reported	25 493 929
Refer to Unspent Public Contributions - note 11	(449 104)
Correction of VAT on year end creditors - note 36.8	(93 116)
Correction of year end creditors - note 36.9	(13 036)
Correction of year end creditors - note 36.8	44 734
Refer to Receivables from non-exchange transactions - note 20	1 626
Balance as reported	24 985 031

	2011 R	2010 R
10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent Grants	15 205 593	25 027 226
National Government Grants	9 109 061	12 087 809
Provincial Government Grants	4 206 469	9 713 856
District Municipality	1 890 064	3 225 562
Less: Unpaid Grants	6 176 179	274 862
National Government Grants	6 009 887	274 862
Provincial Government Grants	129 804	-
District Municipality	36 489	-
Total Conditional Grants and Receipts	9 029 414	24 752 364

Reconciliation of total grants and receipts

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
11 UNSPENT PUBLIC CONTRIBUTIONS		
China - Water meters	277 370	286 822
Essen Belgium	88 199	162 283
Total Unspent Public Contributions	<u>365 569</u>	<u>449 104</u>
Reconciliation of public contributions		
<u>China - Water meters</u>		
Opening balance	286 822	330 046
Conditions met - Transferred to revenue	(9 452)	(43 225)
Closing balance	<u>277 370</u>	<u>286 822</u>
3580 Water meters were donated by the Chinese Government to the Witzenberg Municipality. The purpose of the donation is to provide water connections to poor households.		
<u>Essen Belgium</u>		
Opening balance	162 283	(14 958)
Contributions received	-	664 052
Conditions met - Transferred to revenue	(74 084)	(486 811)
Closing balance	<u>88 199</u>	<u>162 283</u>
A twinning agreement exists between Essen in Belgium and the Witzenberg Municipality. The purpose of the agreement is youth development and crèches.		
12 TAXES		
VAT PAYABLE		
VAT output in suspense	3 494 502	2 809 289
Total Vat payable	<u>3 494 502</u>	<u>2 809 289</u>
VAT RECEIVABLE		
VAT input in suspense	3 107 920	1 731 482
Total VAT receivable	<u>3 107 920</u>	<u>1 731 482</u>
NET VAT RECEIVABLE/(PAYABLE)	<u>(386 582)</u>	<u>(1 077 807)</u>

VAT is receivable/payable on the cash basis.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13. PROPERTY, PLANT AND EQUIPMENT

13.1 30 JUNE 2011

Reconciliation of Carrying Value	Land and buildings R	Infra-structure R	Community R	Lease R	Other R	Total R
Carrying value at 1 July 2010	92 605 613	41 413 058	3 268 158	404 998	12 475 284	150 167 110
Cost	102 668 965	207 606 658	35 546 502	728 997	28 460 131	375 011 252
Original Cost	102 668 965	207 606 658	35 546 502	728 997	28 460 131	375 011 252
Deemed cost	-	-	-	-	-	-
Accumulated Depreciation	(10 063 351)	(166 193 601)	(32 278 344)	(323 999)	(15 984 847)	(224 844 142)
Original Cost	(10 063 351)	(166 193 601)	(32 278 344)	(323 999)	(15 984 847)	(224 844 142)
Correction of Error - Note	-	-	-	-	-	-
Change in Accounting Policy - Note	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Acquisitions	86 781	9 710 868	4 394 649	-	6 700 120	20 892 418
Capital under Construction	676 486	37 534 495	2 039 166	-	-	40 250 146
Depreciation	(1 863 724)	(2 659 730)	(234 193)	(242 999)	(2 949 817)	(7 950 464)
Normal Depreciation	(1 863 724)	(2 659 730)	(234 193)	(242 999)	(2 949 817)	(7 950 464)
Backlog Depreciation previously not recorded	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	2 478	2 478
Cost	-	-	-	-	(18 863)	(18 863)
Accumulated Depreciation	-	-	-	-	16 385	16 385
Carrying value of Asset losses	-	-	-	-	28 156	28 156
Cost	-	-	-	-	(549 568)	(549 568)
Accumulated Depreciation	-	-	-	-	521 412	521 412
Carrying value at 30 June 2011	91 505 156	85 998 690	9 467 779	161 999	16 194 953	203 328 576
Cost	103 432 231	254 852 021	41 980 316	728 997	34 591 819	435 585 385
Original Cost	103 432 231	254 852 021	41 980 316	728 997	34 591 819	435 585 385
Revaluation	-	-	-	-	-	-
Accumulated Depreciation	(11 927 076)	(168 853 331)	(32 512 537)	(566 998)	(18 396 867)	(232 256 808)
Original Cost	(11 927 076)	(168 853 331)	(32 512 537)	(566 998)	(18 396 867)	(232 256 808)
Revaluation	-	-	-	-	-	-

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13.2 30 JUNE 2010

Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying value at 1 July 2009	91 686 617	21 938 443	727 635	647 997	9 615 351	127 050 044
Cost	99 886 315	186 500 349	32 907 711	728 997	22 919 142	345 376 514
Original Cost	102 320 315	186 491 161	32 907 711	728 997	22 386 048	344 834 233
Correction of Error - Note		9 188				9 188
Deemed cost					533 094	533 094
Accumulated Depreciation	(8 199 699)	(164 561 906)	(32 180 076)	(81 000)	(13 303 791)	(218 326 470)
Original Cost						-
Deemed cost					(107 211)	(107 211)
Change in Accounting Policy - Note	(8 199 699)	(164 561 906)	(32 180 076)	(81 000)	(13 196 579)	(218 219 259)
Acquisitions	-	10 323 109	981 495	-	5 706 040	17 010 644
Capital under Construction	348 649	10 783 200	1 657 296	-	-	12 789 145
Depreciation	(1 863 653)	(1 631 695)	(98 268)	(242 999)	(2 837 064)	(6 673 679)
Normal Depreciation	(1 863 653)	(1 631 695)	(98 268)	(242 999)	(2 729 852)	(6 566 467)
Correction of error					(107 212)	(107 212)
Carrying value of Asset losses	-	-	-	-	9 044	9 044
Cost	-	-	-	-	(165 051)	(165 051)
Accumulated Depreciation	-	-	-	-	156 007	156 007
Carrying value at 30 June 2010	92 605 613	41 413 058	3 268 158	404 998	12 475 284	150 167 110
Cost	102 668 965	207 606 658	35 546 502	728 997	28 460 131	375 011 252
Original Cost	102 668 965	207 606 658	35 546 502	728 997	28 460 131	375 011 252
Revaluation						-
Accumulated Depreciation	(10 063 351)	(166 193 601)	(32 278 344)	(323 999)	(15 984 847)	(224 844 142)
Original Cost	(10 063 351)	(166 193 601)	(32 278 344)	(323 999)	(15 877 635)	(224 736 930)
Correction of error					(107 212)	(107 212)

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011 **2010**
R **R**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUE)

Refer to appendix B and C for more detailed disclosure of Property, Plant and Equipment.

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Property, Plant and Equipment in accordance with the standard, including the following:

- Land;
- Property, Plant and Equipment financed by way of finance leases;
- Property, Plant and Equipment financed by way of provisions;
- Property, Plant and Equipment transferred as a result of the transfer of functions; and
- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.
- Componentised infrastructure assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2010 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

Fully depreciated assets at an original cost of R208 107 817 are still in use.

14 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July

	227 378	286 354
Cost	1 044 922	1 044 922
Accumulated Amortisation	(817 544)	(758 567)
Accumulated Impairment	-	-
Additions	845 461	-
Amortisation	(62 224)	(58 976)
Net Carrying amount at 30 June	1 010 614	227 378
Cost	1 890 382	1 044 922
Accumulated Amortisation	(879 768)	(817 544)

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 52.4

The following material intangible assets are included in the carrying value above

<u>Description</u>	<u>Remaining Amortisation</u> <u>Period</u>	<u>Carrying Value</u>	
Microsoft Office and Windows software	5	1 010 614	227 378

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
15 CAPITALISED RESTORATION COST		
Net Carrying amount at 1 July	2 165 852	2 863 895
Cost	7 312 398	7 312 398
First time recognition of Capitalised Restoration Cost - At Cost- Note 5		7 312 398
Accumulated Depreciation	(5 107 227)	(4 448 503)
First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 5		(4 448 503)
Accumulated Impairment	(39 319)	-
Depreciation for the year	(647 197)	(658 724)
Recognition of Depreciation for 2009/2010 - Note 36.8		(658 724)
Impairment for the year	(129 427)	(39 319)
Recognition of Impairment for 2009/2010 - Note 36.8		(39 319)
Net Carrying amount at 30 June	1 389 228	2 165 852
Cost	7 312 398	7 312 398
Accumulated Depreciation	(5 754 424)	(5 107 227)
Accumulated Impairments	(168 746)	(39 319)
16 NON-CURRENT INVESTMENTS		
Unlisted		
Investment in Joint Ventures - at cost	23 025	23 025
Total Non-Current Investments	23 025	23 025
Unlisted investments comprise of the following. Valuations of investments by council are:		
Ceres Koekedouw Bestuurskomitee - Joint Venture with Koekedouw Besproeiingsraad	23 025	23 025
	23 025	23 025
The Municipality has a 41% interest in the Ceres Koekedouw Besproeiings Committee. The equity method was used to recognised the interest in the joint venture. The joint venture operates the Koekedouw Dam. The financial statements are available at Witzenberg Municipality.		
The financial statements of the joint venture is summarised as follow:		
Income	802 485	994 655
Expenditure	(724 244)	(994 655)
Non-current Assets	280 997	70 798
Current Assets	634 439	1 913 886
Non-current Liabilities	(783 540)	(1 746 194)
Current Liabilities	(131 896)	(182 331)
Investments are made in terms of the Municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.		
17 LONG-TERM RECEIVABLES		
Housing Loans	383 664	3 248 019
Sport Club Loans	82 294	102 045
Town Development	24 693	23 491
	490 651	3 373 555
Less: Unamortised Discount on Loans	(9 834)	(13 102)
Balance 1 July	(13 102)	(16 896)
Adjustment for the period	3 268	3 794
	480 817	3 360 452
Less: Current portion transferred to current receivables	(67 325)	(58 266)
Housing Loans	(53 730)	-
Sport Club Loans	(13 595)	(19 724)
Town Development		(38 542)
	413 492	3 302 186
Less: Provision for Impairment	(172 170)	(2 896 151)
Total Long Term Receivables	241 322	406 035

