

2022



# Annual Financial Statements

30 June 2022



WC022 – WITZENBERG MUNICIPALITY

**AUDITED** - Trim ref 05/03/1



KA 30/11/2022

# WITZENBERG MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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# WITZENBERG MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### 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), with demarcation code WC 022

#### 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

*HJ Kritzinger*

#### REGISTERED OFFICE

*50 Voortrekker Street, Ceres, 6835*

#### AUDITORS

*Auditor-General South Africa*

#### PRINCIPAL BANKERS

*ABSA Bank*

*Standard Bank, Ceres*

*First National Bank*

#### RELEVANT LEGISLATION

The Constitution of the Republic of South Africa

Municipal Finance Management Act (Act no 56 of 2003)

Division of Revenue Act

The Income Tax Act

Value Added Tax Act (Act no 89 of 1991)

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Systems Amendment Act (Act no 7 of 2011)

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), as amended

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

Municipal Regulations on Standard Chart of Accounts

Municipal Budget and Reporting Regulations

SALBC Leave Regulations

Remuneration of Public Office Bearers Act

Workman's Compensation Act

# WITZENBERG MUNICIPALITY

## COUNCILLORS OF THE WITZENBERG MUNICIPALITY

Position	Surname	Party	Seat type	Date From	Date To
Executive Mayor	Alderman Klaasen, BC	DA	PR		08/11/2021
Executive Mayor	Alderman Smit, HJ *	DA	Ward 5	22/11/2021	
Deputy Executive Mayor	Alderman Adams, K *	DA	Ward 6		08/11/2021
Deputy Executive Mayor	Robyn K	GOOD	PR	22/11/2021	23/12/2021
Deputy Executive Mayor	Klazen FE	GOOD	PR	26/01/2022	
Speaker	Alderman Godden, TT	COPE	PR		08/11/2021
Speaker	Mouton JS	ANC	PR	22/11/2021	23/05/2022
Speaker	Sidego, EM *	DA	Ward 11	24/05/2022	
Mayoral Committee Member	Sidego, EM *	DA	Ward 11		08/11/2021
Mayoral Committee Member	Sidego, EM *	DA	Ward 11	02/12/2021	23/05/2022
Mayoral Committee Member	Alderman Smit, HJ *	DA	Ward 5		08/11/2021
Mayoral Committee Member	Alderman Visagie, JJ *	DA	Ward 4		08/11/2021
Mayoral Committee Member	Alderman Visagie, JJ *	DA	Ward 4	02/12/2021	
Mayoral Committee Member	Abrahams, T	DA	PR		08/11/2021
Mayoral Committee Member	Fredericks JP	VF+	PR	02/12/2021	
Mayoral Committee Member	Klazen FE	GOOD	PR	02/12/2021	25/01/2022
Mayoral Committee Member	Alderman Klaasen, BC	DA	PR	01/02/2022	
Mayoral Committee Member	Alderman Adams, K *	DA	Ward 6	10/06/2022	
MPAC Chairperson	Jacobs, DM	EFF	PR		08/11/2021
MPAC Chairperson	Hardnek LA	WP	PR	23/02/2022	
Ordinary Councillor	Alderman Adams, K *	DA	Ward 6	09/11/2021	09/06/2022
Ordinary Councillor	Alderman Smit, HJ *	DA	Ward 5	09/11/2021	21/11/2021
Ordinary Councillor	Alderman Visagie, JJ *	DA	Ward 4	09/11/2021	01/12/2021
Ordinary Councillor	Sidego, EM *	DA	Ward 11	09/11/2021	01/12/2021
Ordinary Councillor	Kinnear, D	DA	PR		08/11/2021
Ordinary Councillor	Laban, G *	WA	PR		
Ordinary Councillor	Alderman Schuurman, JW	ANC	PR		08/11/2021
Ordinary Councillor	Alderlady Phungula, JT	ANC	PR		08/11/2021
Ordinary Councillor	Herandien, P *	ICOSA	PR		
Ordinary Councillor	Simpson, RJ	ANC	PR		08/11/2021
Ordinary Councillor	Mzauziwa, Z	DA	PR		08/11/2021
Ordinary Councillor	Phatsoane, N *	ANC	Ward 1		08/11/2021
Ordinary Councillor	Phatsoane, N *	ANC	PR	09/11/2021	
Ordinary Councillor	Lottering, C	DA	Ward 2		01/02/2022
Ordinary Councillor	Swart, D *	DA	Ward 3		
Ordinary Councillor	Visagie, H	ANC	Ward 8		08/11/2021
Ordinary Councillor	MJ Ndaba	ANC	Ward 9		
Ordinary Councillor	Mgoboza, TP	ANC	Ward 10		08/11/2021
Ordinary Councillor	Mdala, M	ANC	Ward 12		08/11/2021

# WITZENBERG MUNICIPALITY

## COUNCILLORS OF THE WITZENBERG MUNICIPALITY; CONTINUED

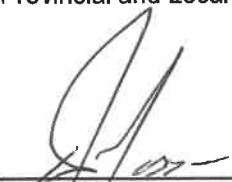
Position	Surname	Party	Seat type	Date From	Date To
Ordinary Councillor	Mouton JS	ANC	PR	09/11/2021	21/11/2021
Ordinary Councillor	Mouton JS	ANC	PR	24/05/2022	
Ordinary Councillor	Gili AL	ANC	Ward 1	09/11/2021	
Ordinary Councillor	Zalie J	ANC	Ward 7	09/11/2021	
Ordinary Councillor	Yisa K	ANC	Ward 12	09/11/2021	
Ordinary Councillor	Mouton JS	ANC	PR	09/11/2021	
Ordinary Councillor	Nogcinisa N	ANC	PR	09/11/2021	
Ordinary Councillor	Franse GW	DA	Ward 8	09/11/2021	
Ordinary Councillor	De Bruin S	DA	Ward 10	09/11/2021	
Ordinary Councillor	Swartz IL	EFF	PR	09/11/2021	
Ordinary Councillor	Klazen FE	GOOD	PR	09/11/2021	01/12/2021
Ordinary Councillor	Robyn K	GOOD	PR	09/11/2021	21/11/2021
Ordinary Councillor	Cloete JJ	PA	PR	09/11/2021	
Ordinary Councillor	Fredericks JP	VF+	PR	09/11/2021	01/12/2021
Ordinary Councillor	Hardnek LA	WP	PR	09/11/2021	22/02/2022
Ordinary Councillor	Alderman Klaasen, BC	DA	PR	23/12/2021	31/01/2022
Ordinary Councillor	Daniels, P	DA	Ward 7		08/11/2021
Ordinary Councillor	Daniels, P	DA	Ward 2	21/04/2022	

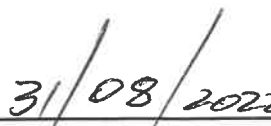
Councillors indicated with an \* were re-elected during the November 2021 elections

### 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 NASSON**  
 Accounting Officer

  
 \_\_\_\_\_  
 Date

**WITZENBERG MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

	Notes	2022 R	Restated 2021 R
<b>ASSETS</b>			
<b>Current Assets</b>			
		<b>271,947,200</b>	<b>216,793,008</b>
Cash and Cash Equivalents	2	144,879,638	115,305,213
Trade and other Receivables from Exchange Transactions	3	86,202,955	71,504,141
Receivables from non-exchange transactions	4	13,411,718	11,026,109
Inventory	5	9,035,225	9,963,092
Unpaid Conditional Government Grants and Receipts	6	10,816,494	1,672,368
Statutory Receivables: VAT	7	7,601,170	7,322,085
<b>Non-Current Assets</b>			
		<b>1,118,690,097</b>	<b>1,032,565,497</b>
Property, Plant and Equipment	8	1,073,184,977	986,262,986
Intangible Assets	9	2,113,032	2,190,924
Investment Property	10	42,842,088	43,561,587
Heritage assets	11	550,000	550,000
<b>Total Assets</b>		<b><u>1,390,637,297</u></b>	<b><u>1,249,358,505</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
		<b>120,616,817</b>	<b>127,837,758</b>
Trade and Other Payables Exchange Transactions	12	61,869,335	60,940,402
Consumer Deposits	13	11,548,609	9,302,595
Current Employee benefits	14	27,705,126	27,825,286
Unspent Conditional Government Grants and Receipts	6	14,410,793	24,203,606
Unspent Public Contributions	15	3,186,213	3,979,250
Current Portion of Borrowings	16	1,896,741	1,586,619
<b>Non-Current Liabilities</b>			
		<b>234,104,628</b>	<b>175,032,060</b>
Borrowings	16	527,449	1,188,302
Non-Current Provisions	17	162,372,711	102,375,838
Employee benefits	18	71,204,468	71,467,920
<b>Total Liabilities</b>		<b>354,721,445</b>	<b>302,869,818</b>
<b>Net Assets</b>			
		<b>1,035,915,852</b>	<b>946,488,687</b>
Capital Replacement Reserve	19	12,539,508	10,442,209
Accumulated Surplus		1,023,376,344	936,046,478
<b>Total Net Assets and Liabilities</b>		<b><u>1,390,637,297</u></b>	<b><u>1,249,358,505</u></b>



WITZENBERG MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2021/2022 (Actual) R	2020/2021 (Restated) R	2020/2021 Correction of error R	2020/2021 (Previously reported) R
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>					
		<b>299,493,231</b>	<b>281,920,489</b>	-	<b>281,920,489</b>
<b>Taxation Revenue</b>					
		<b>91,128,405</b>	<b>81,202,719</b>	-	<b>81,202,719</b>
Property rates	20	88,812,979	80,775,118	-	80,775,118
Property Rates - penalties imposed and collection charges		2,315,426	427,601	-	427,601
Availability Charges		-	-	-	-
<b>Transfer Revenue</b>					
		<b>208,364,826</b>	<b>200,717,770</b>	-	<b>200,717,770</b>
Fines, Penalties and Forfeits		9,670,067	11,593,392	-	11,593,392
Licences or Permits		1,198,303	1,065,472	-	1,065,472
Surcharges and Taxes		9,082,954	4,047,146	-	4,047,146
Government Grants and Subsidies - Capital	21	66,276,090	52,101,858	-	52,101,858
Government Grants and Subsidies - Operating	21	120,675,951	131,051,159	-	131,051,159
Public Contributions and Donations		1,461,461	858,743	-	858,743
<b>Revenue from Exchange Transactions</b>					
		<b>488,201,001</b>	<b>396,607,131</b>	-	<b>396,607,131</b>
Service Charges	22	434,782,117	376,201,066	-	376,201,066
Rental from Fixed Assets		4,604,001	1,606,130	-	1,606,130
Interest earned - External investments		5,580,245	3,078,053	-	3,078,053
Interest Income on Overdue Accounts		14,935,260	5,141,944	-	5,141,944
Agency Services	23	4,414,566	4,353,776	-	4,353,776
Operational Revenue	24	2,652,042	410,884	-	410,884
Sales of Goods and Rendering of services	25	5,413,919	3,610,923	-	3,610,923
Gain on disposal of assets		7,176,709	-	-	-
Reversal of impairment loss	36	-	-	-	-
Gain on Adjustment of Provision		-	2,204,355	-	2,204,355
Inventories: Reversal of write-down		-	-	-	-
Gain on Actuarial Valuations	18	8,642,142	-	-	-
<b>Total Revenue</b>		<b>787,694,232</b>	<b>678,527,620</b>	-	<b>678,527,620</b>
<b>EXPENDITURE</b>					
Employee related costs	26	206,346,744	191,681,705	-	191,681,705
Remuneration of Councillors	27	10,475,781	10,583,028	-	10,583,028
Impairment	28	36,272,420	34,865,297	-	34,865,297
Inventory Consumed		14,448,761	12,699,380	115,226	12,584,154
Depreciation and Amortisation	29	38,324,340	32,429,026	(152,194)	32,581,220
Finance Charges	30	15,145,445	10,016,942	-	10,016,942
Bulk Purchases	31	285,708,344	239,632,251	-	239,632,251
Contracted Services	32	33,781,763	52,292,633	545,048	51,747,585
Transfers and Subsidies: Operational Expenditure	33	2,183,334	6,534,267	-	6,534,267
Construction Cost		430,900	-	-	-
Operational Cost	34	37,076,590	34,644,605	12,253	34,632,352
Rent on Land		40,635	37,976	-	37,976
Operating Leases		951,111	895,211	-	895,211
Bad Debts Written Off		14,710,875	17,560,944	-	17,560,944
Loss on disposal of assets		-	66,047	-	66,047
Impairment loss	36	2,370,024	649,494	-	649,494
Loss on Adjustment of Provision		-	-	-	-
Inventories: Write-down		-	-	-	-
Loss on Actuarial Valuations	18	-	5,317,725	-	5,317,725
<b>Total Expenditure</b>		<b>698,267,067</b>	<b>649,906,531</b>	<b>520,333</b>	<b>649,386,198</b>
<b>NET SURPLUS / (LOSS) FOR THE YEAR</b>		<b>89,427,165</b>	<b>28,621,089</b>	<b>(520,333)</b>	<b>29,141,422</b>

WITZENBERG MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Capital Replacement Reserve	Accumulated Surplus/(Deficit)	Total
		R	R	R
<b>Balance at 1 JULY 2020</b>		<b>10,617,534</b>	<b>904,827,872</b>	<b>915,445,406</b>
Correction of error	36.09	-	2,422,192	2,422,192
<b>Restated Balance at 1 JULY 2020</b>		<b>10,617,534</b>	<b>907,250,064</b>	<b>917,867,598</b>
Transfers to/from Accumulated Property, Plant and Equipment purchased		14,000,000	(14,000,000)	-
Restated Net Surplus for the year		(14,175,325)	14,175,325	-
		-	28,621,089	28,621,089
<b>Balance at 30 JUNE 2021</b>		<b>10,442,209</b>	<b>936,046,478</b>	<b>946,488,687</b>
Transfers to/from Accumulated Property, Plant and Equipment purchased		11,462,047	(11,462,047)	-
Net Surplus for the year		(9,364,748)	9,364,748	-
		-	89,427,165	89,427,165
<b>Balance at 30 JUNE 2022</b>		<b>12,539,508</b>	<b>1,023,376,344</b>	<b>1,035,915,852</b>



**WITZENBERG MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	2021/2022 R	Restated 2020/2021 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates and other Taxes		92,225,613	82,812,107
Sales of goods and services		408,858,801	345,527,377
Government Grants		168,683,526	161,660,839
Interest		22,830,931	8,647,598
<b>Payments</b>			
Employee and Councillor costs		(215,374,661)	(202,781,173)
Suppliers		(379,922,901)	(344,750,751)
Finance charges		(226,009)	(232,708)
<b>Cash generated by operations</b>	<b>38</b>	<b>97,075,300</b>	<b>50,883,289</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	<b>8</b>	(68,376,818)	(66,316,109)
Proceeds on Disposal of Property, Plant and Equipment		-	905,050
<b>Net Cash from Investing Activities</b>		<b>(68,376,818)</b>	<b>(65,411,059)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(1,370,071)	(1,330,871)
Increase in Consumer Deposits		2,246,014	769,456
<b>Net Cash from Financing Activities</b>		<b>875,943</b>	<b>(561,415)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>29,574,425</b>	<b>(15,089,185)</b>
Cash and Cash Equivalents at the beginning of the year		115,305,213	130,394,398
Cash and Cash Equivalents at the end of the year	<b>2</b>	144,879,638	115,305,213
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>29,574,425</b>	<b>(15,089,185)</b>