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
18 INVENTORY		
Consumable Stores - At cost	5 320 497	4 402 654
Water - At purification cost	20 079	23 593
Total Inventory	5 340 576	4 426 247
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 52.5		
Consumable stores materials written down due to losses as identified during the annual stores counts.	12 942	1 739
Consumable stores materials surplusses identified during the annual stores counts.	4 266	-
Consumable stores inventory recognised as an expense during the year	6 266 405	6 031 741
19 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	22 361 142	20 324 867
Water	23 450 233	27 129 889
Housing Rentals	1 208 229	1 670 810
Refuse	14 387 790	17 095 008
Sewerage	10 689 398	12 972 669
Other	1 482 665	1 635 818
Total Receivables from Exchange Transactions	73 579 456	80 829 061
Less: Provision for Impairment	(39 795 690)	(52 648 755)
Total Net Receivables from Exchange Transactions	33 783 765	28 180 306
Balance previously reported		7 776 779
Refer to Receivables from non-exchange transactions - note 20		20 403 527
Balance as reported		28 180 306
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.		
Included in receivables is the following accrued income (estimated consumption from the last meter reading to 30 June):		
Accrued Income Electricity	9 598 262	10 128 741
Accrued Income Water	2 074 247	3 252 019
Ageing of Receivables from Exchange Transactions:		
<u>(Electricity): Ageing</u>		
Accrued Income Electricity	9 598 262	10 128 741
Current (0 - 30 days)	9 321 718	6 956 149
31 - 60 Days	589 121	366 177
61 - 90 Days	109 802	250 968
+ 90 Days	2 742 238	2 622 833
Total	22 361 141	20 324 867
<u>(Water): Ageing</u>		
Accrued Income Water	2 074 247	3 252 019
Current (0 - 30 days)	2 155 217	2 022 001
31 - 60 Days	1 130 197	843 952
61 - 90 Days	737 925	1 074 651
+ 90 Days	17 352 647	19 937 265
Total	23 450 233	27 129 889
<u>(Housing): Ageing</u>		
Current (0 - 30 days)	58 110	75 366
31 - 60 Days	40 148	39 409
61 - 90 Days	28 454	131 094
+ 90 Days	1 081 516	1 424 941
Total	1 208 229	1 670 810

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
19 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)		
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	1 558 880	1 441 736
31 - 60 Days	469 872	484 494
61 - 90 Days	364 533	641 739
+ 90 Days	11 994 505	14 527 039
Total	14 387 790	17 095 008
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	1 074 162	1 125 980
31 - 60 Days	385 020	399 126
61 - 90 Days	301 405	504 957
+ 90 Days	8 928 811	10 942 605
Total	10 689 398	12 972 669
<u>(Other): Ageing</u>		
Current (0 - 30 days)	109 174	75 599
31 - 60 Days	41 053	59 090
61 - 90 Days	23 485	161 339
+ 90 Days	1 308 953	1 339 790
Total	1 482 665	1 635 818
<u>(Total): Ageing</u>		
Accrued Income	11 672 510	13 380 760
Current (0 - 30 days)	14 277 262	11 696 831
31 - 60 Days	2 655 411	2 192 249
61 - 90 Days	1 565 604	2 764 748
+ 90 Days	43 408 669	50 794 474
Total	73 579 456	80 829 061
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	52 648 755	44 667 626
Contribution to provision/(Reversal of provision)	8 298 165	18 055 185
Bad Debts Written Off	(21 151 230)	(10 074 055)
Balance at end of year	39 795 690	52 648 755
<p>Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.</p>		
20 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	10 464 109	9 085 736
Other Receivables	1 539 706	989 497
Accrued Fines	38 752	91 410
Irregular Expenditure	130 406	248 872
Deposits	224 615	124 615
SARS	524 109	524 109
DBSA	534 571	-
Other receivables	87 253	491
Total Receivables from Non-Exchange Transactions	12 003 815	10 075 234
Less: Provision for Impairment	(9 069 481)	(7 792 420)
Total Net Receivables from Non-Exchange Transactions	2 934 334	2 282 813
Balance previously reported		16 032 760
Refer to Payables from exchange transactions - note 9		-1 626
Refer to Receivables from exchange transactions - note 19		12 014 895
Amount incorrectly included in receivables - note 19		1 736 678
Balance as reported		2 282 813

Refer to note 17 for balances deferred beyond 12 months from year end.

Ageing of Receivables from Non-Exchange Transactions:

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
20 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUE)		
<i><u>(Rates): Ageing</u></i>		
Current (0 - 30 days)	1 256 837	1 217 922
31 - 60 Days	254 093	215 357
61 - 90 Days	137 655	1 293 749
+ 90 Days	8 815 524	6 358 747
Total	10 464 109	9 085 774

Reconciliation of Provision for Bad Debts

Balance at beginning of year	7 792 420	6 291 259
Contribution to provision/(Reversal of provision)	2 627 376	2 982 618
Bad Debts Written Off	(1 350 315)	(1 481 457)
Balance at end of year	9 069 481	7 792 420

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

21 OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor (Asset)

Balance on 1 July	31 119	27 928
Movement during the year	1 779	3 190
Balance on 30 June	32 897	31 119

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	30 174	40 411
1 to 5 Years	139 141	137 483
More than 5 Years	-	31 832
Total Operating Lease Arrangements	169 315	209 727

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for periods ranging until 2016.

22 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	11 613 549	38 818 515
Bank Accounts	10 252 347	4 675 642
Cash Floats	8 195	8 195
Total Cash and Cash Equivalents - Assets	21 874 091	43 502 352

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts

Primary Bank Account	ABSA Bank Limited - Account Number 350000011	10 252 347	4 675 642
		10 252 347	4 675 642

Primary Bank Account: ABSA Bank Limited - Account Number 350000011

Cash book balance at beginning of year	4 675 642	17 131
Cash book balance at end of year	10 252 347	4 675 642

Bank statement balance at beginning of year	6 851 791	4 108 606
Bank statement balance at end of year	12 518 038	6 851 791

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
22 CASH AND CASH EQUIVALENTS (CONTINUE)		
<u>Call Investment Deposits</u>		
Call investment deposits consist out of the following accounts:		
ABSA Bank Ltd - Account Number 9184483785	5 493 309	10 721 884
ABSA Bank Ltd - Account Number 2070162101		24 648
ABSA Bank Ltd - Account Number 2070394805		11 543
First Rand Bank - Account Number 62192709164	58 556	55 623
Investec Bank Ltd - Account Number 1100-198879-451		10 001 644
Nedbank Ltd - Account Number 03/7881032766/14		1 000 175
Nedbank Ltd - Account Number 03/7881032766/15		7 001 208
Nedbank Ltd - Account Number 03/7881032766/24	4 016 932	
Standard Bank of SA Ltd - Account Number 088779831-008	2 044 753	
Standard Bank of SA Ltd - Account Number 088779831-009		7 001 235
Standard Bank of SA Ltd - Account Number 088779831-010		3 000 555
	<u>11 613 549</u>	<u>38 818 515</u>

23 PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	31 141 680	27 844 557
Business	5 029 581	4 811 120
Building Clauses	85 828	78 905
Rural	5 644 606	5 070 465
Industrial	3 651 957	3 412 032
Residential	12 738 047	11 058 459
State	3 258 755	2 791 513
Vacant Land	727 404	617 126
Public Service Infrastructure	5 502	4 936
Less: Revenue Forgone	(460 605)	(1 149 377)
Total Assessment Rates	<u>30 681 075</u>	<u>26 695 180</u>

Valuations - 1 JULY

Rateable Land and Buildings		
Residential Property	2 323 890 800	2 209 082 800
Commercial Property	595 027 000	528 186 000
Industrial Property	317 018 000	295 670 000
Informal Property	21 490 000	21 432 000
Agricultural Purposes	3 815 733 000	2 897 297 000
State - National/ Provincial Services	308 042 000	311 140 000
Municipal Property	289 285 510	-
Vacant Property	93 438 200	89 684 000
Total Valuation	<u>7 763 924 510</u>	<u>6 352 491 800</u>

Assessment Rates are levied on the value of land and improvements. The valuation is performed every 4 years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Rates:

Residential	0.582c/R	0.525c/R
Commercial	1.060c/R	0.912c/R
Industrial	1.194c/R	1.154c/R
Argricultural	0.146c/R	0.131c/R

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:
Residential - The first R15 000 on the valuation is exempted.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
24 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	36 682 814	29 110 950
Equitable Share	36 682 814	29 110 950
Conditional Grants	63 608 557	49 656 021
Grants and donations	62 992 557	48 737 622
Subsidies	616 000	918 399
Total Government Grants and Subsidies	100 291 371	78 766 971
Government Grants and Subsidies - Capital	46 706 732	17 504 377
Government Grants and Subsidies - Operating	53 584 639	61 262 595
	100 291 371	78 766 972

Please refer to appendix F for more detailed disclosure of Government Grants and Subsidies.

The Municipality does not expect any significant changes to the level of grants.