**WITZENBERG MUNICIPALITY**

**REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2022**

	Community and public safety	Economic and environmental services	Trading Services	Reconciling Items	Total
	R	R	R	R	R
<b>Segment Revenue</b>					
External revenue from non-exchange transactions	137,294,013	14,510,955	46,001,924	99,370,913	297,177,805
External revenue from exchange transactions	7,409,680	6,000,532	434,960,112	3,496,322	451,866,646
Interest revenue	156,535	-	14,722,732	7,951,664	22,830,931
Revenue from transactions with other segments	42,547	-	22,674,221	-	22,716,768
<b>Total Revenue</b>	<b>144,902,775</b>	<b>20,511,487</b>	<b>518,358,989</b>	<b>110,818,899</b>	<b>794,592,150</b>
<b>Segment Expenditure</b>					
Employee related costs	71,335,868	28,415,510	50,679,846	55,915,521	206,346,745
Remuneration of Councillors	-	-	-	10,475,781	10,475,781
Bulk Purchases	7,500	-	285,700,844	-	285,708,344
Depreciation and Amortisation	3,972,797	7,634,849	23,683,486	3,033,207	38,324,340
Impairment and Bad debt	4,147,300	-	40,345,108	6,490,887	50,983,295
Other Expenditure	12,559,335	10,718,598	41,812,789	38,967,815	104,058,537
Internal charges	7,123,665	132,161	12,981,460	2,479,482	22,716,768
<b>Total Expenditure</b>	<b>99,146,466</b>	<b>46,901,118</b>	<b>455,203,533</b>	<b>117,362,693</b>	<b>718,613,810</b>
Gains & Losses	-9,187	-	-2,363,678	15,821,693	13,448,827
<b>Surplus/deficit for the year</b>	<b>45,747,122</b>	<b>(26,389,631)</b>	<b>60,791,778</b>	<b>9,277,899</b>	<b>89,427,168</b>

**REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021**

	Community and public safety	Economic and environmental services	Trading Services	Reconciling Items	Total
	R	R	R	R	R
<b>Segment Revenue</b>					
External revenue from non-exchange transactions	149,544,056	22,554,570	22,217,258	87,177,003	281,492,886
External revenue from exchange transactions	2,697,417	5,920,847	376,367,249	1,197,265	386,182,779
Interest revenue	40,377	-	5,072,756	3,534,465	8,647,598
Revenue from transactions with other segments	40,574	-	20,412,344	-	20,452,918
<b>Total Revenue</b>	<b>152,322,424</b>	<b>28,475,417</b>	<b>424,069,607</b>	<b>91,908,733</b>	<b>696,776,181</b>
<b>Segment Expenditure</b>					
Employee related costs	64,340,084	25,970,866	48,389,975	52,980,783	191,681,708
Remuneration of Councillors	-	-	-	10,583,028	10,583,028
Bulk Purchases	4,200	-	239,628,051	-	239,632,251
Depreciation and Amortisation	3,689,643	7,505,594	16,949,708	4,284,081	32,429,026
Impairment and Bad debt	12,943,400	-	38,013,902	1,468,939	52,426,241
Other Expenditure	11,655,189	13,658,191	42,352,508	49,455,126	117,121,013
Internal charges	7,205,037	109,917	10,565,568	2,572,396	20,452,918
<b>Total Expenditure</b>	<b>99,837,553</b>	<b>47,244,568</b>	<b>395,899,711</b>	<b>121,344,354</b>	<b>664,326,185</b>
Gains & Losses	-	-	2,146,855	-5,975,766	-3,828,910
<b>Surplus/deficit for the year</b>	<b>52,484,871</b>	<b>(18,769,151)</b>	<b>30,316,751</b>	<b>(35,411,387)</b>	<b>28,621,085</b>

For management purposes, the municipality is organised and operates in four key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The three key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services;
- Trading services which includes energy sources, water management, waste water management and waste management services;
- Reconciling items which includes executive and council, finance and administration and internal audit;

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does not monitor financial performance geographically and does not at present have reliable separate financial information.

**WITZENBERG MUNICIPALITY**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

	Actual 2021/2022 R	Approved budget 2021/2022 R	Adjustments 2021/2022 R	Final budget 2021/2022 R	Difference between final budget and actual	Actual 2020/2021 R
<b>ASSETS</b>						
<b>Current Assets</b>	<b>271,947,200</b>	<b>59,335,879</b>	<b>193,886,753</b>	<b>253,222,632</b>	<b>7%</b>	<b>216,793,008</b>
Cash	144,879,638	60,735,629	75,779,097	136,514,726	6%	115,305,213
Consumer debtors	99,614,673	(22,444,305)	95,994,676	73,550,371	35%	82,530,250
Other debtors	18,417,664	20,145,994	13,317,290	33,463,284	-45%	8,994,453
Inventory	9,035,225	898,561	8,795,689	9,694,250	-7%	9,963,092
<b>Non-Current Assets</b>	<b>1,118,690,097</b>	<b>49,515,880</b>	<b>1,023,244,792</b>	<b>1,072,760,672</b>	<b>4%</b>	<b>1,032,565,497</b>
Investments	-	-	9,382	9,382	-100%	-
Investment Property	42,842,088	(741,856)	43,429,506	42,687,650	0%	43,561,587
Property, Plant and Equipment	1,073,184,977	50,655,591	978,133,874	1,028,789,465	4%	986,262,986
Intangible Assets	2,113,032	(397,855)	1,122,030	724,175	192%	2,190,924
Other non-current assets	550,000	-	550,000	550,000	0%	550,000
<b>Total Assets</b>	<b>1,390,637,297</b>	<b>108,851,759</b>	<b>1,217,131,545</b>	<b>1,325,983,304</b>	<b>5%</b>	<b>1,249,358,505</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>	<b>120,616,817</b>	<b>70,202,518</b>	<b>75,417,843</b>	<b>145,620,361</b>	<b>-17%</b>	<b>127,837,758</b>
Borrowings	1,896,741	(988,184)	1,586,619	598,435	217%	1,586,619
Consumer Deposits	11,548,609	-	8,731,990	8,731,990	32%	9,302,595
Trade and Other Payable Exchange Transactions	79,466,341	71,190,702	37,298,088	108,488,790	-27%	89,123,258
Provisions	27,705,126	-	27,801,146	27,801,146	0%	27,825,286
<b>Non-Current Liabilities</b>	<b>234,104,628</b>	<b>35,741,147</b>	<b>177,369,721</b>	<b>213,110,868</b>	<b>10%</b>	<b>175,032,060</b>
Borrowings	527,449	415,205	1,176,303	1,591,508	-67%	1,188,302
Provisions	233,577,179	35,325,942	176,193,419	211,519,361	10%	173,843,758
<b>Total Liabilities</b>	<b>354,721,445</b>	<b>105,943,665</b>	<b>252,787,564</b>	<b>358,731,229</b>	<b>-1%</b>	<b>302,869,818</b>
<b>Net Assets</b>	<b>1,035,915,852</b>	<b>-</b>	<b>967,252,077</b>	<b>967,252,077</b>	<b>7%</b>	<b>946,488,687</b>
Accumulated Surplus	1,023,376,344	-	956,809,868	956,809,868	7%	936,046,478
Reserve	12,539,508	-	10,442,209	10,442,209	20%	10,442,209
<b>Total Net Assets and Liabilities</b>	<b>1,390,637,297</b>	<b>105,943,665</b>	<b>1,220,039,641</b>	<b>1,325,983,306</b>	<b>5%</b>	<b>1,249,358,505</b>

The MSCOA chart of accounts are used for all financial transactions. The compilation of budget information from the MSCOA data strings continues to remain a challenge. The adjustments as per the above report is mainly in respect of corrections made to the budgeted statement of financial position.

**WITZENBERG MUNICIPALITY**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

	<b>Actual 2021/2022 R</b>	<b>Approved budget 2021/2022 R</b>	<b>Adjustments 2021/2022 R</b>	<b>Final budget 2021/2022 R</b>	<b>Difference between final budget and actual</b>	<b>Actual 2020/2021 R</b>
<b>Operating Revenue</b>						
Property rates	88,812,979	83,430,495	(140,000)	83,290,495	7%	80,775,118
Service charges - electricity revenue	326,893,922	323,477,588	4,000,000	327,477,588	0%	274,179,622
Service charges - water revenue	46,200,623	39,677,157	(100,000)	39,577,157	17%	43,136,640
Service charges - sanitation revenue	32,036,919	25,043,141	3,000,000	28,043,141	14%	30,920,148
Service charges - refuse revenue	29,650,652	25,574,053	2,000,000	27,574,053	8%	27,964,656
Rental from Fixed Assets	4,604,001	1,469,599	1,500,000	2,969,599	55%	1,606,130
Interest earned - External investments	5,580,245	6,989,524	-	6,989,524	-20%	3,078,053
Interest Income on Overdue Accounts	17,250,686	8,676,745	-	8,676,745	99%	5,569,545
Fines, Penalties and Forfeits	9,670,067	21,479,331	-	21,479,331	-55%	11,593,392
Licences or Permits	1,198,303	2,110,812	-	2,110,812	-43%	1,065,472
Agency Services	4,414,566	4,046,400	-	4,046,400	9%	4,353,776
Transfers and Subsidies	131,220,366	145,902,716	2,389,128	148,291,844	-12%	135,957,048
Other revenue	8,065,961	15,155,333	768,913	15,924,246	-49%	4,021,807
Gains	15,818,851	-	-	-	0%	2,204,355
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>721,418,142</b>	<b>703,032,894</b>	<b>13,418,041</b>	<b>716,450,935</b>	<b>1%</b>	<b>626,425,762</b>
<b>Operating Expenditure by Nature</b>						
Employee related costs	206,346,744	238,079,853	(3,188,247)	234,891,606	12%	191,681,705
Remuneration of Councillors	10,475,781	12,123,426	(999,988)	11,123,438	6%	10,583,028
Impairment	36,272,420	63,750,387	(10,000,000)	53,750,387	33%	34,865,297
Depreciation and Amortisation	38,324,340	39,728,569	-	39,728,569	4%	32,429,026
Finance Charges	15,145,445	8,660,859	-	8,660,859	-75%	10,016,942
Bulk Purchases	285,708,344	285,788,598	2,990,750	288,779,348	1%	239,632,251
Other materials	14,448,761	14,977,325	1,792,072	16,769,397	14%	12,699,380
Contracted Services	33,781,763	48,389,998	(12,008,292)	36,381,706	7%	52,292,633
Transfers and Subsidies: Operational Expenditure	2,183,334	25,603,155	(1,655,167)	23,947,988	91%	6,534,267
Other Expenditure	53,210,111	37,818,556	15,441,455	53,260,011	0%	53,138,736
Losses	2,370,024	931	236	1,167		6,033,266
<b>Total expenditure</b>	<b>698,267,067</b>	<b>774,921,657</b>	<b>-7,627,181</b>	<b>767,294,476</b>	<b>9%</b>	<b>649,906,531</b>
<b>Surplus/(Deficit)</b>	<b>23,151,075</b>	<b>(71,888,763)</b>	<b>21,045,222</b>	<b>(50,843,541)</b>	<b>-146%</b>	<b>-23,480,769</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	66,276,090	74,937,093	(4,606,421)	70,330,672	6%	52,101,858
<b>Surplus/ (Deficit) for the year</b>	<b>89,427,165</b>	<b>3,048,330</b>	<b>16,438,801</b>	<b>19,487,131</b>	<b>359%</b>	<b>28,621,089</b>
<b>Operating expenditure by vote</b>						
Budget and Treasury Office	43,188,267	52,452,830	(2,889,851)	49,562,979	13%	37,915,735
Civil services	162,200,072	160,268,968	(8,433,413)	151,835,555	-7%	151,432,571
Community and social services	30,070,461	34,848,456	(269,001)	34,579,455	13%	26,066,330
Corporate Services	49,823,645	64,519,862	4,954,518	69,474,380	28%	62,770,218
Electro Technical Services	312,116,280	324,300,307	(5,196,121)	319,104,186	2%	268,153,405
Executive and Council	21,841,617	27,001,180	(677,763)	26,323,417	17%	22,960,858
Housing	4,947,451	29,011,143	(2,413,172)	26,597,971	81%	4,469,385
Planning	7,353,346	7,182,844	283,134	7,465,978	2%	7,042,671
Public Safety	36,528,511	43,247,549	8,605,132	51,852,681	30%	42,098,664
Sport and recreation	30,197,417	32,088,518	(1,602,644)	30,485,874	1%	26,996,696
<b>Total operating expenditure by vote</b>	<b>698,267,067</b>	<b>774,921,657</b>	<b>-7,639,181</b>	<b>767,282,476</b>	<b>9%</b>	<b>649,906,533</b>

**WITZENBERG MUNICIPALITY**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

	<b>Actual 2021/2022 R</b>	<b>Approved budget 2021/2022 R</b>	<b>Adjustments 2021/2022 R</b>	<b>Final budget 2021/2022 R</b>	<b>Difference between final budget and actual</b>	<b>Actual 2020/2021 R</b>
<b>Capital expenditure by vote</b>						
Budget and Treasury Office	1,604,057	180,000	1,511,955	1,691,955	5%	164,892
Civil services	56,761,628	67,850,537	(8,051,289)	59,799,248	5%	46,066,093
Community and social services	735,636	695,652	40,000	735,652	0%	3,547,345
Corporate Services	1,745,535	1,300,000	953,209	2,253,209	23%	2,998,074
Electro Technical Services	9,573,284	13,162,608	41,640	13,204,248	27%	4,054,458
Executive and Council	-	600,000	(600,000)	-	-	850,322
Planning	-	-	-	-	-	-
Public Safety	240,000	-	504,000	504,000	52%	1,481,460
Sport and recreation	3,083,912	5,455,652	(1,976,737)	3,478,915	11%	7,781,702
<b>Total capital expenditure</b>	<b>73,744,052</b>	<b>89,244,449</b>	<b>(7,577,222)</b>	<b>81,667,227</b>	<b>10%</b>	<b>66,944,346</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
<b>Receipts</b>						
Property Rates and other Taxes	92,225,613	78,475,605	1,908,366	80,383,971	15%	82,812,107
Service charges	408,858,801	395,611,195	5,610,560	401,221,755	2%	345,527,377
Other revenue						
Government Grants	168,683,526	237,110,868	2,705,609	239,816,477	-30%	161,660,839
Interest	22,830,931	15,666,269	(8,695,509)	6,970,760	228%	8,647,598
<b>Payments</b>						
Suppliers and employees	(595,297,562)	(544,149,969)	(80,672,316)	(624,822,285)	5%	(547,531,924)
Finance charges	(226,009)	(461,000)	-	(461,000)	51%	(232,708)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>97,075,300</b>	<b>182,252,968</b>	<b>(79,143,290)</b>	<b>103,109,678</b>	<b>6%</b>	<b>50,883,289</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<b>Receipts</b>						
Proceeds on disposal of PPE	-	-	-	-	-	905,050
Capital assets	(68,376,818)	-	(81,950,029)	(81,950,029)	17%	(66,316,109)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(68,376,818)</b>	<b>-</b>	<b>(81,950,029)</b>	<b>(81,950,029)</b>	<b>17%</b>	<b>(65,411,059)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<b>Receipts</b>						
Increase (decrease) in consumer deposits	2,246,014	-	-	-	-	769,456
<b>Payments</b>						
Repayment of borrowing	(1,370,071)	-	-	-	-	(1,330,871)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>875,943</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(561,415)</b>