24.1 Equitable share

Opening balance	-	-
Grants received	36 682 814	29 110 950
Conditions met - Operating	(36 682 814)	(29 110 950)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

24.2 Local Government Financial Management Grant (FMG)

Opening balance	(274 862)	-
Grants received	3 000 000	2 750 040
Conditions met - Operating	(2 164 236)	(2 690 950)
Conditions met - Capital	(889 572)	(333 952)
Conditions still to be met/(Grant expenditure to be recovered)	(328 669)	(274 862)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

24.3 Municipal Systems Improvement Grant

Opening balance	630 247	582 602
Grants received	1 200 000	1 300 000
Conditions met - Operating	(1 366 464)	(1 247 450)
Conditions met - Capital	(441 953)	-
Write off / Transfers	-	(4 905)
Conditions still to be met/(Grant expenditure to be recovered)	21 831	630 247

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

24.4 Municipal Infrastructure Grant (MIG)

Opening balance	1 223 910	(186 433)
Grants received	10 160 000	12 928 000
Conditions met - Operating	(1 528 893)	(131 040)
Conditions met - Capital	(11 048 127)	(11 386 617)
Conditions still to be met/(Grant expenditure to be recovered)	(1 193 110)	1 223 910

The grant was used to upgrade infrastructure in previously disadvantaged areas.

24.5 Housing Grants

Opening balance	3 770 685	(1 278 139)
Grants received	17 476 606	30 169 685
Conditions met - Operating	(6 840 157)	(25 120 861)
Conditions met - Capital	(10 643 388)	-
Conditions still to be met/(Grant expenditure to be recovered)	3 763 746	3 770 685

Housing grants was utilised for the development of erven and the erection of top structures.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
24.6 Integrated National Electrification Grant		
Opening balance	626 309	(537 717)
Grants received	2 000 000	2 240 000
Conditions met - Operating	(78 502)	-
Conditions met - Capital	(1 774 912)	(1 075 974)
Conditions still to be met/(Grant expenditure to be recovered)	<u>772 895</u>	<u>626 309</u>
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
24.7 Other Grants		
Opening balance	18 776 075	15 951 042
Grants received	14 049 001	10 494 199
Conditions met - Operating	(4 923 574)	(2 961 344)
Conditions met - Capital	(21 908 781)	(4 707 833)
Write off / Transfers	-	12
Conditions still to be met/(Grant expenditure to be recovered)	<u>5 992 722</u>	<u>18 776 075</u>
Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)		
24.8 Total Grants		
Opening balance	24 752 364	14 531 355
Grants received	84 568 421	88 992 874
Conditions met - Operating	(53 584 639)	(61 262 595)
Conditions met - Capital	(46 706 732)	(17 504 377)
Write off / Transfers	-	(4 893)
Conditions still to be met/(Grant expenditure to be recovered)	<u>9 029 414</u>	<u>24 752 364</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	15 205 593	25 027 226
Unpaid Conditional Government Grants and Receipts	(6 176 179)	(274 862)
	<u>9 029 414</u>	<u>24 752 364</u>
25 SERVICE CHARGES		
Electricity	107 587 485	90 902 207
Water	26 351 434	24 381 444
Refuse removal	18 356 890	16 403 597
Sewerage and Sanitation Charges	16 346 220	14 145 839
Bulk service levies	112 319	118 061
	168 754 348	145 951 148
Less: Revenue Forgone	(13 073 472)	(8 799 679)
Total Service Charges	<u>155 680 875</u>	<u>137 151 469</u>
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
26 OTHER INCOME		
Application fees - Town Planning	44 649	40 247
Building Plan Fees	702 049	459 996
Cemetery Fees	170 388	151 802
Clip Cards	72 618	54 130
Collection Fees	43 007	75 177
Damages Income	6 057	62 624
Fire combating fees	88	-
Housing	311 845	482 894
Insurance Claims Received	150 343	596 587
Mayor's Golf Day	2 800	2 000
Re-connection fees	215 711	215 180
Refuse Bags	999	1 406
Special Projects	11 350	15 488
Sundry Income	1 831 895	1 434 048
Total Other Income	<u>3 563 799</u>	<u>3 591 578</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
27 EMPLOYEE RELATED COSTS		
Salaries and Wages	49 898 516	44 862 122
Bargaining Council Levy	25 711	23 308
Bonuses	4 398 944	3 873 170
Contributions for UIF, pensions and medical aids	12 236 476	11 401 582
Ex-Gratia Pension	95 040	4 476
Group Life Insurance	884 452	767 671
Housing Benefits and Allowances	697 660	757 264
Leave Reserve	889 687	1 925 001
Long service awards	232 392	179 805
Overtime	3 718 860	3 161 012
Post Employment Health Care Benefits	1 528 405	1 418 518
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2 476 915	2 194 242
	<u>77 083 058</u>	<u>70 568 171</u>
Less: Employee Cost allocated elsewhere	(175 135)	(143 354)
Total Employee Related Costs	<u>76 907 923</u>	<u>70 424 817</u>

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Annual Remuneration	724 059	670 413
Performance Bonuses	129 889	-
Car Allowance	108 000	108 000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	175 584	149 363
Total	<u>1 137 532</u>	<u>927 776</u>

Remuneration of the Director Technical Services

Annual Remuneration	551 271	500 577
Performance Bonuses	100 014	-
Travelling Allowance	86 534	86 534
Contributions to UIF, Medical, Pension Funds and Bargaining Council	140 255	127 276
Total	<u>878 075</u>	<u>714 387</u>

Remuneration of the Director Corporate Services

Annual Remuneration	548 623	497 929
Performance Bonuses	69 653	-
Travelling Allowance	119 363	119 363
Contributions to UIF, Medical, Pension Funds and Bargaining Council	110 075	97 096
Total	<u>847 713</u>	<u>714 387</u>

Remuneration of the Director Financial Services

Annual Remuneration	548 623	497 929
Performance Bonuses	100 014	-
Car Allowance	119 363	119 363
Contributions to UIF, Medical, Pension Funds and Bargaining Council	110 075	97 096
Total	<u>878 075</u>	<u>714 387</u>

Remuneration of the Director Community Services

Annual Remuneration	551 271	497 929
Performance Bonuses	85 726	-
Car Allowance	86 534	119 363
Contributions to UIF, Medical, Pension Funds and Bargaining Council	140 225	97 096
Total	<u>863 757</u>	<u>714 387</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
28 REMUNERATION OF COUNCILLORS		
Executive Mayor	407 175	363 932
Deputy Mayor	398 095	367 645
Speaker	409 019	396 625
Mayoral Committee Members	1 214 356	988 076
Councillors	2 527 538	2 436 161
Pension fund contributions	587 485	500 138
Medical aid contributions	33 366	34 560
Total Councillors' Remuneration	5 577 034	5 087 137
<i>In-kind Benefits</i>		
<p>The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Executive Mayor, Speaker and all the Mayoral committee members are provided with secretarial support and an office at the cost of the Council.</p>		
29 DEBT IMPAIRMENT		
Long term Receivables - Note 17	125 202	45 744
Receivables from exchange transactions - Note 19	10 745 749	15 045 808
Receivables from non-exchange transactions - Note 20	2 016 219	5 065 884
Total Contribution to Debt Impairment	12 887 170	20 157 436
30 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment	7 950 464	6 731 746
Intangible Assets	62 224	-
Capitalised restoration cost	776 624	698 043
	8 789 312	7 429 789
31 IMPAIRMENTS		
Property Plant & Equipment	-	9 044
	-	9 044
32 FINANCE CHARGES		
Long-term Liabilities	7 506 942	8 478 518
Ex-Gratia Pension	29 662	30 263
Bank Overdraft	9	5 090
Post Employment Health Care Benefits	3 336 517	2 871 718
Long service awards	120 610	116 345
Capitalised restoration cost	1 060 442	1 256 245
Total finance charges	12 054 182	12 758 179
33 BULK PURCHASES		
Electricity	79 826 385	61 490 651
Total Bulk Purchases	79 826 385	61 490 651
34 GRANTS AND SUBSIDIES		
Council	172 514	288 100
Tourism	480 100	422 500
Total Grants and Subsidies	652 614	710 600

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
35 GENERAL EXPENSES		
Audit Fees	1 718 578	1 529 477
Asset Losses	28 156	-
Bank Charges	345 727	345 172
Cellphone	484 593	457 849
Chemicals	667 475	619 800
Commission	674 934	528 160
Consultant Fees	520 406	-
Developing Projects	216 258	171 018
Entertainment	401 753	422 815
Indigent costs	370 471	-
Insurance	1 433 898	1 894 000
Investigations	684 969	498 832
Koekedouw	945 748	660 174
Membership Fees	490 526	421 901
Printing and Stationary	1 924 116	1 678 146
Projects	289 181	227 675
Protective Clothing	581 692	348 337
Refuse bags	1 011 273	446 192
Sewerage anlysis	534 961	526 390
Strategic Partnerships	424 904	140 367
Telephone and Postage	1 777 887	1 602 588
Training	548 756	321 212
Travel and Accommodation	1 020 140	924 197
Valuation Costs	378 035	87 478
Vehicle Fleet Costs	3 603 618	3 028 374
Water levies	338 189	288 874
Water Rigts	-	121 376
Other	2 852 879	2 926 436
General Expenses	<u>24 269 122</u>	<u>20 216 838</u>

36 CORRECTION OF ERROR IN TERMS OF GRAP 3

STATEMENT OF FINANCIAL POSITION

36.1 Capitalised Restoration Cost

Balance previously reported	-
First time recognition of Capitalised Restoration Cost - At Cost- Note 15	7 312 398
First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 15	(4 448 503)
Recognition of depreciation for 2009/2010 - Note 15	(658 724)
Recognition of impairments for 2009/2010 - Note 15	(39 319)
Total	<u>2 165 852</u>

36.2 Non-current Provisions

Balance previously reported	12 933 037
First time recognition of Landfill Site Provision - Derecognised Assets - Note 36.3	(12 933 037)
First time recognition of Landfill Site Provision - Recognised Assets - Note 5	2 422 024
First time recognition of Landfill Site Provision - Recognised Assets - Note 36.1	7 312 398
Recognition of Interest Cost on Non-current Provisions up to 30 June 2009 - Note 5	1 256 245
Total	<u>10 990 667</u>

36.3 Accumulated Surplus/(Deficit) 1 July 2009

Balance previously reported	25 545 544
Adjustment of Unamortised discount on Loans - Note 3	4 795 140
Derecognised of Landfill Provision - Note 5	12 933 037
First time recognition of Capitalised Restoration Cost - At Cost- Note 15	(2 452 646)
First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 15	(4 448 503)
First time recognition of unwinding off interest - Note 5	(9 788 456)
First time recognition Assets found - Note 13	533 094
First time recognition of depreciation on deemed assets - Note 13	(107 211)
Correction of erven duplicated on asset register and inventory	(315 293)
Correction of duplication of Erf 1 Prince Alfred Hamlet	(2 434 000)
Provision for bad debts on housing loans	(1 736 678)
Impairment of VAT against Liability - Note 36.9	4 653 232
Total	<u>27 177 257</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
36 CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)		
36.4 Net Asset Reserves		
Balance previously reported		10 998 394
Correction of VAT incorrectly claimed on vehicle- Note 2		(42 662)
Winding up of the Valuation Reserve - Note 2		(535 900)
Balance as reported		<u>10 419 833</u>
36.5 Receivables from exchange transactions		
Balance previously reported		7 776 779
Receivables transferred from non-exchange transactions - Note 20		12 014 895
Recognition of VAT on Accrued Income - note 36.9		1 143 983
Recognition of VAT on Accrued Income - note 36.9		499 268
Recognition of VAT on Debtors - note 36.9		6 389 375
Recognition of VAT on Debtors - note 36.9		356 005
Balance as reported		<u>28 180 306</u>
36.6 Receivables from non-exchange transactions		
Balance previously reported		16 032 760
Transferred from Payables from Exchange transactions- Note 9		(1 626)
Transferred to receivables from exchange transactions- Note 19		12 014 895
Amount incorrectly included in receivables - Note 20		1 736 678
Balance as reported		<u>2 282 813</u>
36.7 Unamortised charges on loans		
Balance previously reported		(7 486 147)
Redetermining the unamortised charges on loans - Note 3		(4 795 140)
Balance as reported		<u>(12 281 287)</u>
36.8 STATEMENT OF FINANCIAL PERFORMANCE		
Balance previously reported		11 228 560
Adjustment of Provision for rehabilitation of landfill Sit- Note 5		6 360 642
Adjustment of Unamortised discount on Loans - Note 3		(1 030 081)
Adjustment of Payables from exchange transactions - Note 9		93 116
Recognition of Retention money on Hamlet Reservoir - Note 9		44 734
Recognition of Depreciation for Rehabilitation cost - Note 15		(658 724)
Recognition of Impairment for Rehabilitation cost - Note 15		(39 319)
First time recognition of depreciation on deemed assets - Note 13		(107 212)
Recognition of Finance Charges for Rehabilitation cost - Note 32		(1 256 245)
Impairment of VAT against Liability - Note 36.9		926 111
Total		<u>15 561 582</u>
36.9 Net VAT receivable		
Balance previously reported		1 787 180
Impairment of VAT against Liability - note 36.3		4 653 232
Recognition of VAT on Debtors - note 36.5		(6 389 375)
Recognition of VAT on Accrued Income - note 36.5		(1 143 983)
Correction of VAT claimable- Note 9		(13 036)
VAT incorerectly claimed on vehicle		(42 662)
Recognition of VAT on Debtors - note 36.5		(356 005)
Recognition of VAT on Accrued Income - note 36.5		(499 268)
Impairment of VAT against Liability - Note 36.8		926 111
Balance as reported		<u>(1 077 807)</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
37 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	41 902 280	16 817 828
Adjustments for:		
Depreciation	8 727 088	7 370 812
Amortisation of Intangible Assets	62 224	58 976
Unamortised Discount on Loans	1 870 056	1 836 603
Debt Impairment	12 761 968	20 111 692
Debt Impairment - Long term receivables	125 202	45 744
Contribution to staff leave	555 161	1 411 885
Contribution from/to provisions	1 060 442	1 256 245
Contribution from/to employee benefits	3 496 101	2 970 798
Actuarial Loss	11 476 296	1 260 347
Asset losses at carrying value	30 634	9 044
Operating lease income accrued	(1 779)	(3 190)
Operating Surplus/(Deficit) before changes in working capital	82 065 673	53 146 784
Changes in working capital	(34 556 760)	(5 137 302)
Increase/(Decrease) in Trade and Other Payables	1 872 228	3 686 399
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(9 821 633)	10 495 872
Increase/(Decrease) in Unspent Public Contributions	(83 536)	134 016
Increase/(Decrease) in Taxes	(691 225)	(711 630)
(Increase)/Decrease in Inventory	(914 329)	(251 950)
(Increase)/Decrease in Trade and other receivables	(19 016 948)	(18 215 147)
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(5 901 317)	(274 862)
Cash generated/(absorbed) by operations	47 508 913	48 009 482
38 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 22	11 613 549	38 818 515
Cash Floats - Note 22	8 195	8 195
Bank - Note 22	10 252 347	4 675 642
Total cash and cash equivalents	21 874 091	43 502 352
39 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 38	21 874 091	43 502 352
Investments - Note 16	23 025	23 025
Less:	21 897 116	43 525 377
Unspent Committed Conditional Grants - Note 10	15 205 593	25 027 226
VAT - Note 12	386 582	1 077 807
Resources available for working capital requirements	6 304 940	17 420 344
Allocated to:		
Capital Replacement Reserve	5 636 990	7 172 401
Employee Benefits Reserve	61 231 121	45 703 563
Non-Current Provisions Reserve	19 609 632	18 387 722
Resources available for working capital requirements	(80 172 804)	(53 843 342)
40 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 3	59 671 240	66 912 486
Used to finance property, plant and equipment - at cost	(59 671 240)	(66 912 486)
	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

41 BUDGET COMPARISONS

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%) (Variance)
41.1 Operational				
Revenue by source				
Property Rates	30 681 075	28 355 605	2 325 470	8%
Property Rates - penalties imposed and collection charges	746 355	292 661	453 694	155%
Government Grants and Subsidies - Capital	46 706 732	58 754 934	(12 048 202)	-21%
Government Grants and Subsidies - Operating	53 584 639	50 055 067	3 529 572	7%
Public Contributions and Donations	87 329	429 000	(341 671)	-80%
Actuarial Gains	19 316	-	19 316	100%
Fines	558 976	850 001	(291 025)	-34%
Service Charges	155 680 875	159 327 080	(3 646 205)	-2%
Rental of Facilities and Equipment	6 483 446	6 579 617	(96 171)	-1%
Interest Earned - external investments	2 888 492	2 376 941	511 551	22%
Interest Earned - outstanding debtors	4 065 990	3 595 352	470 638	13%
Licences and Permits	193 678	215 785	(22 107)	-10%
Agency Services	2 666 670	2 549 174	117 496	5%
Other Income	3 563 799	3 050 465	513 334	17%
Unamortised Discount - Interest	4 379	-	4 379	100%
Gain on disposal of Property, Plant and Equipment	-	-	-	0%
	<u>307 931 751</u>	<u>316 431 682</u>	<u>(8 499 931)</u>	<u>-3%</u>
Expenditure by nature				
Employee Related Costs	76 907 923	86 149 753	9 241 830	-11%
Remuneration of Councillors	5 577 034	6 062 653	485 619	-8%
Debt Impairment	12 887 170	10 116 212	(2 770 958)	27%
Collection Costs	333 472	513 620	180 148	-35%
Depreciation and Amortisation	8 789 312	11 676 744	2 887 432	-25%
Actuarial losses	11 495 612	-	(11 495 612)	100%
Unamortised Discount - Interest paid	1 874 434	3 107 415	1 232 981	-40%
Repairs and Maintenance	11 004 672	12 096 658	1 091 986	-9%
Stock Adjustments	17 430	-	(17 430)	100%
Finance Charges	12 054 182	9 648 982	(2 405 200)	25%
Bulk Purchases	79 826 385	76 426 037	(3 400 348)	4%
Contracted services	9 141 617	10 488 008	1 346 391	-13%
Grants and Subsidies	652 614	632 600	(20 014)	3%
Operating Grant Expenditure	11 198 492	9 992 038	(1 206 454)	12%
General Expenses	24 269 122	25 310 772	1 041 650	-4%
	<u>266 029 471</u>	<u>262 221 492</u>	<u>(3 807 979)</u>	<u>1%</u>
Net Surplus for the year	<u>41 902 280</u>	<u>54 210 190</u>	<u>(12 307 910)</u>	<u>-23%</u>
41.2 Operating expenditure by Vote				
Budget & Treasury Office	25 503 685	25 777 669	(273 984)	-1%
Civil Services	53 210 832	54 181 383	(970 551)	-2%
Community & Social Services	12 908 748	15 537 657	(2 628 909)	-17%
Corporate Services	27 464 519	16 152 838	11 311 681	70%
Electro Technical Services	94 662 155	94 588 598	73 557	0%
Executive & Council	16 750 472	19 003 299	(2 252 827)	-12%
Housing	12 377 711	9 204 805	3 172 906	34%
Planning	2 777 842	3 707 148	(929 306)	-25%
Public Safety	5 681 576	8 329 921	(2 648 345)	-32%
Sport & Recreation	14 691 931	15 738 174	(1 046 243)	-7%
	<u>266 029 471</u>	<u>262 221 492</u>	<u>3 807 979</u>	<u>1%</u>
41.3 Capital expenditure by vote				
Budget & Treasury Office	1 372 518	1 857 534	(485 016)	-26%
Civil Services	45 592 104	47 250 910	(1 658 806)	-4%
Community & Social Services	477 198	748 620	(271 422)	-36%
Corporate Services	5 771 681	8 183 264	(2 411 583)	-29%
Electro Technical Services	2 834 846	3 763 781	(928 935)	-25%
Housing	713 727	676 157	37 570	6%
Planning	133 856	205 500	(71 644)	-35%
Public Safety	776 047	889 172	(113 125)	-13%
Sport & Recreation	4 314 117	7 153 339	(2 839 222)	-40%
	<u>61 986 095</u>	<u>70 728 277</u>	<u>(8 742 183)</u>	<u>-12%</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