**WITZENBERG MUNICIPALITY**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

**Explanation of Material Statement of Financial Position Variances**

**2021/2022**

Cash	6%	Conservative approach to Cash Flow budgeting
Consumer Debtors	35%	Increase in demand for municipal services.
Other Debtors	-45%	Absence of contractor for traffic fine management
Trade and Other Payable Exchange Transactions	-27%	Effective management of Grants received and Payables and Accruals
Provisions	10%	Unexpected increase in expected rehabilitation cost of landfill sites

**Reconciliation of budget deficit with the surplus in the statement of financial performance**

Net surplus per the statement of financial performance		89,427,165
Adjusted for:		
Property rates	Increase due to interim valuations	(5,522,484)
Interest Income on Overdue Accounts	Budget was reduced due to relieve granted to limit impact of lockdown regulation	(8,573,941)
Fines, Penalties and Forfeits	Decrease due to the withdrawal of the contractor	11,809,264
Government Grants and Subsidies - Capital	Expenditure not incurred for all grant funding received, due to Covid 19 Restrictions.	4,054,582
Government Grants and Subsidies - Operating	Expenditure not incurred for all grant funding received, due to Covid 19 Restrictions.	17,071,478
Service Charges	Increase in demand for municipal services.	(12,110,178)
Employee related costs	Over estimated the impact of adjustment of retirement age of female employees.	(28,544,862)
Impairment	Decrease in maintenance required due to Lockdown restrictions	(17,477,967)
Operational Cost	Decrease in travelling and other expenditure	(5,165,972)
Depreciation and Amortisation	Depreciation less than expected due to slow capital spending	(1,404,229)
Finance Charges	Adjustment in Provisions	6,484,586
Bulk Purchases	Bulk purchases more than expected.	(3,071,004)
Contracted Services	Contracted Services less than budget, due to Covid 19 Restrictions.	(2,599,943)
Transfers and Subsidies: Operational Expenditure	Expenditure not incurred for all grant funding received.	(21,764,654)
Other Expenditure	Allocation received in April - Top structures to be buildt in 2021/22	(49,900)
Gain / (loss)	Unforeseen adjustment in Provision and surplus on land sold	(15,818,851)
Other Items		(3,235,594)
Net deficit per approved budget		<u><u>19,487,131</u></u>

**Explanation of Material Cash Flow Variances**

Property Rates and other Taxes	15%	Implementation of new general valuation resulting in increased revenue
Service charges	2%	Reinstatement of credit control measures as lockdown restrictions were eased
Interest	228%	Council resolved to levy interest on accounts as lockdown restrictions
Suppliers and employees	5%	Budget for payments to suppliers and employees was to conservative

The budget is approved on an accrual basis by vote classification as required by the Municipal Finance Management Act. The basis used for this comparison is by nature classification as required by General Recognised Accounting Practices. The approved budget covers the same period as the financial statements, from 1 July to 30 June.

The budget and accounting bases are the same; both are on the accrual basis. The financial statements are prepared using a classification on the nature of expenses in the statement of financial performance.

The changes between the approved and final budget are a consequence of reallocations within the budget and and of other factors allowable in terms of the Municipal Finance Management Act

**Impact of Covid 19**

The Covid 19 Restriction did not impact the sale of municipal services significantly, as the economy of Witzenberg is dependant on agriculture, that is regarded as an essential service.

Debt collection was suspended in support of the fight against Covid 19, resulting in a decrease in payment for services.

The effect of Covid 19 was more on projects that could not be executed as explained in the reconciliation of budget deficit with the surplus in the statement of financial performance.

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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 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:

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 has been granted, are disclosed below.

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.

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.

1.6. RESERVES

**Capital Replacement Reserve (CRR)**

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



## 1.7. LEASES

### 1.7.1. 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 de-recognition 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.

### 1.7.2. 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 de-recognition 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.

## 1.8. 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.

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.

## 1.9. 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.

## 1.10. PROVISIONS

### 1.10.1. GENERAL 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:

- (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.

### 1.10.2. REHABILITATION OF LANDFILL SITES PROVISIONS

Provision is made in terms of the licensing stipulations of the landfill sites, for the estimated cost of rehabilitating waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by a firm of consulting engineers have discounted to present value at prime interest rate.

### 1.11. EMPLOYEE BENEFITS

#### 1.11.1. 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.

#### 1.11.2. 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.

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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.

#### **1.11.3. 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.

#### **1.11.4. 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.

#### **1.11.5. 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.

#### **1.11.6. 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.

#### **1.11.7. 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.

### **1.12. PROPERTY, PLANT AND EQUIPMENT**

#### **1.12.1. 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.

**WITZENBERG MUNICIPALITY**

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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.

**1.12.2. 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.

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.

**1.12.3. 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:

	<b>Years</b>		<b>Years</b>
<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	5-100	Airports	20
Electricity	4-46	Buildings	30-100
Water	15-150	Computer equipment	3-30
Sanitation	10-75	Furniture and equipment	3-30
Other	10-15	Landfill sites	10-15
		Markets	30
<b>Community</b>		Other	3-30
Recreational Facilities	5-30	Other vehicles	2-67
Sport fields & Stadia	10-20	Plant and Equipment	3-32
Halls	5-100	Specialist vehicles	6-38
Libraries	10-30		
Parks and gardens	10-30		
Other assets	5-30		
Cemeteries	5-30		
<b>Finance lease assets</b>			
Office equipment	3-5		

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.

**1.12.4. 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.

**1.12.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional arrangement 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 updated the Land and Buildings acquired before 30 June 2008 to the fair value as determined by an independent valuator. For Other Assets the depreciation replacement cost method was used to establish the deemed cost as on 1 July 2008.

**1.13. INTANGIBLE ASSETS**

**1.13.1. 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.

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.

**1.13.2. 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.

**1.13.3. 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:

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

**1.13.4. 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.

**1.14. INVESTMENT PROPERTY**

**1.14.1. 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.

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.

**1.14.2. 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.

**1.14.3. 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	99 - 100

**1.14.4. 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.

**1.15. HERITAGE ASSETS**

**1.15.1. Initial Recognition**

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

A heritage asset shall be recognised as an asset if, and only if:

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

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

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Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

**1.15.2. Subsequent Measurement**

Heritage assets are not depreciated based on their nature however the municipality assesses at each reporting date whether there is a need for impairment.

The class of heritage assets are carried at its cost less any accumulated impairment losses.

**1.15.3. Impairment**

Where the carrying amount of an item of heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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

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 the impairment is recognised in the Statement of Financial Performance.

**1.15.4. De-recognition**

The carrying amount of a heritage asset is derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of a heritage asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

**1.16. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.16.1. 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 units (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.

**1.16.2. 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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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:

*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.

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.

### 1.17. COMMITMENTS

Commitments are future payments and expenditure to be incurred on contracts that have been entered into at the reporting date and where there are unperformed obligations. The commitments would include both capital and operating items.

Committed expenditure approved and contracted for at reporting date is where the expenditure has been approved and the contract has been awarded.

Committed expenditure approved but not yet contracted for at reporting date is where the expenditure has been approved but the contract has yet to be awarded or is awaiting finalisation.

### 1.18. INVENTORIES

#### 1.18.1. 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.

The cost of purified water comprises cost of conversion and other cost incurred in bringing the inventory to their present location and condition.

Housing inventory is low cost houses still in process of construction or completed and not yet transferred. These houses are entirely funded by the National Department of Human Settlements, through the Western Cape Department of Human Settlements.

In terms of GRAP standards a municipality can either be regarded to be the "developer", "principal" or "agent when executing the delivery of houses.

When the municipality is acting as the "developer" or "principal" all costs are recognized as inventory up to the point of transfer to the allocated beneficiaries, where after the cost is expensed through the statement of financial performance.

When the municipality is acting as the "agent all transfers received by the Western Cape Department of Human Settlements is recorded initially as a liability in the statement of financial position. Any payments or costs pertaining to human settlement housing activities are debited against the liability.

#### 1.18.2. 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.

### 1.19. 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 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.

### 1.20. 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).

#### 1.20.1. 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.

#### 1.20.2. 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.

##### 1.20.2.1. Receivables

Receivables are classified as loans and receivables, and are subsequently measured at 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 asset'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 outstanding amount based on the 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 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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.

**1.20.2.2. 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.

**1.20.2.3. 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.

**1.20.2.4. 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.

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.

**1.20.3. De-recognition of Financial Instruments****1.20.3.1. 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.

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.

**1.20.3.2. Financial Liabilities**

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

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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.

**1.20.4. 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

**1.21. REVENUE**

**1.21.1. 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 when issued.

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, 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.

The charging of revenue in the public sector is frequently regulated by legislation, regulation, or similar means. Due to the statutory nature of this revenue, the amount of revenue charged may be subject to a review, objection, or appeal process which may result in changes to revenue already recognised. These adjustments to revenue can result in changes in accounting estimates or errors which will be disclosed in terms of applicable GRAP standard.

**1.21.2. 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 vouchers is recognised eight days after the sale of the relevant voucher.

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 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.

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.

### **1.21.3. 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 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.

## **1.22. 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

- 
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2<sup>nd</sup> and 3<sup>rd</sup> 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, members of the Mayoral Committee and ordinary councillors.
- 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.

### 1.23. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in 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.

### 1.24. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), 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.

### 1.25. 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.

### 1.26. 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.

### 1.27. PRESENTATION OF BUDGET INFORMATION

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements, has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same entity and period as for the approved budget. The budget of the municipality is taken for a stakeholder consultative process and upon approval the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements. The budget is approved on an accrual basis by vote classification as required by the Municipal Finance Management Act. The basis used for this comparison is by nature classification as required by General Recognised Accounting Practices. The approved budget covers the same period as the financial statements, from 1 July to 30 June. NO other entities is included in the budget.

### 1.28. 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-gratia 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***

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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 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.

**1.29. 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.

**1.30. JOINT VENTURES**

In respect of the municipalities' interest in jointly controlled assets, the municipality includes in its accounting records and recognises in its financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with other ventures in relation to the joint venture;
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

**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.

**1.32 AGENCY FEES AND PAYABLES**

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

The municipality is collecting motor vehicle licence fees, motor registration and drivers licence fees on behalf of the Department of Transport and Public Works. Hence the municipality receives commission on the collection of monies. The municipality acts as an agent for the Department of Transport and Public Works, without any significant judgement to be applied. There was no changes in the terms and condition of the arrangement for the reporting year.

Only the portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recognised by the municipality.

Liabilities arising from principal-agent arrangements are included as part of payables in the Statement of Financial Position.

**1.33 STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

**Initial Recognition**

Statutory receivables are recognised when the related revenue (exchange or non-exchange revenue) is recognised or when the receivable meets the definition of an asset. The Municipality initially measure statutory receivables at their transaction amount.

**Subsequent Measurement**

The Municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is subsequently changed to reflect any interest or other charges that may have accrued on the receivable, less any impairment losses and amounts derecognised.



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**Impairment and collectability of statutory receivables**

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired.

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

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

The Municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position 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.

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. 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 asset'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 outstanding amount based on the interest rate of the asset. Interest is not levied on Fines issued. If, in a 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.

**1.34 EVENTS AFTER REPORTING DATE**

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

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

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

**1.35 CONSTRUCTION CONTRACTS AND RECEIVABLES**

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The municipality participates as a non-accredited municipality in the national housing programme. The municipality's roles and responsibilities in the housing development process are set out in the binding arrangements entered into with the Western Cape Department of Human Settlements. The municipality assesses the terms and conditions of each contract concluded with the Western Cape Department of Human Settlements to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, the municipality considers whether it is a contractor.

## WITZENBERG MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

The binding arrangements entered into with the Western Cape Department of Human Settlements are non-commercial fixed price contracts. The objective of the arrangements is to construct low cost houses for the beneficiaries of the National Housing Programme in return for full reimbursement of costs from the department through a housing grant or subsidy.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as inventory until the houses are handed over when the municipality retains the risks and rewards associated with ownership of the low cost houses. On handover of the houses, the cost per house handed over is recognised as an expense in the period in which it was handed over.

The expenses are recognised in the period they are incurred when the municipality does not retain the risks and rewards associated with ownership of the low cost houses during the construction period.

#### 1.36 Standards, amendments to standard and interpretation issued but not yet effective

In the current year the municipality has adopted all new and revised standards and interpretations issued by the ASB that are relevant to its operations and are effective. The following GRAP standards have been issued, but are not yet effective during the current reporting period and the municipality did not early adopt these GRAP standards or interpretation.

GRAP 104 (Revised 2019) - Financial Instruments: The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

GRAP 25 (Revised April 2021) - Employee Benefits: The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing Employee benefits

Management has considered all of the above mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance, budget statement or cash flow of the municipality.

#### 1.37 Non-living Resources

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Non-living resources, other than land, are not recognised as assets in the financial statements of the Municipality. Non-Living resources are disclosed in terms of the applicable GRAP standard in the notes to the annual financial statements

#### 1.38 Segment Reporting

##### Definition

A segment is an activity—

- a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- c) for which separate financial information is available.

##### Identification

Segments are identified by the way in which information is reported to management for purposes of assessing performance as well as allocating resources to the various activities undertaken. Monthly management accounts and/or budget documentation usually reflect the segments reported to management.

It is prudent to note the following:

- activities performed by administrative units and functional departments which do not on its own give rise to future economic benefits or service potential, are not regarded as segments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

- post-employment benefit plans are expressly excluded from the scope of the standard of GRAP on segment reporting (i.e. GRAP 18), and thus is not regarded as a segment.

Measurement

The measure reported to management for the purpose of making decisions regarding the allocation of resources to a segment and assessing its performance, is the amount of each segment item reported in the financial statements. Amounts are allocated to reported segment surplus or deficit, assets or liabilities on a reasonable basis. When allocating revenue and expenses, only adjustments and eliminations included in the measures of the segment's surplus or deficit used by management, are reported for that segment. Only assets and liabilities included in the measures of the segment's assets and liabilities used by management, are reported for that segment. In cases where only one measure is used by management to assess segment performance and to allocate resources, segment surplus or deficit as well as segment assets and liabilities are reported in terms of that measure. In cases where more than one measure is used by management to assess segment performance and to allocate resources, segment surplus or deficit as well as segment assets and liabilities are reported in terms of what management believes are consistent with those used in measuring the corresponding amounts in the entity's financial statements.

Significant Judgements:

The municipality is structured in terms of core functions mandated in legislation. Information regarding progress in the performance of mandated functions, is reported to management for the purpose of evaluating segment performance and the allocation of resources to various activities in lieu of strategic objectives. Where more than one set of segments has been identified, management may report such information separately or as a matrix. In addition, management may choose to adopt a primary and secondary reporting structure with limited disclosures made about secondary segments.

The segment information has been prepared on the accrual basis of accounting in accordance with the historical cost convention, unless specified otherwise.

*General information - Organisation and aggregation of segments*

GRAP 18 permits the aggregation of two or more segments into a single segment where segments have similar economic characteristics and share a majority of the following:

- a) the nature of the goods and/or services delivered;
- b) the type or class of customer or consumer to which goods and services are delivered;
- c) the methods used to distribute the goods or provide the services; or
- d) the nature of the regulatory environment that applies to the segment.

In accordance with section 153 of the Constitution of South Africa, the municipality's administration, budget and planning processes are structured in order to give priority to the basic needs of the community, as well as to promote the social and economic development of the community. Management has thus decided to organise segments around the nature of goods and/or services delivered in accordance with the objects of local government as stipulated in section 152(1) of the Constitution. *General information - Goods and/or services delivered per segment* The goods and/or services delivered per segment are aligned with the local government matters listed in Schedules 4B and 5B of the Constitution. Where the number of reportable segments identified had increased to more than ten, management applied judgement regarding the practical limit of reportable segments.

The below indicates the final reportable segments-

- Community and public safety
- Economic and environmental services
- Trading Services

*Entity wide disclosures - Geographical information*

The geographical information relevant for decision making purposes is not included as part of the reportable segment information as the information is not reported and available in geographical format within the municipal jurisdiction.

Restatement of segment reporting figures of earlier periods There have been no changes to the structure of the internal organisation that resulted in the composition of reportable segments to change. Thus there was no need for segment reporting figures of earlier periods to be restated.

Transitional provisions

As per government gazette 41595 dated 26th April 2018, the standard of GRAP on Segment reporting became effective for municipalities from 1st April 2020. The standard of GRAP on Segment reporting has been fully complied with, apart from any transitional provisions that management may have decided to take advantage of as indicated below.

WITZENBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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- On initial adoption of GRAP 18, comparative segment information need not be presented.
- The requirements of GRAP 18 does not apply to items that have not been recognised and/or measured in accordance with the other standards of GRAP as a result of transitional provisions under those Standards.

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

2	<b>CASH AND CASH EQUIVALENTS</b>	<b>2022</b> R	<b>2021</b> R
	<b>Assets</b>		
	Cash at Bank (Current Account)	144,870,308	115,295,816
	Cash on Hand	9,330	9,397
	<b>Total Cash and Cash Equivalents - Assets</b>	<b>144,879,638</b>	<b>115,305,213</b>

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

Cash book balance at beginning of year	115,295,816	130,384,998
Cash book balance at end of year	144,870,308	115,295,816

The municipality has the following bank accounts:

**Primary Bank Account: First National Bank - Account Number 62748215979**

Bank statement balance at beginning of year	114,835,494	131,190,772
Bank statement balance at end of year	144,482,216	114,835,494

**ABSA Bank Limited - Account Number 350000011**

Bank statement balance at beginning of year	96,864	97,212
Bank statement balance at end of year	584,503	96,864

**3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Electricity	60,527,212	54,771,036
Water	125,501,181	104,891,890
Property Rental Debtors	2,669,845	2,404,094
Waste Management	73,126,669	60,019,371
Waste Water Management	70,019,894	59,249,898
Service Charges	1,389,729	1,301,822
Prepayments and Advances	2,098,771	2,010,368
Land Sale Debtors	9,633,310	1,133,310
<b>Total Receivables from Exchange Transactions</b>	<b>344,966,611</b>	<b>285,781,789</b>
Less: Provision for Impairment	(258,763,656)	(214,277,648)
<b>Total Net Receivables from Exchange Transactions</b>	<b>86,202,955</b>	<b>71,504,141</b>

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 (Including VAT)	29,948,368	24,936,341
Accrued Income Water (Including VAT)	4,043,827	3,638,877
Accrued Income Waste Water (Including VAT)	5,347,731	5,291,479

**Ageing of Receivables from Exchange Transactions:**

**(Electricity): Ageing**

Accrued Income Electricity	29,948,368	24,936,341
Current (0 - 30 days)	19,145,128	18,160,067
31 - 60 Days	1,639,694	1,397,878
61 - 90 Days	949,830	499,220
+ 90 Days	8,844,192	9,777,530
<b>Total</b>	<b>60,527,212</b>	<b>54,771,036</b>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS CONTINUED

	2022 R	2021 R
<b><u>(Water): Ageing</u></b>		
Accrued Income Water	4,043,827	3,638,877
Current (0 - 30 days)	3,684,244	4,213,842
31 - 60 Days	2,477,074	2,153,659
61 - 90 Days	1,832,465	2,120,413
+ 90 Days	113,463,571	92,765,100
<b>Total</b>	<b><u>125,501,181</u></b>	<b><u>104,891,890</u></b>
<b><u>(Housing): Ageing</u></b>		
Current (0 - 30 days)	97,569	66,321
31 - 60 Days	65,009	49,478
61 - 90 Days	58,523	46,764
+ 90 Days	2,448,744	2,241,531
<b>Total</b>	<b><u>2,669,845</u></b>	<b><u>2,404,094</u></b>
<b><u>(Refuse): Ageing</u></b>		
Current (0 - 30 days)	2,883,420	2,774,927
31 - 60 Days	1,665,726	1,472,837
61 - 90 Days	1,409,717	1,280,869
+ 90 Days	67,167,805	54,490,738
<b>Total</b>	<b><u>73,126,669</u></b>	<b><u>60,019,370</u></b>
<b><u>(Waste Water): Ageing</u></b>		
Accrued Income Waste Water	5,347,731	5,291,479
Current (0 - 30 days)	2,280,485	2,283,412
31 - 60 Days	1,324,051	1,217,729
61 - 90 Days	1,090,786	1,085,666
+ 90 Days	59,976,841	49,371,612
<b>Total</b>	<b><u>70,019,894</u></b>	<b><u>59,249,898</u></b>
<b><u>(Service Charges): Ageing</u></b>		
Current (0 - 30 days)	6,780	9,367
31 - 60 Days	20,432	16,003
61 - 90 Days	20,405	20,530
+ 90 Days	1,342,111	1,255,923
<b>Total</b>	<b><u>1,389,729</u></b>	<b><u>1,301,823</u></b>
<b><u>(Prepayments and Advances): Ageing</u></b>		
+ 90 Days	2,098,771	2,010,368
<b>Total</b>	<b><u>2,098,771</u></b>	<b><u>2,010,368</u></b>
<b><u>(Land Sales): Ageing</u></b>		
61 - 90 Days	8,500,000	-
+ 90 Days	1,133,310	1,133,310
<b>Total</b>	<b><u>9,633,310</u></b>	<b><u>1,133,310</u></b>
<b><u>(Total): Ageing</u></b>		
Accrued Income	39,339,926	33,866,697
Current (0 - 30 days)	28,097,627	27,507,936
31 - 60 Days	7,191,986	6,307,584
61 - 90 Days	13,861,727	5,053,461
+ 90 Days	256,475,344	213,046,112
<b>Total</b>	<b><u>344,966,611</u></b>	<b><u>285,781,790</u></b>
<b>Reconciliation Provision for Impairment</b>		
Opening Balance	(214,277,648)	(171,319,108)
Recognised	(44,548,134)	(42,974,704)
Reversal (Write-off)	62,126	16,164
<b>Balance at end of year</b>	<b><u>(258,763,656)</u></b>	<b><u>(214,277,648)</u></b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers living in poverty. 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.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

4	RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2022 R	2021 R
	<b>Property Rates</b>		
	Outstanding balance	39,655,617	33,985,297
	Provision for impairment	(32,432,334)	(25,942,434)
	Carrying Value	<u>7,223,283</u>	<u>8,042,863</u>
	<b>Fines</b>		
	Outstanding balance	16,171,010	23,681,460
	Provision for impairment	(10,659,900)	(21,161,350)
	Carrying Value	<u>5,511,110</u>	<u>2,520,110</u>
	<b>Other Receivables</b>	<b>677,325</b>	<b>463,136</b>
	Deposits	224,615	224,615
	Other receivables	452,710	238,521
	<b>Total Net Receivables from Non-Exchange Transactions</b>	<u><b>13,411,718</b></u>	<u><b>11,026,109</b></u>
	<b>Ageing of Receivables from Non-Exchange Transactions:</b>		
	(Rates): Ageing		
	Current (0 - 30 days)	3,185,712	3,786,675
	31 - 60 Days	672,255	896,843
	61 - 90 Days	577,405	408,250
	+ 90 Days	35,220,244	28,887,524
	Total	<u><b>39,655,617</b></u>	<u><b>33,979,291</b></u>
	It is not possible to provide an accurate ageing of traffic fines as the due date for payment of the fines is not linked to the issue date, but are dependent on the available court dates. Meaning that the payment date is approximately seven to ten days before the court date.		
	<b>Reconciliation Provision for Impairment</b>		
	Opening Balance	(47,103,783)	(50,236,255)
	Recognised	(10,637,200)	(14,412,198)
	Reversal (Write-off)	14,648,750	17,544,670
	Balance at end of year	<u><b>(43,092,233)</b></u>	<u><b>(47,103,783)</b></u>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers living in poverty. 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.

5	INVENTORY		
	Consumables	954,811	892,552
	Materials and Supplies	7,908,331	8,878,678
	Water	172,083	191,862
	<b>Total Inventory</b>	<u><b>9,035,225</b></u>	<u><b>9,963,092</b></u>
	Inventory recognised as an expense during the year	<u><b>10,911,337</b></u>	<u><b>8,730,040</b></u>

No inventories is pledged as security for liabilities

No inventory is carried at fair value less cost to sell.

No inventory was written down to net realisable value.



WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

6	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2022 R	2021 R
	<b>Unspent Grants</b>	14,410,793	24,203,606
	National Government Grants	5,618,297	10,811,614
	Provincial Government Grants	5,211,650	9,994,797
	District Municipality	3,580,846	3,397,195
	<b>Less: Grants spend but not yet received</b>	10,816,494	1,672,368
	National Government Grants	2,160,011	394,655
	Provincial Government Grants	8,631,393	1,252,623
	District Municipality	25,090	25,090
	<b>Total Conditional Grants and Receipts</b>	<b>3,594,299</b>	<b>22,531,238</b>

Please refer to Note 21 for more information on specific grants.

7 STATUTORY RECEIVABLES

Statutory receivables of the municipality are classified as follows in accordance with the principles of GRAP 108,

As of 30 June 2021, total statutory receivables of R 63427797 (2020: R 64988842) were impaired and provided for.

The amount of the allowance for impairment was R 43092234 as of 30 June 2021 (2020: R47103784).

**Reconciliation of statutory receivables**

Gross balance of statutory receivables	63,427,797	64,988,842
Provision for impairment	(43,092,234)	(47,103,784)
<b>Netto statutory receivables</b>	<b>20,335,563</b>	<b>17,885,058</b>

**Gross balance**

Fines	16,171,010	23,681,460
Property rates	39,655,617	33,985,297
VAT	7,601,170	7,322,085
<b>Total</b>	<b>63,427,797</b>	<b>64,988,842</b>

**Reconciliation of Provision for impairment**

Opening Balance	(47,103,783)	(50,236,255)
Recognised	(10,637,200)	(14,412,198)
Reversal (Write-off)	14,648,750	17,544,670
<b>Balance at end of year</b>	<b>(43,092,233)</b>	<b>(47,103,783)</b>

**The total amount of the Provision for impairment consists of:**

Fines	(10,659,900)	(21,161,350)
Property rates	(32,432,334)	(25,942,434)
<b>Total</b>	<b>(43,092,234)</b>	<b>(47,103,784)</b>

**Net balance**

Fines	5,511,110	2,520,110
Property rates	7,223,283	8,042,863
VAT	7,601,170	7,322,085
<b>Total</b>	<b>20,335,563</b>	<b>17,885,058</b>

**Interest charged**

2,315,426	427,601
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**Property Rates: Ageing**

Current (0 - 30 days)	3,185,712	3,786,675
31 - 60 Days	672,255	896,843
61 - 90 Days	577,405	408,250
+ 90 Days	35,220,244	28,887,524
<b>Total</b>	<b>39,655,617</b>	<b>33,979,291</b>

**Statutory receivables arises from the following legislation:**

Property Rates- Municipal Property Rates Act (Act no 60 of 2014)

Fines- Criminal Procedures Act (Act no 51 of 1977)

Value Added Tax Act (Act no 89 of 1991)

**No receivables from statutory receivables were pledged as security.**

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

7

**STATUTORY RECEIVABLES CONTINUED**

**2022**  
**R**                      **2021**  
**R**

**Credit quality of statutory receivables**

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 non-exchange receivables on initial recognition is not deemed necessary.

**There are no statutory receivables which were restricted.**

Property rates are levied on the value of land and improvements, which valuation is performed every 5 years. The last valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also new buildings.

**Basic rate**

Residential	0.983c/R	0.927c/R
Commercial	1.775c/R	1.674c/R
Industrial	1.727c/R	1.629c/R
Bona Fide Agricultural	0.135c/R	0.125c/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 R120 000 on the valuation is exempted.