41 BUDGET COMPARISONS (CONTINUE)

The under spending on capital votes are due to:

- Swimming pool Nduli – delay on community decision on location, construction tender in process of awarding;
- Community Hall Pine Valley – funding approved from PGWC but approval of business plan outstanding;
- Computer hardware & software – implementation of SAMRAS +, project ongoing with savings;
- Stormwater Op-Die-Berg, Netwerk Stormwater – delays in project result of contractor performance;
- Ceres Roads (Retiefstr) – delay in procurement process and severe impact of weather, ongoing;
- Upgrade sewer works Wolseley – project not implemented;
- Upgrade Nduli hostels (main sewer line) – project underway, delay caused by weather and severe underground conditions.

41.4 Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance

Net surplus/deficit per the statement of financial performance	41 902 280	
Adjusted for:		
Fair value adjustments	11 489 348	a)
Impairments recognised / reversed	(2 887 432)	b)
Increases / decreases in provisions	2 770 958	c)
Employee related cost	(9 727 449)	d)
Other Expenditure	2 138 860	e)
Rates & Service Charges	867 041	f)
Grants & Donations	8 860 301	g)
Other Income	(1 203 717)	h)
Net surplus/deficit per approved budget	54 210 190	

- a) Actuarial losses on Employee Benefits
- b) Depreciation less than expected due to slow capital spending
- c) Collection ratio less than expected.
- d) Employee cost less than budget due to vacancies not filled timeously
- e) Bulk purchases more than expected.
- f) Property rates increase due to adjustment of rebates.
- g) Slow spending of Grants received.
- h) More interest earned than expected.

42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

42.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	13 192 216	-
Unauthorised expenditure current year - capital	37 570	-
Unauthorised expenditure current year - operating	14 558 144	13 192 216
Condoned by council	(13 192 216)	-
Unauthorised expenditure awaiting authorisation	<u>14 595 714</u>	<u>13 192 216</u>

Unauthorised expenditure on operating votes are due to:

- Unforeseen actuarial losses on employee benefits,
- Unexpected increase in bulk purchases from Eskom,
- Debt impairment of old housing loans.

Unauthorised expenditure on capital votes are due to:

- Over expenditure on the upgrading of the Kluitjieskraal houses.

42.2 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	248 872	-
Irregular expenditure current year	110 720	248 872
Transfer to receivables for recovery	(248 872)	-
Irregular expenditure awaiting further action	<u>110 720</u>	<u>248 872</u>

Incident	Disciplinary steps/criminal proceedings		
<i>Non-compliance with internal controls</i>	<i>Recovered from salary and pensioen fund of employee</i>	-	248 872
<i>Refer to Note 43.8</i>	<i>Investigated report to Council</i>	110 720	-
		<u>110 720</u>	<u>248 872</u>

Balance previously reported

Amount incorrectly included in irregular expenditure.

Balance as reported

758 366

(509 494)

248 872

An item was erroneously included in irregular expenditure as in the 2009/2010 financial statements. This misstatement is now corrected.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
42.3 Material Losses	2011	2010
Water distribution losses		
- Kilotres purified	R 6 454 910	R 6 194 283
- Kilotres lost during distribution	R 2 214 512	R 2 143 847
- Percentage lost during distribution	34.31%	34.61%
- Value of kilolitres lost during distribution	R 1 860 190	R 2 194 094
- The value of kilolitres lost is based on The treatment cost of water.		
Electricity distribution losses		
- Units purchased (Kwh)	R 185 072 560	R 181 084 088
- Units lost during distribution (Kwh)	R 14 713 497	R 15 335 328
- Percentage lost during distribution	7.95%	8.47%
- Value of units lost during distribution (Kwh)	R 6 346 198	R 5 619 666
43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
43.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	-
Council subscriptions	485 830	385 500
Amount paid - current year	(485 830)	(385 500)
Balance unpaid (included in Payables from exchange transactions)	-	-
43.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	1 459	58 137
Current year audit fee	3 233 725	2 564 451
External Audit - Auditor-General	1 717 120	1 743 604
Internal Audit	1 489 312	739 699
Audit Committee	27 293	81 148
Amount paid - current year	(2 941 736)	(2 562 992)
Amount paid - previous year	(1 459)	(58 137)
Balance unpaid (included in Payables from exchange transactions)	291 988	1 459
43.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	678 043	(275 218)
Amounts received - current year	(19 593 009)	(18 754 378)
Amounts claimed - current year (payable)	16 324 400	16 538 086
Amount paid - current year	2 280 012	2 894 335
Amount paid - previous year	(678 043)	275 218
Closing balance	(988 597)	678 043
Vat in suspense due to cash basis of accounting		
Input VAT	3 107 920	1 731 482
Receivable	(386 582)	(1 077 807)
VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
43.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	8 483 448	7 168 570
Amount paid - current year	(8 483 448)	(7 168 570)
Balance unpaid (included in Payables from exchange transactions)	-	-
43.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	19 421 855	16 893 315
Amount paid - current year	(19 421 855)	(16 893 315)
Balance unpaid (included in Payables from exchange transactions)	-	-

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUE)		
43.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]		
The following Councillors had arrear accounts for more than 90 days as at 30 June 2011:		
	Outstanding more than 90 days	Outstanding more than 90 days
Godden, TT&C	38 602	-
Heradien, P	3 844	-
Mouton, JS	1 338	-
Phungula, SL&JT	670	-
Veschini, JA	3 376	-
Total Councillor Arrear Consumer Accounts	47 831	-

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

	Highest Amount Outstanding	Highest Amount Outstanding
Godden, TT&C	38 602	
Heradien, P	3 844	
Mouton, JS	1 338	
Phungula, SL&JT	670	
Veschini, JA	3 376	
R Sikondlo	14 850	
	62 682	-

43.7 Disclosers in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

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

	Amount	Type of deviation			
		Single Supplier	Impossible	Impractical	Emergency
July	444 242	15	-	11	2
August	419 973	18	-	15	2
September	502 897	21	3	16	2
October	565 346	24	-	11	3
November	737 010	28	-	19	6
December	613 336	36	-	13	12
January	715 608	21	1	15	8
February	725 315	24	-	20	3
March	1 433 890	18	-	14	5
April	464 522	11	-	14	3
May	429 568	10	-	25	5
June	820 909	16	-	17	5
	7 872 617	242	4	190	56

Regulation 45 - Details of awards made to close family members of persons in service of State

Name of supplier	Member of company who has relationship with person in the service of the state	Relationship to person in the service of the state	Name of person in the service of the state	Employer and capacity of person in service of the state	Value of transactions
Witzenberg Builders and Painters	G Hanse	Father	T Davids	Cape Winelands District Municipality Health inspector	R 133 629
Girly's Catering Services	G De Bruyn	Mother	M De Bruyn	Witzenberg Municipality Clerk Debt collection	R 18 328
Williams Loodgieters	SR Williams	Husband	R Williams	Department of Health Nurse	R 154 617
L & E Blinds	AHE De Jongh	Husband	E De Jongh	Department of Correctional Services Correctional officer	R 2 850
Queens Cake	M Zimri	Wife	JJ Zimri	Department of Correctional Services Correctional officer	R 156 395

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUE)

Regulation 45 - Details of awards made to persons in the service of the State during the previous 12 months:

Name of supplier	Name of person in service of the state	Position occupied in company	Last day in service of the state	Employer and capacity of person	Value of transactions
Osastin t/a RPL Intelligence Services	RP Lottering	Member / Shareholder	2010/05/07	Stellenbosch Municipality Director	R 28 032

43.8 Non-compliance with MFMA (MFMA 125(2)(e))

Non-compliance to the Supply Chain Management Regulations were identified in terms of Regulation 45 as detailed below:

Name of supplier	Name of person in service of the state	Position occupied in company	Employer and capacity of person	Value of transactions
Protea Earthmoving	JM Abrahams	Member / Shareholder	Department of Health Nurse	R 82 228
AV Mouldings	Bernice Lizelle Adams	Director	Western Cape: Health: Director	R 23 873
Well Earned Trading 62CC	Rene Emerine Schuurman	Member	Western Cape: Education: Member	R 1 390
Witzenberg Brandblussers	Jacobus Cornelius Nel	Member	South African Police Service: Member	R 3 229

44 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure
Community
Other

	12 125 037	21 382 812
	12 125 037	10 425 567
	-	2 950 000
	-	8 007 245

Approved but not yet contracted for

Infrastructure
Community
Other

	55 571 778	50 973 118
	47 613 125	45 969 081
	5 161 579	1 178 037
	2 797 074	3 826 000

Total

	67 696 815	72 355 930
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This expenditure will be financed from:

External Loans
Capital Replacement Reserve
Government Grants
Own Resources
District Council Grants

	-	470 000
	-	14 980 308
	57 360 391	51 164 546
	10 336 424	3 190 000
	-	2 551 076

Total

	67 696 815	72 355 930
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		2011 R	2010 R
45	FINANCIAL RISK MANAGEMENT		
	The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.		
	(a) Foreign Exchange Currency Risk		
	The municipality does not engage in foreign currency transactions.		
	(b) Price risk		
	The municipality is not exposed to price risk.		
	(c) Interest Rate Risk		
	As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.		
	The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.		
	The municipality did not hedge against any interest rate risks during the current year.		
	The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:		
	1% (2010 - 0.5%) Increase in interest rates	(146 074)	(64 772)
	0.5% (2010 - 0.5%) Decrease in interest rates	146 074	64 772
	(d) Credit Risk		
	Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.		
	Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.		
	Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.		
	All rates and services are payable within 30 days from invoice date. Refer to note 19 and 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 19 for balances included in receivables that were re-negotiated for the period under review.		