<b>Balances past due not impaired:</b>	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>%</b>	<b>R</b>	<b>%</b>	<b>R</b>
<u>Non-Exchange Receivables</u>				
Fines	34.08%	5,511,110	10.64%	2,520,110
Property rates	18.22%	7,223,283	23.67%	8,042,863
VAT	100.00%	7,601,170	100.00%	7,322,085
	<u><b>32.06%</b></u>	<u><b>20,335,563</b></u>	<u><b>27.52%</b></u>	<u><b>17,885,058</b></u>

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

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>%</b>	<b>R</b>	<b>%</b>	<b>R</b>
<u>Non-Exchange Receivables</u>				
Fines	24.74%	10,659,900	44.92%	21,161,350
Property rates	75.26%	32,432,334	55.08%	25,942,434
	<u><b>100.00%</b></u>	<u><b>43,092,234</b></u>	<u><b>100.00%</b></u>	<u><b>47,103,784</b></u>

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

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>%</b>	<b>R</b>	<b>%</b>	<b>R</b>
Residential	63.68%	27,441,576	75.71%	35,661,412
Commercial	28.15%	12,128,826	21.07%	9,925,191
Other	8.17%	3,521,832	3.22%	1,517,181
	<u><b>100.00%</b></u>	<u><b>43,092,234</b></u>	<u><b>100.00%</b></u>	<u><b>47,103,784</b></u>

**VAT PAYABLE**

	<b>2022</b>	<b>2021</b>
	<b>R</b>	<b>R</b>
VAT Payable	9,745,847	9,371,515
	<u><b>9,745,847</b></u>	<u><b>9,371,515</b></u>

**VAT RECEIVABLE**

VAT input in suspense	17,347,017	16,693,600
	<u><b>17,347,017</b></u>	<u><b>16,693,600</b></u>

**NET VAT RECEIVABLE/(PAYABLE)**

	<u><b>7,601,170</b></u>	<u><b>7,322,085</b></u>
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VAT is receivable/payable on the cash basis.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 8 PROPERTY, PLANT AND EQUIPMENT

## 8.1 30 JUNE 2022

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community Assets R	Leased Assets R	Other Assets R	Total R
<b>Carrying value at 1 July 2021</b>	72,041,066	85,972,704	668,207,652	63,963,897	-	38,427,986	928,613,305
Cost	72,041,066	97,091,957	864,583,935	81,502,585	3,084,935	95,355,645	1,213,660,123
Accumulated Impairment	-	-	(19,802)	(2,100,383)	-	(1,061,647)	(3,181,832)
Accumulated Depreciation	-	(11,119,253)	(196,356,481)	(15,438,305)	(3,084,935)	(55,866,012)	(281,864,986)
<b>Acquisitions</b>	-	-	66,146,328	4,494,915	1,478,069	3,661,861	75,781,173
<b>Transfers</b>	-	(3,208,086)	(5,233,406)	(1,588,003)	-	10,029,495	-
Cost	-	(312,888)	(5,531,293)	(3,922,601)	-	9,766,783	1
Accumulated Depreciation	-	(2,895,198)	297,887	2,334,598	-	262,712	(1)
Accumulated Impairment	-	(361,349)	-	-	-	361,349	-
<b>Impairment</b>	-	-	(2,363,678)	-	-	(6,346)	(2,370,024)
Impairment	-	-	(2,363,678)	-	-	(6,346)	(2,370,024)
Reversals	-	-	-	-	-	-	-
<b>Depreciation</b>	-	(996,709)	(20,246,373)	(2,413,803)	(597,341)	(3,595,655)	(27,849,881)
<b>Carrying value of disposals</b>	(267,000)	-	-	-	-	(617,819)	(884,819)
Cost	(267,000)	-	-	-	-	(760,339)	(1,027,339)
Accumulated Depreciation	-	-	-	-	-	142,520	142,520
<b>Carrying value at 30 June 2022</b>	71,774,066	81,406,560	706,510,523	64,457,006	880,728	48,260,871	973,289,754
Cost	71,774,066	96,779,069	925,198,970	82,074,899	4,563,004	108,023,950	1,288,413,958
Accumulated Impairments	-	(361,349)	(2,383,480)	(2,100,383)	-	(706,644)	(5,551,856)
Accumulated Depreciation	-	(15,011,160)	(216,304,967)	(15,517,510)	(3,682,276)	(59,056,435)	(309,572,348)

## CHANGE IN ACCOUNTING ESTIMATES

Change in Useful lives

The municipality has reassessed the useful lives of Property plant and equipment and Intangible Asset which resulted in changes in depreciation and amortisation charges. The effect of the change in accounting estimate has resulted in the following movements for the current and future periods on the affected capital assets:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>Movement in depreciation and amortisation</u>	R	R	R	R
Before change in estimate	3,150,638	-	-	-
After change in estimate	(568,555)	(568,555)	(568,555)	(568,555)
Net effect	<u>2,582,083</u>	<u>(568,555)</u>	<u>(568,555)</u>	<u>(568,555)</u>

## CAPITALISED RESTORATION COST

2022

## Net Carrying amount at 1 July

57,649,679

Cost	96,550,736
Accumulated Depreciation	(38,901,057)

Adjustment for the period	52,361,086
Depreciation for the year	(10,115,542)

## Net Carrying amount at 30 June

99,895,223

Cost	148,911,822
Accumulated Depreciation	(49,016,599)

## Total Property, Plant and Equipment

1,073,184,977

Land R	Buildings R	Infrastructure R	Community R	Leased Assets R	Other Assets R	Total R
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8.1.1 Work in Progress included in the Carrying Value of Property Plant & Equipment						
Original Cost	558,835	50,403,985	1,397,244	0	0	52,360,065

8.1.2 Expenditure incurred for repairs and maintaining property plant and equipment						22,901,255
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## PROPERTY, PLANT AND EQUIPMENT CONTINUED

## 8.2 30 JUNE 2021

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
<b>Carrying value at 1 July 2020</b>	72,049,613	88,018,511	635,049,167	56,063,886	549,031	39,807,123	891,537,331
Cost	72,049,613	98,147,957	812,060,601	70,499,596	3,084,935	90,902,146	1,146,744,847
Accumulated Impairment	-	-	(19,803)	(1,014,713)	-	(1,497,822)	(2,532,338)
Accumulated Depreciation	-	(10,129,446)	(176,991,631)	(13,420,997)	(2,535,904)	(49,597,201)	(252,675,179)
<b>Acquisitions</b>	-	-	49,643,557	9,885,758	-	7,524,297	67,053,612
<b>Transfers</b>	-	(988,000)	2,879,778	1,117,231	-	(3,009,009)	-
Cost	-	(988,000)	2,879,778	1,117,231	-	(3,009,009)	-
Accumulated Depreciation	-	-	-	-	-	-	-
<b>Impairment</b>	-	-	-	(1,085,669)	-	436,175	(649,494)
Impairment	-	-	-	(1,085,669)	-	-	(1,085,669)
Reversals	-	-	-	-	-	436,175	436,175
<b>Depreciation</b>	-	(996,709)	(19,364,850)	(2,017,309)	(549,031)	(6,334,197)	(29,262,096)
<b>Carrying value of disposals</b>	(8,547)	(61,098)	-	-	-	3,598	(66,047)
Cost	(8,547)	(68,000)	-	-	-	(61,788)	(138,335)
Accumulated Depreciation	-	6,902	-	-	-	65,386	72,288
<b>Carrying value at 30 June 2021</b>	72,041,066	85,972,704	668,207,652	63,963,898	0	38,427,987	928,613,306
Cost	72,041,066	97,091,957	864,583,936	81,502,585	3,084,935	95,355,645	1,213,660,124
Accumulated Impairments	-	-	(19,803)	(2,100,382)	-	(1,061,647)	(3,181,832)
Accumulated Depreciation	-	(11,119,253)	(196,356,482)	(15,438,305)	(3,084,935)	(55,866,012)	(281,864,987)

## CAPITALISED RESTORATION COST

<b>Net Carrying amount at 1 July</b>	<b>10,027,827</b>
Cost	46,429,939
Accumulated Depreciation	(36,402,112)
Adjustment for the period	50,120,798
Depreciation for the year	(2,498,945)
<b>Net Carrying amount at 30 June</b>	<b>57,649,679</b>
Cost	96,550,736
Accumulated Depreciation	(38,901,057)
<b>Total Property, Plant and Equipment</b>	<b>986,262,986</b>

	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
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8.2.1 Work in Progress included in the Carrying Value of Property Plant & Equipment  
Original Cost 558,835 16,293,860 387,937 0 6,033,674 23,274,306

8.2.2 Expenditure incurred for repairs and maintaining property plant and equipment 28,650,497

8.2.3 No assets are pledged as security

8.2.4 No assets were in construction or development and consequently halted.

8.2.5 No assets took significantly long to complete.

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

		2022		2021
9	<b>INTANGIBLE ASSETS</b>	R		R
	<b>Computer Software</b>			
	<b>Net Carrying amount at 1 July</b>	<b>2,190,924</b>		<b>2,577,883</b>
	Cost	5,760,942		5,760,942
	Accumulated Amortisation	(3,570,018)		(3,183,059)
	Amortisation	(77,892)		(386,958)
	<b>Net Carrying amount at 30 June</b>	<b>2,113,032</b>		<b>2,190,924</b>
	Cost	5,760,942		5,760,942
	Accumulated Amortisation	(3,647,909)		(3,570,018)
	No intangible assets are pledged as security			
	No intangible assets were in construction or development and consequently halted.			
	No intangible assets took significantly long to complete.			
10	<b>INVESTMENT PROPERTY</b>			
	<b>Net Carrying amount at 1 July</b>	<b>43,561,586</b>		<b>43,842,613</b>
	Cost	47,186,144		47,186,144
	Accumulated Depreciation	(3,624,558)		(3,343,531)
	Transfers to/from Cost	-		-
	Transfers to/from Accumulated Depreciation	-		-
	Depreciation for the year	(281,026)		(281,026)
	Carrying value of disposals	(438,472)		-
	Cost	(438,472)		-
	<b>Net Carrying amount at 30 June</b>	<b>42,842,088</b>		<b>43,561,587</b>
	Cost	46,747,672		47,186,144
	Accumulated Depreciation	(3,905,585)		(3,624,558)
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.			
	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.			
	Revenue derived from the rental of investment property	3,391,893		639,712
	Repair and maintenance expenditure incurred on properties generating revenue	566,803		388,834
	Total Operating expenditure incurred on properties generating revenue	11,018,943		9,606,209
	Operating expenditure incurred on properties not generating revenue	861,061		898,213

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

11	<b>HERITAGE ASSETS</b>	<b>2022</b> R	<b>2021</b> R
	<b>Net Carrying amount at 1 July</b>	<b>550,000</b>	<b>550,000</b>
	Cost	550,000	550,000
	<b>Net Carrying amount at 30 June</b>	<b>550,000</b>	<b>550,000</b>
	Cost	550,000	550,000

Heritage assets are carried at its cost less any accumulated impairment losses

No repairs and maintenance were effected on the heritage assets.

None of the heritage assets are pledge as security.

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 2019.

12	<b>TRADE AND OTHER PAYABLES EXCHANGE TRANSACTIONS</b>	<b>2022</b> R	<b>2021</b> R
	Payables and Accruals	8,498,370	16,485,991
	Control, Clearing and Interface	227,707	93,513
	Electricity Bulk Purchase	35,594,206	31,409,381
	Accrued Interest	6,300	10,342
	Unallocated Deposits	1,168,006	1,590,715
	Retentions	8,176,979	3,699,275
	Advance Payments	6,881,386	6,811,826
	Employee cost and councillor remuneration	1,316,381	839,359
	<b>Total Trade Payables</b>	<b>61,869,335</b>	<b>60,940,402</b>

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.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
<b>13 CONSUMER DEPOSITS</b>		
Water and Electricity	7,393,896	5,777,154
Rental Properties	889,772	724,300
Posters	28,514	(500)
Building Plans	3,236,427	2,801,641
<b>Total Consumer Deposits</b>	<b>11,548,609</b>	<b>9,302,595</b>

<b>14 CURRENT EMPLOYEE BENEFITS</b>		
Current Portion of Post Employment Health Care Benefits- Note 18	317,053	2,630,000
Current Portion of Long-Service Provisions - Note 18	2,321,698	1,354,000
Current Portion of Ex-gratia Pension Provisions - Note 18	2,162	2,162
Staff Leave	18,927,318	18,023,300
Performance Bonuses	743,747	709,809
Staff Bonuses	5,393,148	5,106,015
<b>Total Current Employee Benefits</b>	<b>27,705,126</b>	<b>27,825,286</b>

The movement in current employee benefits are reconciled as follows:

**Staff Leave**

Balance at beginning of year	18,023,300	17,400,648
Contribution for the year	1,859,014	1,354,848
Expenditure incurred	(954,996)	(732,196)
Balance at end of year	<b>18,927,318</b>	<b>18,023,300</b>

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.

**Performance Bonuses**

Balance at beginning of year	709,809	666,708
Contribution for the year	781,348	709,809
Expenditure incurred	(747,409)	(666,708)
Balance at end of year	<b>743,748</b>	<b>709,809</b>

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of their performance.

**Staff Bonuses**

Balance at beginning of year	5,106,014	5,202,132
Contribution for the year	9,381,991	8,733,330
Expenditure incurred	(9,094,856)	(8,829,448)
Balance at end of year	<b>5,393,149</b>	<b>5,106,014</b>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>15 UNSPENT PUBLIC CONTRIBUTIONS</b>		
China - Water meters	7,183	15,627
Essen Belgium	3,179,030	3,963,623
<b>Total Unspent Public Contributions</b>	<b>3,186,213</b>	<b>3,979,250</b>

**Reconciliation of public contributions**

China - Water meters

Opening balance	15,626	16,005
Conditions met - Transferred to revenue	(8,443)	(378)
<b>Closing balance</b>	<b>7,183</b>	<b>15,627</b>

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.

Essen Belgium

Opening balance	3,963,623	3,987,568
Receipts	668,424	834,420
Conditions met - Transferred to revenue	(1,453,017)	(858,365)
<b>Closing balance</b>	<b>3,179,030</b>	<b>3,963,623</b>

A twinning agreement exists between Essen in Belgium and the Witzenberg Municipality. The purpose of the agreement is youth development and crèches.

**16 BORROWINGS**

Annuity Loans	1,404,850	2,774,921
Finance Lease Liability	1,019,340	-
	<b>2,424,190</b>	<b>2,774,921</b>

Less Current portion of Non-current

	<b>(1,896,741)</b>	<b>(1,586,619)</b>
--	--------------------	--------------------

Annuity Loans	(1,404,850)	(1,586,619)
Finance Lease Liability	(491,891)	-

Non-Current portion

	<b>527,449</b>	<b>1,188,302</b>
--	----------------	------------------

The obligations under annuity loans are scheduled below:

**Minimum  
annuity payments**

Amounts payable under annuity loans:

Payable within one year	1,476,145	1,762,765
Payable within two to five years	-	1,250,670
	1,476,145	3,013,435

<b>Less:</b> Future finance obligations	(71,295)	(238,517)
<b>Present value of annuity obligations</b>	<b>1,404,850</b>	<b>2,774,918</b>

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	547,662	-
Payable within two to five years	547,662	-
	1,095,324	-

<b>Less:</b> Future finance obligations	(75,983)	-
<b>Present value of lease obligations</b>	<b>1,019,340</b>	-



WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

17	NON-CURRENT PROVISIONS	2022 R	2021 R
	Provision for Rehabilitation of Landfill-sites	162,372,711	102,375,838
	<b>Total Non-current Provisions</b>	<b>162,372,711</b>	<b>102,375,838</b>
	<b><u>Landfill Sites</u></b>		
	Opening Balance	102,375,837	50,889,138
	Unwinding of Interest	7,635,788	3,570,257
	Adjustment for the period	52,361,086	47,916,443
	<b>Total provision 30 June</b>	<b>162,372,711</b>	<b>102,375,838</b>
	Discount rate	7.39%	7.02%
	Inflation Rate	7.40%	4.90%

The calculation for the rehabilitation of the landfill site provision was compiled by an independent qualified engineer in order to determine the present value to rehabilitate the landfill sites at the end of its useful life. The total obligation at year-end can be attributed to the following sites:

Location	Estimated Decommission Date	Current Cost of Rehabilitation	Current Cost of Rehabilitation
Ceres	2003	5,668,839	2,726,781
Prince Alfred's Hamlet	2028	79,520,487	48,821,093
Op-die- Berg	2022	9,037,899	7,789,062
Tulbagh	2031	28,319,722	18,584,907
Wolseley	2033	39,756,158	24,453,996
		<b>162,303,105</b>	<b>102,375,838</b>

Location	Estimated Decommission Date	Future Cost of Rehabilitation	Future Cost of Rehabilitation
Ceres	2003	5,952,528	2,726,781
Prince Alfred's Hamlet	2028	107,316,734	64,032,189
Op-die- Berg	2022	10,691,790	7,789,062
Tulbagh	2031	62,024,226	39,181,877
Wolseley	2033	103,086,753	59,043,230
		<b>289,072,031</b>	<b>172,773,139</b>

18	EMPLOYEE BENEFITS		
	Post-employment Health Care Benefits	61,317,947	60,636,000
	Long Service Awards	9,855,065	10,802,000
	Ex-Gratia Pension Benefits	31,456	29,920
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>71,204,468</b>	<b>71,467,920</b>
	<b><u>Post-employment Health Care Benefits</u></b>		
	Opening Balance	63,266,000	54,718,000
	Contribution for the year	2,141,000	1,823,000
	Interest Cost	6,235,000	5,529,000
	Expenditure for the year	(2,312,948)	(2,333,394)
	Actuarial Loss/(Gain)	(7,694,052)	3,529,394
	<b>Total post retirement Health Care benefits 30 June</b>	<b>61,635,000</b>	<b>63,266,000</b>
	<b>Less:</b> Transfer of Current Portion - Note 14	(317,053)	(2,630,000)
	<b>Balance 30 June</b>	<b>61,317,947</b>	<b>60,636,000</b>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

18	EMPLOYEE BENEFITS CONTINUED	2022 R	2021 R
	<b><u>Long Service Awards</u></b>		
	Opening Balance	12,156,000	10,253,000
	Contribution for the year	966,000	798,000
	Interest Cost	1,050,000	687,000
	Expenditure for the year	(1,048,302)	(1,382,126)
	Actuarial Loss/(Gain)	(946,935)	1,800,126
	<b>Total long service 30 June</b>	<b>12,176,763</b>	<b>12,156,000</b>
	<b>Less:</b> Transfer of Current Portion - Note 14	(2,321,698)	(1,354,000)
	<b>Balance 30 June</b>	<b>9,855,065</b>	<b>10,802,000</b>
	<b><u>Ex-Gratia Pension</u></b>		
	Opening Balance	32,083	62,210
	Interest Cost	2,690	4,186
	Expenditure for the year	-	(22,519)
	Actuarial Loss/(Gain)	(1,155)	(11,795)
	<b>Total Ex-Gratia 30 June</b>	<b>33,618</b>	<b>32,082</b>
	<b>Less:</b> Transfer of Current Portion - Note 14	(2,162)	(2,162)
	<b>Balance 30 June</b>	<b>31,456</b>	<b>29,920</b>
	<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
	Balance 1 July	75,454,083	65,033,210
	Contribution for the year	3,107,000	2,621,000
	Interest cost	7,287,690	6,220,186
	Expenditure for the year	(3,361,250)	(3,738,039)
	Actuarial Loss/(Gain)	(8,642,142)	5,317,725
	<b>Total employee benefits 30 June</b>	<b>73,845,381</b>	<b>75,454,082</b>
	<b>Less:</b> Transfer of Current Portion - Note 14	(2,640,913)	(3,986,162)
	<b>Balance 30 June</b>	<b>71,204,468</b>	<b>71,467,920</b>

18.1 Post-employment Health Care Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	239	246
In-service (employee) non-members	268	240
Continuation members (e.g. Retirees, widows, orphans)	49	54
<b>Total Members</b>	<b>556</b>	<b>540</b>

The liability in respect of past service has been estimated to be as follows:

In-service (employee) members	32,044,000	30,183,000
In-service (employee) non-members	2,585,000	2,345,000
Continuation members	27,006,000	30,738,000
<b>Total Liability</b>	<b>61,635,000</b>	<b>63,266,000</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2020 R	2019 R	2018 R
In-service members	26,345,000	27,996,656	52,940,818
Continuation members	28,373,000	29,151,829	25,363,294
<b>Total Liability</b>	<b>54,718,000</b>	<b>57,148,485</b>	<b>78,304,112</b>

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

Bonitas;  
Keyhealth.  
LA Health  
Hosmed and  
Samwumed.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

<b>18.1</b>	<b>EMPLOYEE BENEFITS CONTINUED</b>	<b>2022</b>	<b>2021</b>
	Key actuarial assumptions used:		
	<b>i) Rate of interest</b>		
	Discount rate	11.80%	10.06%
	Health Care Cost Inflation Rate	8.42%	6.77%
	Net Effective Discount Rate	3.12%	3.08%

The discount rate are derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve.

**ii) Mortality rates**

The PA 90 ultimate table was used by the actuaries.

**iii) Normal retirement age**

The normal retirement ages are 65 (for males) and 65 (for females). It has been assumed that male in-service members will retire at age 62 and female in-service members will retire at age 59, on average, which then implicitly allows for expected rates of ill-health and early retirement.

<b>The amounts recognised in the Statement of Financial Position are as follows:</b>	<b>2022</b>	<b>2021</b>
	<b>R</b>	<b>R</b>
Present value of fund obligations	61,634,999	63,266,001
<b>Net liability/(asset)</b>	<b>61,634,999</b>	<b>63,266,001</b>

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25, Employee Benefits, paragraph 155 (a).

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	63,265,999	54,718,001
Total expenses	6,063,052	5,018,606
Current service cost	2,141,000	1,823,000
Interest Cost	6,235,000	5,529,000
Benefits Paid	(2,312,948)	(2,333,394)
Amendments	-	-
Actuarial (gains)/losses	(7,694,052)	3,529,394
Present value of fund obligation at the end of the year	61,634,999	63,266,001
<b>Less:</b> Transfer of Current Portion - Note 14	(317,053)	(2,630,000)
<b>Balance 30 June</b>	<b>61,317,946</b>	<b>60,636,001</b>

**Sensitivity Analysis on the Accrued Liability at 30 June 2022**

<b>Assumption</b>	<b>members liability</b>	<b>members liability</b>	<b>Total liability (R'000)</b>
Central Assumptions	34,629,000	27,006,000	61,635,000

The effect of movements in the assumptions are as follows:

<b>Assumption</b>	<b>Change</b>	<b>In-service members</b>	<b>Continuation members</b>	<b>Total liability (R'000)</b>	<b>% change</b>
Central assumptions		34,629,000	27,006,000	61,635,000	
Health care inflation	1%	37,123,000	29,372,000	66,495,000	8
Health care inflation	-1%	31,250,000	24,872,000	56,122,000	-9
Mortality rate	20%	33,146,000	25,149,000	58,295,000	-5
Mortality rate	-20%	36,356,000	29,323,000	65,679,000	7

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**EMPLOYEE BENEFITS CONTINUED** 2022 2021

**18.2 Long Service Awards**

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses. 507 486

**i) Rate of interest**

Discount rate	10.98%	9.13%
General Salary Inflation (long-term)	7.33%	5.77%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.40%	3.18%

**2022** **2021**  
**R** **R**

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations	12,176,763	12,156,000
<b>Net liability</b>	<b>12,176,763</b>	<b>12,156,000</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Present value of fund obligations	10,253,000	10,640,365	5,885,018
<b>Net liability</b>	<b>10,253,000</b>	<b>10,640,365</b>	<b>5,885,018</b>

**2022** **2021**  
**R** **R**

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	12,156,000	10,253,000
Total expenses	967,698	102,874
Current service cost	966,000	798,000
Interest Cost	1,050,000	687,000
Benefits Paid	(1,048,302)	(1,382,126)
Actuarial (gains)/losses	(946,935)	1,800,126
Present value of fund obligation at the end of the year	12,176,763	12,156,000
<b>Less:</b> Transfer of Current Portion - Note 14	(2,321,698)	(1,354,000)
<b>Balance 30 June</b>	<b>9,855,065</b>	<b>10,802,000</b>

**Sensitivity Analysis on the Accrued Liability at 30 June 2022**

<b>Assumption</b>	<b>Change</b>	<b>Liability</b>	<b>% change</b>
Central assumptions		12,176,763	
General salary inflation	1.00%	12,876,000	6%
General salary inflation	-1.00%	11,538,000	-5%
Withdrawal rates	20%	11,672,000	-4%
Withdrawal rates	-20%	12,726,000	5%

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**EMPLOYEE BENEFITS CONTINUED**

**2022**

**2021**

**18.3 Ex-Gratia Pension Benefits**

The Ex-Gratia Pension Benefits plans are defined benefit plans.

As at year end, the following number of employees were eligible for Ex-Gratia Pension Benefits.

16

16

**i) Rate of interest**

Discount rate

9.38%

8.67%

**2022**  
**R**

**2021**  
**R**

**The amounts recognised in the Statement of Financial Position are as follows:**

Present value of fund obligations

33,618

32,082

**Net liability**

**33,618**

**32,082**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

**2020**  
**R**

**2019**  
**R**

**2018**  
**R**

Present value of fund obligations

62,213

71,873

71,873

**Net liability**

**62,213**

**71,873**

**71,873**

**EMPLOYEE BENEFITS CONTINUED**

**2022**  
**R**

**2021**  
**R**

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year

32,083

62,210

Total expenses

2,690

(18,333)

Interest Cost

2,690

4,186

Benefits Paid

-

(22,519)

Actuarial (gains)/losses

(1,155)

(11,795)

Present value of fund obligation at the end of the year

33,618

32,082

**Less:** Transfer of Current Portion - Note

(2,162)

(2,162)

**Balance 30 June**

**31,456**

**29,920**

**Sensitivity Analysis on the Accrued Liability at 30 June 2022**

**Assumption**

**Change**

**(R'000)**

**% change**

Central assumptions

33,618

Withdrawal rates

+20%

33,510

0.0%

Withdrawal rates

-20%

33,750

0.0%

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**EMPLOYEE BENEFITS CONTINUED**

**2022  
R**

**2021  
R**

**18.4 Retirement funds**

**CAPE JOINT PENSION FUND**

The funding level of the CJPF (Pensions Account section) was 105.1% as at the 30 June 2013 valuation date compared with a 99.4% funding level as at 30 June 2012. The Fund is in a sound financial condition at the valuation date. As at the 30 June 2013 valuation date (in totality) the members contributed at a rate of 9% of pensionable salaries and (in totality) the Local Authorities contributed at a rate of 18% of pensionable salaries.

Contributions paid recognised in the Statement of Financial Performance

387,834	381,065
<u>387,834</u>	<u>381,065</u>

**SOUTH AFRICAN LOCAL AUTHORITIES PENSION FUND**

The funding level at the most recent actuarial valuation (1 July 2012) of 100% was calculated on a Discounted Cash Flow (DCF) basis. The funding level has improved since the previous valuation. The valuation actuary recommended that the prevailing employer contribution rate at 1 July 2012 be maintained at 15.26%. This includes a margin of 3.92% over and above the contribution rate required to fund the Projected Unit Method future service benefits and associated costs.

Contributions paid recognised in the Statement of Financial Performance

267,406	244,764
<u>267,406</u>	<u>244,764</u>

**DEFINED CONTRIBUTION FUNDS**

Council contributes to: the Government Employees Pension Fund; Municipal Council Pension Fund; National Fund for Municipal Workers (IMATU); 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

Cape Joint Retirement Fund	23,773,729	24,174,021
Municipal Councillors Pension Fund	214,160	393,038
National Fund For Municipal Employees (IMATU)	160,120	145,755
SAMWU National Provident Fund	4,384,277	4,385,295
	<u>28,532,285</u>	<u>29,098,110</u>

The municipality adjusted the retirement age of female employees from 60 to 65 years of age. No change in estimated figures are expected due to the following:

The valuation results are dependent on the expected average retirement ages (EARAs) instead of the normal retirement age (NRAs).

Witzenberg's own recent employee-retirement history will be too small a sample to be solely relied on in setting these assumptions. Nevertheless, this recent experience seems to be in line with the EARAs used in the 2020 valuation.

If there is concern that the change in NRA for females will affect their EARA, then we recommend that the retirement-experience be monitored for several years after the change.

**19 NET ASSET RESERVES**

Capital Replacement Reserve	12,539,508	10,442,209
<b>Total Net Asset Reserves</b>	<u>12,539,508</u>	<u>10,442,209</u>

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

20

**PROPERTY RATES**

**2022**  
**R**

**2021**  
**R**

**Actual**

<b>Rates Levied</b>	98,284,330	88,968,573
Business	15,152,336	14,252,757
Building Clauses	104,120	100,709
Rural	25,212,466	21,658,417
Industrial Properties	10,345,245	10,142,771
Residential Properties	31,115,888	28,828,793
State-owned Properties	14,291,803	12,180,752
Vacant Land	2,062,472	1,781,377
Public Service Infrastructure	-	22,997
Less: Revenue Forgone	(9,471,351)	(8,193,455)
<b>Total Assessment Rates</b>	<b>88,812,979</b>	<b>80,775,118</b>

**Valuations - 1 JULY**

**Land and Buildings**

Residential Property	4,116,598,800	4,082,787,000
Commercial Property	1,021,460,200	1,017,784,700
Industrial Property	615,673,000	622,997,000
Informal Property	36,946,500	37,168,500
Agricultural Purposes	12,779,241,220	12,675,752,300
State - National/ Provincial Services	830,275,000	822,627,500
Public Service Infrastructure	10,040,500	10,040,500
Vacant Property	168,481,100	176,507,400
<b>Total Valuation</b>	<b>19,578,716,320</b>	<b>19,445,664,900</b>

Assessment Rates are levied on the value of land and improvements. The valuation is performed every 4-6 years. The last valuation came into effect on 1 July 2018. 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	0.983c/R	0.927c/R
Commercial	1.775c/R	1.674c/R
Industrial	1.727c/R	1.629c/R
Bona Fide Agricultural	0.135c/R	0.125c/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 R120 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 2022**

21	<b>TRANSFERS AND SUBSIDIES</b>	<b>2022</b>	<b>2021</b>
		<b>R</b>	<b>R</b>
	<b>Unconditional Grants</b>	<b>106,666,000</b>	<b>116,085,531</b>
	Equitable Share	106,666,000	116,085,531
	<b>Conditional Grants</b>	<b>80,286,041</b>	<b>67,067,486</b>
	Grants and donations	80,286,041	67,067,486
	<b>Total Government Grants and Subsidies</b>	<b><u>186,952,041</u></b>	<b><u>183,153,017</u></b>
	Government Grants and Subsidies - Capital	66,276,090	52,101,858
	Government Grants and Subsidies - Operating	<u>120,675,951</u>	<u>131,051,159</u>
		<b><u>186,952,041</u></b>	<b><u>183,153,017</u></b>

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

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

**21.1 Equitable share**

Grants received	106,666,000	116,085,531
Conditions met - Operating	<u>(106,666,000)</u>	<u>(116,085,531)</u>
Conditions still to be met/(Grant expenditure to be recovered)	<u>-</u>	<u>-</u>

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.

**21.2 Local Government Financial Management Grant (FMG)**

Opening balance	-	54,161
Grants received	1,550,000	1,550,000
Conditions met - Operating	<u>(1,550,000)</u>	<u>(1,550,000)</u>
Write off / Transfers	-	(54,161)

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).