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

45 FINANCIAL RISK MANAGEMENT (CONTINUE)

Balances past due not impaired:

	2011		2010	
	R	R	R	R
<u>Non-Exchange Receivables</u>				
Rates & other charges	100.00%	2 934 334	100.00%	2 282 813
<u>Exchange Receivables</u>				
Electricity	48.54%	10 267 045	13.46%	7 086 077
Water	50.91%	10 767 098	17.97%	9 458 585
Housing Rentals	2.62%	554 754	1.11%	582 512
Refuse	31.23%	6 606 106	11.32%	5 960 017
Sewerage	23.20%	4 908 002	8.59%	4 522 801
Other	3.22%	680 761	1.08%	570 313
	159.72%	33 783 765	53.53%	28 180 306

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 19 and 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2011		2010	
	%	R	%	R
<u>Long Term Receivables</u>				
Rates & other	100.00%	172 170	100.00%	2 896 151
<u>Non-Exchange Receivables</u>				
Rates & other	100.00%	9 069 481	100.00%	7 792 420
<u>Exchange Receivables</u>				
Electricity	30.39%	12 094 097	25.15%	13 238 790
Water	31.87%	12 683 136	33.56%	17 671 303
Housing Rentals	1.64%	653 475	2.07%	1 088 297
Refuse	19.55%	7 781 683	21.15%	11 134 992
Sewerage	14.53%	5 781 396	16.05%	8 449 868
Other	2.02%	801 904	2.02%	1 065 505
	100.00%	39 795 690	100%	52 648 755

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

45 FINANCIAL RISK MANAGEMENT (CONTINUE)

The provision for bad debts could be allocated between the different categories of debtors as follows:

			2011 R	2010 R
Residential	80.96%	39 699 645	80.96%	51 276 625
Commercial	0.13%	62 711	0.13%	80 999
Business	9.51%	4 662 715	9.51%	6 022 429
Government	3.18%	1 557 669	3.18%	2 011 907
Other	6.23%	3 054 601	6.23%	3 945 367
	100.00%	49 037 341	100.00%	63 337 327

	2011 %	2011 R	2010 %	2010 R
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Bad debts written off per debtor class:

Non-Exchange Receivables

Rates	100.00%	(1 350 315)	100.00%	(1 481 457)
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Exchange Receivables

Electricity	30.39%	6 427 958	25.15%	2 533 171
Water	31.87%	6 741 029	33.56%	3 381 309
Housing Rentals	1.64%	347 319	2.07%	208 240
Refuse	19.55%	4 135 930	21.15%	2 130 621
Sewerage	14.53%	3 072 786	16.05%	1 616 837
Other	2.02%	426 208	2.02%	203 879
	100.00%	21 151 230	100.00%	10 074 055

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

Long term receivables	308 647	464 301
Receivables from exchange transactions	33 783 765	28 180 306
Receivables from non-exchange transactions	1 539 706	989 497
Cash and Cash Equivalents	21 874 091	43 502 352
Non-Current Investments	23 025	23 025
Unpaid conditional grants and subsidies	6 176 179	274 862
	63 705 413	73 434 343

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
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45 FINANCIAL RISK MANAGEMENT (CONTINUE)

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities	14 082 984	50 411 824	22 518 038	3 422 750
Capital repayments	7 193 411	31 710 342	17 819 927	3 078 963
Interest	6 889 573	18 701 482	4 698 112	343 787
Trade and Other Payables	26 292 901	-	-	-
Unspent conditional government grants and receipts	15 205 593	-	-	-
	69 664 462	100 823 648	45 036 076	6 845 499
2010				
Long Term liabilities	14 457 538	52 418 351	32 801 507	5 215 737
Capital repayments	6 999 447	30 060 659	25 238 363	4 503 620
Interest	7 458 092	22 357 692	7 563 144	712 118
Trade and Other Payables	24 016 934	-	-	-
Unspent conditional government grants and receipts	25 027 226	-	-	-
	63 501 699	52 418 351	32 801 507	5 215 737

46 FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

46.1 Financial Assets	Classification		
Long-term Receivables			
Officials Housing Loans	Financial instruments at amortised cost	383 664	3 248 019
Rates (Re-negotiated terms)	Financial instruments at amortised cost	82 294	102 045
Councillor Allowances	Financial instruments at amortised cost	24 693	23 491
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	33 783 765	28 180 306
Receivables from non-exchange transactions	Financial instruments at amortised cost	1 539 706	989 497
Other Receivables			
Government Subsidies and Grants	Financial instruments at amortised cost	6 176 179	274 862
Current Portion of Long-term Receivables			
Officials Housing Loans	Financial instruments at amortised cost	53 730	-
Sport Club Loans	Financial instruments at amortised cost	-	38 542
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	11 613 549	38 818 515
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	10 252 347	4 675 642
Cash Floats and Advances	Financial instruments at amortised cost	8 195	8 195
		63 918 122	76 359 113

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
46 FINANCIAL INSTRUMENTS (CONTINUE)		
SUMMARY OF FINANCIAL ASSETS		
Financial instruments at amortised cost	63 918 122	76 359 113
At amortised cost	63 918 122	76 359 113

FINANCIAL INSTRUMENTS (CONTINUE)

46.2 <u>Financial Liability</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	67 461 531	74 133 528
Capitalised Lease Liability	Financial instruments at amortised cost	381 490	697 467
Payables from exchange transactions			
Trade creditors	Financial instruments at amortised cost	21 593 799	19 168 859
Retentions	Financial instruments at amortised cost	1 519 311	1 814 829
Deposits	Financial instruments at amortised cost	656 725	553 125
Other	Financial instruments at amortised cost	2 523 066	2 480 121
Other Payables			
Government Subsidies and Grants	Financial instruments at amortised cost	15 205 593	25 027 226
Current Portion of Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	(7 981 036)	(7 665 148)
Capitalised Lease Liability	Financial instruments at amortised cost	(190 745)	(253 361)
		101 169 735	115 956 646
SUMMARY OF FINANCIAL LIABILITY			
Financial instruments at amortised cost		101 169 735	115 956 646

47 EVENTS AFTER THE REPORTING DATE

The district management area will be incorporated into the Witzenberg Municipality as promulgated in an Extraordinary Provincial Gazette number 6852 dated 25 February 2011. The incorporation is effective from 1 July 2011 in terms of an agreement reached between the Witzenberg Municipality and the Cape Winelands District Municipality.

Witzenberg Municipal Council in principle decided on 28 September 2011 under item (7/1/4/1) to continue with the proposed Public Private Partnership for the Pine Forest Resort in terms of Section 120 of the Municipal Finance Management Act 56 of 2003.

48 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

49 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
50 CONTINGENT LIABILITY		
Claims against Council	<u>25 314 485</u>	<u>16 302 000</u>
Estimate legal Fees	<u>518 354</u>	<u>625 700</u>
The municipality is currently engaged in litigation which could result in damages/costs		
GP Bezuidenhout	864 000	864 000
Daniels & Norman	237 000	228 000
WH Robinson	15 150 000	15 150 000
Ceres Inn	823	-
Sightfull Co (Pty) Ltd	-	60 000
F Daniels	9 000 000	-
D C Louw	62 662	-
	<u>25 314 485</u>	<u>16 302 000</u>

The Municipality is defending all the claims. The amounts indicated is Management's estimated financial exposure.

The municipality is the defendant in three matters where the claims are substantial. It needs to be noted that these matters are all more than two years old. The plaintiffs have failed to apply to court for trial dates. Management believe that the matters of William Robinson, Frank Daniels and Gert Bezuidenhout are malicious, trivial and without any merits. In the case of Mr. Robinson he alleged that he was an employee of the municipality and that he injured himself whilst on duty. This is vehemently denied by the municipality and will be proven. Mr. Frank Daniels is an ex-employee who was convicted in a disciplinary case by external Presiding Officers. He alleges that he was wrongly dismissed as an employee. In the matter of Gert Bezuidenhout judgement was rescinded and Mr. Bezuidenhout also failed to bring the matter to finality. We are respectfully of opinion that these matters will be successfully defended.

51 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

51.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 17 to the Annual Financial Statements.

51.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 27 to the Annual Financial Statements.