**21.3 Expanded Public Works Programme**

Opening balance	(103,068)	(432,918)
Grants received	2,617,000	2,360,000
Conditions met - Operating	<u>(2,513,932)</u>	<u>(2,030,150)</u>
Conditions still to be met/(Grant expenditure to be recovered)	<u>-</u>	<u><b>(103,068)</b></u>



WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

GOVERNMENT GRANTS AND SUBSIDIES CONTINUED		2022	2021
		R	R
<b>21.4</b>	<b>Municipal Infrastructure Grant (MIG)</b>		
	Opening balance	340,138	9,843,224
	Grants received	24,980,000	22,013,000
	Conditions met - Operating	-	(630,000)
	Conditions met - Capital	(23,707,100)	(21,042,862)
	Write off / Transfers	(340,000)	(9,843,224)
	Conditions still to be met/(Grant expenditure to be recovered)	<u>1,273,038</u>	<u>340,138</u>
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		
<b>21.5</b>	<b>Regional Bulk Infrastructure Grant (RBIG)</b>		
	Opening balance	10,000,000	19,236,146
	Grants received	20,000,000	10,000,000
	Conditions met - Capital	(22,160,011)	-
	Write off / Transfers	(10,000,000)	(19,236,146)
	Conditions still to be met/(Grant expenditure to be recovered)	<u>(2,160,011)</u>	<u>10,000,000</u>
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		
<b>21.6</b>	<b>Housing Grants</b>		
	Opening balance	5,325,746	3,507,702
	Grants received	2,961,094	28,563,744
	Conditions met - Operating	-	(238,000)
	Conditions met - Capital	(4,803,773)	(26,507,700)
	Conditions still to be met/(Grant expenditure to be recovered)	<u>3,483,067</u>	<u>5,325,746</u>
	Housing grants was utilised for the development of erven and the erection of top structures.		
<b>21.7</b>	<b>Integrated National Electrification Grant</b>		
	Opening balance	(291,587)	(291,587)
	Grants received	12,762,000	-
	Conditions met - Capital	(8,596,630)	-
	Conditions still to be met/(Grant expenditure to be recovered)	<u>3,873,783</u>	<u>(291,587)</u>
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
<b>21.8</b>	<b>Library services</b>		
	Opening balance	-	800,000
	Grants received	10,536,000	9,764,000
	Conditions met - Operating	(9,768,378)	(9,764,000)
	Conditions met - Capital	(767,622)	(800,000)
	Conditions still to be met/(Grant expenditure to be recovered)	<u>-</u>	<u>-</u>
<b>21.9</b>	<b>Other Grants</b>		
	Opening balance	11,239,258	16,144,681
	Grants received	9,199,828	4,505,240
	Conditions met - Operating	(3,391,352)	(1,178,384)
	Conditions met - Capital	(13,571,658)	(8,232,278)
	Write off / Transfers	(3,165,441)	-
	Conditions still to be met/(Grant expenditure to be recovered)	<u>310,635</u>	<u>11,239,259</u>
	Various grants were received from other spheres of government of which the material ones are: RBIG R9.3 million and Essen R2.2 million, etc.		
<b>21.10</b>	<b>Total Grants</b>		
	Opening balance	26,510,487	48,861,409
	Grants received	191,271,922	194,841,515
	Conditions met - Operating	(123,889,662)	(131,476,065)
	Conditions met - Capital	(73,606,794)	(56,582,840)
	Write off / Transfers	(13,505,441)	(29,133,531)
	Conditions still to be met/(Grant expenditure to be recovered)	<u>6,780,512</u>	<u>26,510,488</u>
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	14,410,793	24,203,606
	Unspent Public Contributions	3,186,213	3,979,250
	Unpaid Conditional Government Grants and Receipts	(10,816,494)	(1,672,368)
		<u>6,780,512</u>	<u>26,510,488</u>

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

22	<b>SERVICE CHARGES</b>	<b>2022</b> R	<b>2021</b> R
	Electricity	330,783,383	276,642,088
	Water	47,131,627	46,289,114
	Refuse removal	35,806,716	34,109,824
	Sewerage and Sanitation Charges	<u>40,164,881</u>	<u>42,570,075</u>
		453,886,607	399,611,101
	Less: Revenue Forgone	<u>(19,104,490)</u>	<u>(23,410,035)</u>
	<b>Total Service Charges</b>	<b><u>434,782,117</u></b>	<b><u>376,201,066</u></b>

Revenue Forgone 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.

**23 AGENCY SERVICES**

**Agent for the Western Cape Department of Transport and Public Works**

The municipality is collecting motor vehicle licence fees, motor registration and drivers licence fees on behalf of the Department of Transport and Public Works. Hence the municipality receives and commission on the collection of monies. The municipality act as an agent for the Department of Transport and Public Works, without any significant judgement to be applied. There was no changes in the terms and condition of the arrangement for the reporting year. The amounts as per note is inclusive of VAT - The amount retained as per the statement of financial performance is exclusive of VAT

**Reconciliation of amounts payable to the WC Department of Transport and Public Works**

Opening Balance	261,468	(1,110,393)
Funds collected	29,969,548	28,896,887
Retained	(5,076,750)	(5,006,842)
Paid	(24,811,090)	(22,518,184)
Payable to principal	<u>343,176</u>	<u>261,468</u>

**Agent for the National Department of Justice**

The municipality act as agent for the National Department of Justice, where it collects contempt of court fines imposed for non-appearance in court of traffic fine offenders. The amounts collected are trivial. The municipality does not derive any revenue from this function.

**Reconciliation of amounts payable to the Department of Justice**

Opening Balance	(9,899)	(9,599)
Funds collected	235,200	3,200
Retained	-	-
Paid	(146,700)	(3,500)
Payable to principal	<u>78,601</u>	<u>(9,899)</u>

**Principal arrangements: Traffic services TCS**

The municipality has a service provider TCS (2020: TCS) who acts as agent for the municipality with the issuing of traffic fines. All payments are received directly by the municipality and the service provider invoices the municipality for commission payable

Commission received by the agent	<u>89,953</u>	<u>134,067</u>
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**Principal arrangements: Financial Services**

**Agent for the Witzenberg Municipality: Syntell**

The municipality has a service provider Syntell who acts as agent for the municipality with the sale of prepaid electricity and water. All payments are received directly by the municipality and the service provider invoices the municipality for commission payable. No penalties are payable if the contract with the agent is terminated

Commission received by the agent	<u>2,936,255</u>	<u>2,503,716</u>
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**Agent for the Witzenberg Municipality: Easy Pay**

The municipality has a service provider EasyPay who acts as agent for the municipality with the 3rd party collection of debtor payments. All payments are paid directly to the municipality and the service provider invoices the municipality for commission payable.

Commission received by the agent	<u>220,263</u>	<u>242,786</u>
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**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**Agent for the Witzenberg Municipality: Pay a Bill**

The municipality has a service provider Pay-a-bill who acts as agent for the municipality with the 3rd party collection of debtor payments. All payments are paid directly to the municipality and the service provider invoices the municipality for commission payable.

Commission received by the agent	<u>12,024</u>	<u>17,166</u>
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**Agent for the Witzenberg Municipality: Pay AT**

The municipality has a service provider Pay-at who acts as agent for the municipality with the 3rd party collection of debtor payments. All payments are paid directly to the municipality and the service provider invoices the municipality for commission payable.

Commission received by the agent	<u>276,281</u>	<u>208,068</u>
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**24 OPERATIONAL REVENUE**

Insurance Refund	2,440,752	106,928
Breakages and Losses Recovered	6,152	632
Merchandising, Jobbing and Contracts	56,466	57,113
Other	148,672	246,212
<b>Total Operational Revenue</b>	<u><b>2,652,042</b></u>	<u><b>410,885</b></u>

**25 SALES OF GOODS AND RENDERING OF SERVICES**

Application Fees for Land Usage	118,807	139,118
Building Plan Approval	1,066,180	1,082,615
Camping Fees	2,588,897	1,383,904
Cemetery and Burial	261,937	328,319
Development Charges	107,174	110,605
Entrance Fees	638,357	33,772
Other	632,567	532,590
<b>Total Sales of Goods and Rendering of services</b>	<u><b>5,413,919</b></u>	<u><b>3,610,923</b></u>

**26 EMPLOYEE RELATED COSTS**

Salaries and Wages	131,367,647	122,994,553
Bargaining Council Levy	66,076	62,113
Bonuses	10,163,339	9,443,139
Contributions For Pensions	19,430,837	18,409,619
Contributions For Medical Aids	8,519,075	8,014,063
Contributions For UIF	1,108,801	957,748
Group Life Insurance	2,943,273	2,053,200
Housing Benefits and Allowances	1,411,972	1,819,262
Leave Reserve	1,859,014	1,354,848
Long service awards	966,000	798,000
Overtime	13,009,971	10,535,351
Standby Allowance	5,822,958	6,074,077
Post Employment Health Care Benefits	2,141,000	1,823,000
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	7,536,781	7,342,732
<b>Total Employee Related Costs</b>	<u><b>206,346,744</b></u>	<u><b>191,681,705</b></u>

**KEY MANAGEMENT PERSONNEL**

The Municipal Manager and Directors are appointed on fixed term contracts.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

26

EMPLOYEE RELATED COSTS CONTINUED

2022  
R

2021  
R

REMUNERATION OF KEY MANAGEMENT PERSONNEL

*Remuneration of the Municipal Manager*

Annual Remuneration	1,164,002	1,165,430
Performance Bonus	215,432	215,432
Travelling Allowance	106,910	108,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	271,296	269,234
Other Allowance	54,328	61,552
<b>Total</b>	<b>1,811,969</b>	<b>1,819,648</b>

*Remuneration of the Director Technical Services*

Annual Remuneration	747,080	747,080
Performance Bonus	176,105	176,105
Travelling Allowance	510,814	510,814
Contributions to UIF, Medical, Pension Funds and Bargaining Council	4,498	3,864
Travelling Expenses	10,974	648
<b>Total</b>	<b>1,449,472</b>	<b>1,438,511</b>

*Remuneration of the Director Corporate Services*

Annual Remuneration	1,065,894	1,065,894
Performance Bonus	176,105	176,105
Travelling Allowance	192,000	192,000
Contributions to UIF, Medical, Pension Funds and Bargaining Council	4,498	3,864
Travelling Expenses	1,721	4,096
Other Allowance	50,316	50,316
<b>Total</b>	<b>1,490,534</b>	<b>1,492,275</b>

*Remuneration of the Director Financial Services - From 1 December 2020*

Annual Remuneration	673,134	392,662
Performance Bonus	102,728	-
Travelling Allowance	180,000	105,000
Housing Allowance	282,356	165,431
Contributions to UIF, Medical, Pension Funds and Bargaining Council	122,828	71,836
Travelling Expenses	1,854	2,007
<b>Total</b>	<b>1,362,901</b>	<b>736,935</b>

*Remuneration of the Acting Director Financial Services*

Annual Remuneration		404,455
Bonus		81,854
Travelling Allowance		68,555
Contributions to UIF, Medical, Pension Funds and Bargaining Council		74,488
Other Allowance		27,445
<b>Total</b>	<b>-</b>	<b>656,797</b>

The position of Director Financial Services was vacant for 5 months of the 2020 / 2021 financial year. A senior employee was delegated to perform the duties assigned to the post in legislation.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

27

REMUNERATION OF COUNCILLORS

	2022 R	2021 R
<b>Executive Mayor</b>		
Annual Remuneration	623,631	574,367
Pension fund contributions	103,636	86,155
Medical aid contributions	33,882	-
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	149,215	291,182
<b>Total</b>	<b>910,363</b>	<b>951,704</b>
<b>Deputy Mayor</b>		
Annual Remuneration	524,894	563,541
Pension fund contributions	85,297	84,531
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	65,847	114,465
<b>Total</b>	<b>676,038</b>	<b>762,536</b>
<b>Speaker</b>		
Annual Remuneration	562,865	561,922
Pension fund contributions	93,325	84,288
Medical aid contributions	1,933	-
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	71,817	115,786
<b>Total</b>	<b>729,941</b>	<b>761,996</b>
<b>Mayoral Committee Members (4)</b>		
Annual Remuneration	1,983,514	2,068,036
Pension fund contributions	283,971	310,205
Medical aid contributions	37,606	82,033
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	329,549	385,879
<b>Total</b>	<b>2,634,640</b>	<b>2,846,153</b>
<b>Section 79 Committee Chairman</b>		
Annual Remuneration	224,370	289,932
Pension fund contributions	36,735	43,490
Medical aid contributions	-	29,596
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	31,941	40,939
<b>Total</b>	<b>293,046</b>	<b>403,956</b>
<b>Ordinary Councillors (15)</b>		
Annual Remuneration	3,900,293	3,558,817
Pension fund contributions	482,758	467,748
Medical aid contributions	50,395	112,862
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	798,307	717,256
<b>Total</b>	<b>5,231,753</b>	<b>4,856,683</b>

**In-kind Benefits**

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.

Each councillor received an regulation 11 (cell phone allowance) and 12 (mobile data bundles) benefit. However the regulation 12 benefits is utilised for the contract procured by the municipality for data and regulation 11 is paid to the councillor to obtain their own contract.

Where applicable, councillor who qualify also received an regulation 10 (Out of pocket expenses) payment.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>28</b>	<b>PROVISION FOR IMPAIRMENT</b>	
Receivables from exchange transactions: Contributions - Note 3	40,346,095	38,013,933
Receivables from exchange transactions: Reversals - Note 3	(62,126)	(16,164)
Receivables from non-exchange transactions: Contributions - Note 4	10,637,200	14,412,198
Receivables from non-exchange transactions: Reversals - Note 4	(14,648,750)	(17,544,670)
<b>Total Contribution to Debt Impairment</b>	<b>36,272,419</b>	<b>34,865,297</b>
<b>29</b>	<b>DEPRECIATION AND AMORTISATION</b>	
Property Plant and Equipment	27,849,880	29,262,097
Investment Property	281,026	281,026
Intangible Assets	77,892	386,958
Capitalised restoration cost	10,115,542	2,498,945
<b>Total Depreciation and Amortisation</b>	<b>38,324,340</b>	<b>32,429,026</b>
<b>30</b>	<b>FINANCE CHARGES</b>	
Borrowing	133,034	200,004
Finance leases	88,933	26,495
Ex-Gratia Pension	2,690	4,186
Post Employment Health Care Benefits	6,235,000	5,529,000
Long service awards	1,050,000	687,000
Non-current Provision	7,635,788	3,570,257
<b>Total finance charges</b>	<b>15,145,445</b>	<b>10,016,942</b>
<b>31</b>	<b>BULK PURCHASES</b>	
Electricity	285,708,344	239,632,251
<b>Total Bulk Purchases</b>	<b>285,708,344</b>	<b>239,632,251</b>
<b>32</b>	<b>CONTRACTED SERVICES</b>	
Tracing agents and debt collection	67,976	52,625
Legal Cost	213,480	4,333,008
Electrical	2,281,378	2,024,301
Maintenance Buiding and Facilities	853,967	692,059
Traffic Fines Management	191,440	299,752
Maintenance of Unspecified Assets	2,783,059	2,100,880
Business and Advisory	2,900,304	3,537,383
Security Services	12,083,277	21,702,696
Infrastructure and Planning	7,873,443	13,720,366
Other	4,533,438	3,829,563
	<b>33,781,762</b>	<b>52,292,633</b>
<b>33</b>	<b>TRANSFERS AND SUBSIDIES: OPERATIONAL EXPENDITURE</b>	
Sport	52,700	-
Public Schools	175,598	60,000
Bursaries (Non-Employee)	87,566	17,944
Eskom	-	5,000,000
Witzenberg Security Forum	967,470	564,000
Tourism	900,000	892,323
<b>Total Transfers and Subsidies: Operational Expenditure</b>	<b>2,183,334</b>	<b>6,534,267</b>

The transfer to Eskom is for upgrading of the electricity network feeding the Ceres area to increase the available elctricity.