51.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

A payment was made to Klaasen Attorney's who acted as correspondent attorney for HM Smith attorneys who did transfers of properties. Monies were deposited in terms of the attorneys act in a specific trust account for the benefit of the instructing attorney. Councillor Bernito Klaasen is a director of Klaasen Attorney's	13 540
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	2011 R	2010 R
52 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES		
52.1 GRAP 19 - Provisions, contingent liabilities and contingent Assets		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure provisions, contingent liabilities or contingent assets relating to Refuse tip-sites.		
* Refuse tip-sites financed by way of a provision		
The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2011/2012 financial statements.		
52.2 GRAP 100 - Non-current assets and discontinued operations		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not measured in terms of the transitional provisions relating to those standards.		
52.3 GRAP 16 - Investment Properties		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Investment Properties.		
The municipality is currently in the process of identifying all Investment Properties and have valued them in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011/2012 financial statements.		
52.4 GRAP 102 - Intangible Assets		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:		
* Computer Software;		
* Intangible assets financed by way of finance leases;		
* Intangible assets transferred as a result of the transfer of functions; and		
* Servitudes.		
The municipality is currently in the process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011/2012 financial statements. It is possible that certain intangible assets are currently being measured as Property, Plant and Equipment.		
52.5 GRAP 12 - Inventories		
The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following inventories:		
Land held for sale		
Water		
The municipality is currently in the process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2011/2012 financial statements.		

**APPENDIX A - Unaudited
WITZENBERG MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at	Correction	Balance at	Received during the period	Corrections during the period	Redeemed / written off during the period	Balance at
				30 JUNE 2010		30 JUNE 2010 Restated				30 JUNE 2011
				R	R	R	R	R	R	R
ANNUITY LOANS										
ABSA	14.50%	30-0814-4283	2011/11/25	250 809		250 809			161 132	89 677
ABSA	13.05%	30-0969-8128	2013/02/14	147 230		147 230			42 868	104 362
ABSA	12.80%	30-0969-8770	2013/02/14	21 168		21 168			6 180	14 988
ABSA	12.80%	30-0969-9043	2013/02/14	348 615		348 615			101 778	246 837
ABSA	10.21%	90-9200-8212	2010/12/30	7 326		7 326			7 326	0
ABSA	10.21%	90-9200-8204	2015/12/30	57 195		57 195			8 315	48 880
ABSA	10.21%	70-9200-8678	2010/12/30	5 395		5 395			5 395	(0)
ABSA	10.21%	60-9200-8205	2010/12/30	10 018		10 018			10 018	(0)
ABSA	10.21%	20-9201-0018	2010/12/30	10 018		10 018			10 018	(0)
ABSA	10.21%	20-9200-9990	2015/12/30	97 800		97 800			14 218	83 582
ABSA	10.21%	0-9205-8859	2015/12/30	26 867		26 867			3 906	22 961
NED BANK	8.00%	5032172 0001	2013/05/30	2 279 487		2 279 487			699 508	1 579 979
NED BANK	8.00%	5032156 0001	2015/05/30	1 062 787		1 062 787			180 396	882 391
NED BANK	8.00%	5032113 0001	2018/05/30	1 473 774		1 473 774			138 294	1 335 480
NED BANK	8.00%	5032032 0001	2023/05/30	10 475 543		10 475 543			483 984	9 991 559
CERES GOLF CLUB	18.00%	49	2018/06/30	37 915		37 915			2 400	35 515
DBSA	12.00%	10478/102	2017/09/30	3 161 463		3 161 463			345 192	2 816 271
DBSA	12.00%	10525/104	2017/03/31	31 351 044		31 351 044		11 561	2 968 982	28 393 623
DBSA	15.25%	11188/101	2018/09/30	8 553 951		8 553 951			545 503	8 008 448
DBSA	15.50%	10772/101	2018/09/30	1 934 231		1 934 231			122 045	1 812 186
DBSA	9.50%	102040/1	2021/09/30	304 509		304 509			15 546	288 963
DBSA	9.49%	102040/2	2013/09/30	943 576		943 576			239 229	704 347
DBSA	9.38%	102040/3	2011/03/31	142 713		142 713			142 713	(0)
DBSA	15.79%	11484/101	2011/12/31	73 748		73 748			47 281	26 467
DBSA	15.79%	11485/101	2011/12/31	78 059		78 059			50 045	28 014
DBSA	15.79%	11487/101	2011/12/31	354 442		354 442			227 238	127 204
DBSA	15.79%	11488/101	2011/12/31	22 692		22 692			14 549	8 143
DBSA	15.79%	11490	2011/12/31	79 875		79 875			51 209	28 666
DBSA	15.79%	1811491	2011/12/31	72 613		72 613			46 553	26 060
DBSA	15.79%	1911492	2011/12/31	7 035		7 035			4 510	2 525
DBSA	14.65%	12977/101	2012/12/31	3 503		3 503			1 255	2 248
DBSA	14.35%	12978/101	2013/12/31	143 389		143 389			34 171	109 218
DBSA	11.25%	13160/101	2011/12/31	69 480		69 480			45 045	24 435
DBSA	10.75%	13161/101	2014/12/31	16 310		16 310			2 992	13 318
DBSA	15.25%	13164/101	2014/12/31	9 788		9 788			1 654	8 134
DBSA	8.59%	100605/1	2023/06/30	2 834 017		2 834 017			218 000	2 616 017
Total Annuity Loans				66 468 382	-	66 468 382	-		6 999 448	59 480 495
LEASE LIABILITY										
Office Equipment		Various	2012/02/29	444 106		444 106			253 361	190 745
Total Lease Liabilities				444 106	-	444 106	-		253 361	190 745
TOTAL EXTERNAL LOANS				66 912 488	-	66 912 488	-		7 252 809	59 671 240

APPENDIX B - Unaudited
WITZENBERG MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost/Revaluation				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Expenses for year	Disposals		Closing Balance
Land and Buildings										
Under construction	348 649	676 486	-	-	1 025 135	-	-	-	-	1 025 135
Land	40 660 510	-	-	-	40 660 510	597 000	-	-	597 000	40 063 510
Buildings	61 659 805	86 781	-	-	61 746 586	9 466 351	1 863 724	-	11 330 075	50 416 511
	102 668 965	763 267	-	-	103 432 231	10 063 351	1 863 724	-	11 927 076	91 505 156
Infrastructure										
Under construction	10 783 200	37 534 495	-	-	48 317 695	-	-	-	-	48 317 695
Drains	23 460 988	1 450 574	-	-	24 911 563	16 321 803	401 384	-	16 723 187	8 188 376
Roads and Streets	25 396 423	8 186 805	-	-	33 583 227	14 170 416	1 381 620	-	15 552 036	18 031 191
Other infrastructure	1 643 180	21 890	-	-	1 665 070	1 047 375	234 093	-	1 281 468	383 602
Sewerage Mains and Purification	24 000 147	51 599	-	-	24 051 746	22 717 272	73 149	-	22 790 421	1 261 325
Electricity mains	50 624 158	-	-	-	50 624 158	46 471 885	222 571	-	46 694 456	3 929 702
Electricity Peak Load equipment	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	15 990 509	-	-	-	15 990 509	11 788 995	225 311	-	12 014 306	3 976 203
Water Reservoirs	54 143 733	-	-	-	54 143 733	52 530 765	85 643	-	52 616 408	1 527 326
Water Meters	570 638	-	-	-	570 638	184 195	34 857	-	219 052	351 586
Water Mains	-	-	-	-	-	-	-	-	-	-
Landfill Sites	993 682	-	-	-	993 682	960 894	1 103	-	961 997	31 685
	207 606 658	47 245 363	-	-	254 852 021	166 193 601	2 659 730	-	168 853 331	85 998 690
Community Assets										
Under construction	1 657 296	2 039 166	-	-	3 696 461	-	-	-	-	3 696 461
Parks and Gardens	848 936	519 671	-	-	1 368 607	848 936	7 048	-	855 984	512 623
Libraries	2 733 617	-	-	-	2 733 617	2 432 617	10 756	-	2 443 373	290 244
Caravan parks	384 733	-	-	-	384 733	384 733	-	-	384 733	-
Sport and Recreation Grounds	14 367 023	-	-	-	14 367 023	13 500 140	45 397	-	13 545 537	821 486
Civic Buildings	15 554 896	3 874 978	-	-	19 429 874	15 111 917	170 993	-	15 282 910	4 146 965
	35 546 502	6 433 814	-	-	41 980 316	32 278 344	234 193	-	32 512 537	9 467 779
Heritage Assets	-	-	-	-	-	-	-	-	-	-
Total carried forward	345 822 125	54 442 444	-	-	400 264 568	208 535 296	4 757 648	-	213 292 944	186 971 624

**APPENDIX B - Unaudited
WITZENBERG MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

	Cost/Revaluation				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Expenses for year	Disposals		Closing Balance
Total brought forward	345 822 125	54 442 444	-	-	400 264 568	208 535 296	4 757 648	-	213 292 944	186 971 624
Lease Assets										
Office Equipment (Lease)	728 997	-	-	-	728 997	323 999	242 999	-	566 998	161 999
Other Assets										
Computer and Office Equipment	4 846 821	953 896	-	80 380	5 720 337	2 610 817	928 492	71 824	3 467 485	2 252 852
Furniture and Fittings	2 505 949	320 150	-	27 054	2 799 045	1 113 164	332 288	18 197	1 427 255	1 371 790
Bins and Containers	4 885 159	-	-	44 053	4 841 107	4 370 565	216 758	41 096	4 546 227	294 880
Emergency equipment	1 183 276	-	-	56 262	1 127 013	702 118	193 111	52 995	842 235	284 778
Motor Vehicles	13 713 290	2 525 972	-	359 062	15 880 201	7 045 094	903 077	353 175	7 594 996	8 285 205
Fire Engines	251 689	346 226	-	-	597 915	1 189	21 652	-	22 841	575 074
Plant and equipment	714	413 372	-	-	414 086	286	36 131	-	36 417	377 668
Refuse Tankers	-	-	-	-	-	-	-	-	-	-
Councillors Regalia	-	-	-	-	-	-	-	-	-	-
Conservancy Tankers	-	-	-	-	-	-	-	-	-	-
Other	1 073 232	2 140 504	-	1 620	3 212 116	141 614	318 308	510	459 412	2 752 704
	28 460 131	6 700 120	-	568 431	34 591 819	15 984 847	2 949 817	537 797	18 396 867	16 194 953
Total	375 011 252	61 142 564	-	568 431	435 585 385	224 844 142	7 950 464	537 797	232 256 808	203 328 576

APPENDIX C - Unaudited
WITZENBERG MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Expense for year	Disposals	Closing Balance	
Executive & Council	452 293	-	-	9 104	443 188	237 813	76 483	8 461	305 835	137 353
Budget & Treasury Office	2 794 081	409 407	117 651	53 802	3 267 336	1 462 276	357 513	44 094	1 775 694	1 491 642
Corporate Services	102 190 954	4 794 338	977 343	57 788	107 904 848	6 331 212	2 505 798	57 036	8 779 974	99 124 874
Planning & Development	332 803	133 776	-	-	466 580	150 248	48 917	-	199 166	267 414
Health	1 275 883	-	-	-	1 275 883	1 275 883	-	-	1 275 883	-
Community & Social Services	13 687 316	417 481	60 244	10 605	14 154 435	12 088 802	463 358	7 686	12 544 475	1 609 960
Housing	1 441 696	262 933	450 794	-	2 155 423	1 423 647	23 113	-	1 446 761	708 662
Public Safety	3 394 393	776 047	-	6 500	4 163 941	2 529 761	178 681	5 938	2 702 504	1 461 436
Sport & Recreation	20 061 868	847 599	3 467 922	63 146	24 314 243	17 730 808	585 457	53 544	18 262 720	6 051 522
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Waste Management	4 720 726	1 880 584	98 006	74 639	6 624 677	2 394 862	319 332	68 753	2 645 441	3 979 236
Waste Water Management	57 382 793	1 545 965	7 750 131	82 493	66 596 397	44 522 116	960 048	81 983	45 400 180	21 196 216
Road Transport	21 319 419	8 708 501	8 692 182	67 592	38 652 509	12 313 721	1 362 201	67 593	13 608 330	25 044 179
Water	88 962 436	983 840	15 932 975	-	105 879 251	73 746 687	474 980	-	74 221 667	31 657 584
Electricity	56 994 589	131 946	2 702 900	142 761	59 686 674	48 636 306	594 582	142 710	49 088 178	10 598 497
	375 011 252	20 892 418	40 250 146	568 431	435 585 385	224 844 142	7 950 464	537 797	232 256 808	203 328 576

**APPENDIX D - Unaudited
WITZENBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
MUNICIPAL VOTES CLASSIFICATION**

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
36 694 434	(26 152 275)	10 542 159	Budget & Treasury Office	44 775 309	(25 503 685)	19 271 624
66 714 964	(55 655 862)	11 059 102	Civil Services	90 634 156	(53 210 832)	37 423 324
29 386 094	(11 445 967)	17 940 127	Community & Social Services	36 802 639	(12 908 748)	23 893 891
2 606 167	(16 718 870)	(14 112 703)	Corporate Services	4 482 969	(27 464 519)	(22 981 551)
91 357 565	(75 257 038)	16 100 527	Electro Technical Services	108 346 928	(94 662 155)	13 684 773
1 058 488	(15 759 910)	(14 701 422)	Executive & Council	1 182 300	(16 750 472)	(15 568 172)
-	-	-	Health	-	-	-
25 839 411	(26 866 275)	(1 026 865)	Housing	7 852 476	(12 377 711)	(4 525 235)
820 726	(2 119 957)	(1 299 231)	Planning	936 405	(2 777 842)	(1 841 437)
3 365 322	(4 879 928)	(1 514 606)	Public Safety	3 470 458	(5 681 576)	(2 211 118)
6 127 518	(12 296 779)	(6 169 262)	Sport & Recreation	9 448 113	(14 691 931)	(5 243 817)
263 970 687	(247 152 861)	16 817 826	Total	307 931 751	(266 029 471)	41 902 280

APPENDIX E - Unaudited
WITZENBERG MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
1 058 488	(14 361 594)	(13 303 106)	Executive & Council	1 182 300	(15 572 119)	(14 389 819)
36 694 434	(26 152 275)	10 542 159	Budget & Treasury Office	44 775 309	(25 503 685)	19 271 624
2 606 167	(18 450 597)	(15 844 430)	Corporate Services	4 482 969	(29 484 310)	(25 001 341)
820 726	(4 059 003)	(3 238 278)	Planning & Development	936 405	(4 650 942)	(3 714 537)
29 324 429	(9 145 612)	20 178 818	Community & Social Services	36 714 008	(10 196 263)	26 517 744
25 839 411	(26 866 275)	(1 026 865)	Housing	7 852 476	(12 377 711)	(4 525 235)
643 823	(3 628 645)	(2 984 822)	Public Safety	693 803	(4 096 183)	(3 402 380)
6 127 518	(12 296 779)	(6 169 262)	Sport & Recreation	9 448 113	(14 691 931)	(5 243 817)
-	(445 433)	(445 433)	Environmental Protection	-	(606 329)	(606 329)
14 495 817	(17 295 211)	(2 799 394)	Waste Management	15 515 552	(17 568 717)	(2 053 165)
15 999 752	(15 990 403)	9 349	Waste Water Management	19 271 073	(14 180 280)	5 090 793
6 340 378	(7 190 473)	(850 094)	Road Transport	18 941 311	(9 419 990)	9 521 321
32 600 516	(16 431 059)	16 169 457	Water	39 682 874	(13 627 238)	26 055 636
91 357 565	(74 381 892)	16 975 673	Electricity	108 346 928	(93 537 513)	14 809 414
61 665	(457 610)	(395 945)	Other	88 631	(516 260)	(427 629)
						-
263 970 687	(247 152 861)	16 817 826	Total	307 931 751	(266 029 471)	41 902 280

**APPENDIX F - Unaudited
WITZENBERG MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS	Balance 1 JULY 2010	Grants Received	Write Offs / Transfers	Other Income	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2011	Unspent 2011 (Payable)	Unpaid 2011 (Receivable)
R	R	R	R	R	R	R	R	R	R
<u>National Government Grants</u>									
Finance Management Grant	(274 862)	3 000 000	-	-	(2 164 236)	(889 572)	(328 669)	-	328 669
Transformation funds	290 264	-	-	-	(15 937)	(107 139)	167 188	167 188	-
DWAF - Drought relief	2 265 394	-	-	-	(53 195)	(379 967)	1 832 232	1 832 232	-
Municipal Systems Improvement Grant	630 247	1 200 000	-	-	(1 366 464)	(441 953)	21 831	21 831	-
Municipal Infrastructure Grant - Tulbagh Main Supply	13 945	-	-	-	-	-	13 945	13 945	-
Municipal infrastructure Grant	1 209 965	10 160 000	-	-	(1 528 893)	(11 048 127)	(1 207 055)	-	1 207 055
Regional Bulk Infrastructure Grant	338 753	11 000 001	-	-	(1 642 216)	(11 812 883)	(2 116 345)	-	2 116 345
Housing - Kluitjieskraal	411 961	-	-	-	(46 871)	(450 794)	(85 704)	-	85 704
Integrated National Electricity Program	626 309	2 000 000	-	-	(78 502)	(1 774 912)	772 895	772 895	-
DWAF - Drought relief	6 300 971	-	-	-	-	-	6 300 971	6 300 971	-
Equitable share	-	36 682 814	-	-	(36 682 814)	-	-	-	-
Department of Rural Development	-	-	-	-	(253 640)	(2 018 473)	(2 272 114)	-	2 272 114
<u>Provincial Government Grants</u>									
Library services	-	578 000	-	-	(495 380)	-	82 620	82 620	-
CDW	33 117	225 000	-	-	(127 903)	(114 801)	15 413	15 413	-
Main roads	-	616 000	-	-	(616 000)	-	-	-	-
Wolseley Landbouprojek	59 411	-	-	-	-	-	59 411	59 411	-
Hand Crafts Project	42 760	-	-	-	-	-	42 760	42 760	-
Aqua Culture Project	21 134	-	-	-	-	-	21 134	21 134	-
Planning	65 599	-	-	-	(73 750)	-	(8 151)	-	8 151
Housing	3 770 685	17 476 606	-	-	(6 840 157)	(10 643 388)	3 763 746	3 763 746	-
Sport	1 000 000	-	-	-	(107 027)	(783 516)	109 458	109 458	-
Library Capital	1 982	-	-	-	-	-	1 982	1 982	-
Public Transport Infrastructure Grant	410 366	-	-	-	(40 578)	(289 843)	79 945	79 945	-
Multipurpose Centre	4 308 802	-	-	-	(544 091)	(3 886 364)	(121 653)	-	121 653
CDW Capital	-	-	-	-	-	-	-	-	-
Cleanest Town Award	-	30 000	-	-	-	-	30 000	30 000	-
<u>District Municipality</u>									
Performance Management	-	-	-	-	-	-	-	-	-
Asset Investigation - Electricity	57 508	-	-	-	-	-	57 508	57 508	-
Water & Sanitation Informal Areas	581 302	-	-	-	(617 791)	-	(36 489)	-	36 489
Housing Consumer Education Training	35 675	-	-	-	(23 075)	(6 925)	5 675	5 675	-
Hawkers Sites (Op die Berg)	251 076	-	-	-	-	-	251 076	251 076	-
Upgrading of Streets & Sidewal	2 300 000	1 300 000	-	-	(266 119)	(2 058 077)	1 275 805	1 275 805	-
Solid Waste	-	300 000	-	-	-	-	300 000	300 000	-
Total	24 752 364	84 568 421	-	-	(53 584 639)	(46 706 732)	9 029 414	15 205 593	6 176 179