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>34 OPERATIONAL COST</b>		
Advertising, Publicity and Marketing	676,054	661,146
Bank Charges, Facility and Card Fees	751,443	642,889
Commission	2,784,995	2,420,897
Communication	2,959,917	2,605,128
External Audit Fees	3,232,047	3,209,125
External Computer Service	3,276,716	2,957,784
Hire Charges	4,426,272	4,105,308
Insurance Underwriting	2,926,726	3,896,785
Learnerships and Internships	972,149	595,789
Levies Paid - Water Resource Management Charges	381,448	719,325
Licences	366,025	219,808
Printing, Publications and Books	323,403	356,820
Professional Bodies, Membership and Subscription	1,929,725	2,195,246
Remuneration to Ward Committee	551,000	1,359,000
Signage	132,389	504,115
Workmen's Compensation Fund	1,529,692	1,090,632
Transport Provided as Part of Departmental Activities	20,096	6,561
Travel and Subsistence	325,979	231,277
Uniform and Protective Clothing	1,167,220	760,141
Wet Fuel	7,879,670	5,784,127
Other	463,623	322,703
<b>Total Operational cost</b>	<b><u>37,076,589</u></b>	<b><u>34,644,606</u></b>
<b>35 (IMPAIRMENT LOSS) / REVERSAL OF IMPAIRMENT</b>		
Property Plant & Equipment - Impairment loss	-	1,364,223
Property Plant & Equipment - Reversal	-	(714,729)
Property Plant & Equipment	2,370,024	-
<b>Total Impairments</b>	<b><u>2,370,024</u></b>	<b><u>649,494</u></b>
<b>36 CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		<b>2021 R</b>
<b>36.01 Unpaid Conditional Government Grants and Receipts</b>		<b>2,172,368</b>
<b>Balance previously reported</b>		<b>(500,000)</b>
Correction of grant spend - Note 36.08		<b><u>1,672,368</u></b>
<b>Balance now reported</b>		<b><u>1,672,368</u></b>
<b>36.02 Statutory Receivables: VAT</b>		<b>7,204,367</b>
<b>Balance previously reported</b>		<b>27,909</b>
Retention not raised during 2020/2021 - Operational - Note 36.06		<b>16,512</b>
Retention not raised during 2020/2021 - Capital - Note 36.06		<b>73,297</b>
Correction of year end creditors - Note 36.06		<b><u>7,322,085</u></b>
<b>Balance now reported</b>		<b><u>7,322,085</u></b>
<b>36.03 Property, Plant and Equipment</b>		<b>982,159,084</b>
<b>Balance previously reported</b>		<b>(263,057)</b>
Reclassification of Main Ledger Cost, Depreciation & Accumulated Impairment with Asset Register - Note 36.09		<b>1,456,652</b>
Correction of incorrect depreciation charge - Note 36.09		<b>1,234,466</b>
Adjustment to correct review of depreciation done in previous years - Note 36.09		<b>2,363,433</b>
Adjustment to correct disposals done in previous years - Note 36.09		<b>24,551</b>
Roll Back depreciation on Impaired Asset_Ablution Facilities Pine Valley - Note 36.09		<b>(1,014,713)</b>
Impairment of Assets_Ablution Facilities Pine Valley - Note 36.09		<b>40,294</b>
Roll Back depreciation on Impaired Asset_Ablution Facilities Pine Valley - Note 36.09		<b>152,194</b>
Correction of incorrect depreciation charge - Note 36.09		<b>110,082</b>
Retention not raised during 2020/2021 - Capital - Note 36.06		<b><u>986,262,986</u></b>
<b>Balance now reported</b>		<b><u>986,262,986</u></b>
<b>36.04 Intangible Assets</b>		<b>1,260,288</b>
<b>Balance previously reported</b>		<b>981,351</b>
Reclassification of Main Ledger Cost, Depreciation & Accumulated Impairment with Asset Register - Note 36.09		<b>(69,473)</b>
Correction of incorrect depreciation charge - Note 36.09		<b>18,759</b>
Adjustment to correct review of depreciation done in previous years - Note 36.09		<b><u>2,190,924</u></b>
<b>Balance now reported</b>		<b><u>2,190,924</u></b>
<b>36.05 Investment Property</b>		<b>44,223,547</b>
<b>Balance previously reported</b>		<b>(718,294)</b>
Reclassification of Main Ledger Cost, Depreciation & Accumulated Impairment with Asset Register - Note 36.09		<b>56,333</b>
Adjustment to correct disposals done in previous years - Note 36.09		<b><u>43,561,586</u></b>
<b>Balance now reported</b>		<b><u>43,561,586</u></b>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022  
CORRECTION OF ERROR IN TERMS OF GRAP 3 CONTINUED

		2021 R
<b>36.06</b>	<b>Trade and Other Payables Exchange Transactions</b>	
	<b>Balance previously reported</b>	<b>58,574,828</b>
	Retention not raised during 2020/2021 - Operational - Note 36.1	213,958
	Retention not raised during 2020/2021 - Capital - Note 36.03	126,593
	Recognise old unallocated deposits as revenue - Note 36.1	(3,071,126)
	Correction of year end creditors - Note 36.02	559,775
	Correction of amount due to compensation commissioner - Note 36.09	4,546,405
	Correction of retention payable - Note 36.09	(10,032)
	<b>Balance now reported</b>	<b>60,940,401</b>
	<b>Current Employee benefits</b>	
<b>36.07</b>	<b>Consumer Deposits</b>	
	<b>Balance previously reported</b>	<b>9,079,732</b>
	Correction of consumer Deposits - Note 36.09	148,164
	Correction of consumer deposits 2019 2020 - Note 36.09	74,698
	<b>Balance now reported</b>	<b>9,302,594</b>
<b>36.08</b>	<b>Unspent Conditional Government Grants and Receipts</b>	
	<b>Balance previously reported</b>	<b>24,703,606</b>
	Correction of grant spend - Note 36.01	(500,000)
	<b>Balance now reported</b>	<b>24,203,606</b>
<b>36.09</b>	<b>Accumulated Surplus as at 30 June 2020</b>	
	<b>Balance previously reported</b>	<b>904,827,872</b>
	Reclassification of Main Ledger Cost, Depreciation & Accumulated Impairment with Asset Register - Note 36.03	(263,057)
	Correction of incorrect depreciation charge - Note 36.03	1,456,652
	Adjustment to correct review of depreciation done in previous years - Note 36.03	1,234,466
	Adjustment to correct disposals done in previous years - Note 36.03	2,363,433
	Roll Back depreciation on Impaired Asset_Ablution Facilities Pine Valley - Note 36.03	24,551
	Impairment of Assets_Ablution Facilities Pine Valley - Note 36.03	(1,014,713)
	Roll Back depreciation on Impaired Asset_Ablution Facilities Pine Valley - Note 36.03	40,294
	Reclassification of Main Ledger Cost, Depreciation & Accumulated Impairment with Asset Register - Note 36.04	981,351
	Correction of incorrect depreciation charge - Note 36.04	(69,473)
	Adjustment to correct review of depreciation done in previous years - Note 36.04	18,759
	Reclassification of Main Ledger Cost, Depreciation & Accumulated Impairment with Asset Register - Note 36.05	(718,294)
	Adjustment to correct disposals done in previous years - Note 36.05	56,333
	Recognise old unallocated deposits as revenue - Note 36.06	3,071,126
	Correction of consumer Deposits - Note 36.07	(148,164)
	Correction of amount due to compensation commissioner - Note 36.06	(4,546,405)
	Correction of retention payable - Note 36.06	10,032
	Correction of consumer deposits 2019 2020 - Note 36.07	(74,698)
	<b>Balance now reported</b>	<b>907,250,064</b>
<b>36.10</b>	<b>Accumulated Surplus as at 30 June 2021</b>	
	<b>Balance previously reported</b>	<b>934,144,619</b>
	Correction of error - Accumulated Surplus as at 30 June 2019 - Note 36.09	2,422,192
	Correction of incorrect depreciation charge - Note 36.03	152,194
	Retention not raised during 2020/2021 - Operational - Note 36.06	(186,049)
	Correction of year end creditors - Note 36.02	(486,478)
	<b>Balance now reported</b>	<b>936,046,478</b>
<b>36.11</b>	<b>Inventory Consumed</b>	
	<b>Balance previously reported</b>	<b>12,584,154</b>
	Correction of year end creditors - Note 36.02	115,226
	<b>Balance now reported</b>	<b>12,699,380</b>
<b>36.12</b>	<b>Depreciation and Amortisation</b>	
	<b>Balance previously reported</b>	<b>32,581,220</b>
	Correction of incorrect depreciation charge - Note 36.03	(152,194)
	<b>Balance now reported</b>	<b>32,429,026</b>
<b>36.13</b>	<b>Contracted Services</b>	
	<b>Balance previously reported</b>	<b>51,747,585</b>
	Correction of year end creditors - Note 36.06	545,048
	<b>Balance now reported</b>	<b>52,292,633</b>
<b>36.14</b>	<b>Operational Cost</b>	
	<b>Balance previously reported</b>	<b>34,632,352</b>
	Correction of year end creditors - Note 36.06	12,253
	<b>Balance now reported</b>	<b>34,644,605</b>



**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**CORRECTION OF ERROR IN TERMS OF GRAP 3 CONTINUED**

**2021  
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<b>36.15</b>	<b>CASH FLOW STATEMENT: Receipts from sales of goods and services</b>	
	Balance previously reported	345,212,302
	Correction of error: Reclasification of payments received in advance and unallocated deposits - Note 36.17	315,075
	<b>Balance now reported</b>	<b>345,527,377</b>
<b>36.16</b>	<b>CASH FLOW STATEMENT: Payments in respect of employee and Councillor cost</b>	
	Balance previously reported	(192,229,109)
	Correction of error: Councillor Remuneration was previously included with Suppliers- Note 36.17	(10,583,028)
	Correction of error: Movement in overtime payable was previously included with suppliers- Note 36.17	30,964
	<b>Balance now reported</b>	<b>(202,781,173)</b>
<b>36.17</b>	<b>CASH FLOW STATEMENT: Payments to suppliers</b>	
	Balance previously reported	(354,366,525)
	Correction of error: Councillor Remuneration was previously included with Suppliers- Note 36.16	10,583,028
	Correction of error: Movement in overtime payable was previously included with suppliers- Note 36.16	(30,964)
	Correction of error: Reclasification of payments received in advance and unallocated deposits - Note 36.15	(315,075)
	Correction of error: Movement in Capital Payments was previously included in suppliers - Note 36.19	(627,422)
	Correction of error: Movement in accrued finance charges previously included in suppliers - Note 36.18	6,209
	<b>Balance now reported</b>	<b>(344,750,749)</b>
<b>36.18</b>	<b>CASH FLOW STATEMENT: Payment of finance charges</b>	
	Balance previously reported	(226,499)
	Correction of error: Movement in accrued finance charges previously included in suppliers - Note 36.17	(6,209)
	<b>Balance now reported</b>	<b>(232,708)</b>
<b>36.19</b>	<b>CASH FLOW STATEMENT: Purchase of Property, Plant and Equipment</b>	
	Balance previously reported	(66,943,531)
	Correction of error: Movement in Capital Payments was previously included in suppliers - Note 36.17	627,422
	<b>Balance now reported</b>	<b>(66,316,109)</b>
<b>36.20</b>	<b>DISCLOSURE OF COMMITMENTS</b>	
	Balance previously reported	163,106,774
	<b>Balance now reported</b>	<b>163,106,774</b>
<b>36.21</b>	<b>CASH FLOW STATEMENT: Increase in Consumer Deposits</b>	
	Balance previously reported	163,106,774
	Correction of error: Commitments in respect of operational expenditure was previously included in the disclosure note	(62,996,889)
	Correction of error: Recalculation of future commitments	(1,400,767)
	<b>Balance now reported</b>	<b>98,709,118</b>

**37 CHANGE IN ACCOUNTING ESTMATE**

Change in Useful lives

The municipality has reassessed the useful lives of Property plant and equipment and Intangible Asset which resulted in changes in depreciation and amortisation charges. The effect of the change in accounting estimate has resulted in the following movements for the current and future periods on the affected capital assets:

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<u>Movement in depreciation and amortisation</u>				
Before change in estimate	868,762	868,762		
After change in estimate	1,580,076	1,580,076	1,580,076	1,580,076
Net effect	<u>711,314</u>	<u>711,314</u>	<u>1,580,076</u>	<u>1,580,076</u>

The municipality has made an adjustment to Fines Revenue relating to previous financial years. These adjustments were accounted for prospectively and the effect thereof can be summarised as follow:

<u>Movement in fines revenue</u>	
Before change in estimate	11,603,892
After change in estimate	11,591,892
Net effect	<u>(12,000)</u>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

38	RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS	2022 R	2021 R
	Surplus/(Deficit) for the year	89,427,165	28,621,089
	<b>Adjustments for:</b>		
	Depreciation	38,246,449	32,042,067
	Amortisation of Intangible Assets	77,892	386,958
	Gain / (loss) on disposal of assets	(7,176,709)	66,047
	Gain / (loss) on Adjustment of Provision	-	(2,204,355)
	Debt Impairment	36,272,420	34,865,297
	Contribution from/to provisions	7,635,788	3,570,257
	Contribution from/to employee benefits	970,842	(547,404)
	Interest cost - Employee Benefits	7,287,690	6,220,186
	Gain / (loss) on Actuarial Valuations	(8,642,142)	5,317,725
	(Impairment loss) / Reversal of impairment loss	2,370,024	649,494
	Finance lease: deemed loan expenditure	(458,729)	(481,811)
	Bad Debts Written Off	14,710,875	17,560,944
	Operating Surplus/(Deficit) before changes in working capital	180,721,565	126,066,494
	Changes in working capital	(72,402,808)	(73,197,802)
	Increase/(Decrease) in Trade and Other Payables	928,933	4,650,422
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(9,792,813)	(27,046,728)
	Increase/(Decrease) in Unspent Public Contributions	(793,037)	1,759,954
	Increase/(Decrease) in Taxes	3,922,954	2,327,566
	(Increase)/Decrease in Inventory	927,867	1,638,418
	(Increase)/Decrease in Trade and other receivables	(58,452,586)	(59,463,287)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(9,144,126)	2,935,853
	<b>Cash generated/(absorbed) by operations</b>	<b>108,318,757</b>	<b>52,868,693</b>
39	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents - Note 2	144,879,638	115,305,213
	Less:	14,410,793	24,203,606
	Unspent Committed Conditional Grants - Note 6	14,410,793	24,203,606
	<b>Resources available for working capital requirements</b>	<b>130,468,845</b>	<b>91,101,607</b>
	<b>Allocated to:</b>		
	Capital Replacement Reserve	12,539,508	10,442,209
	Employee Benefits Reserve	98,909,594	99,293,206
	Non-Current Provisions Reserve	162,372,711	102,375,838
	<b>Shortfall in working capital requirements</b>	<b>(143,352,968)</b>	<b>(121,009,646)</b>
40	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
	Long-term Liabilities - Note 16	2,424,190	2,774,921
	Used to finance property, plant and equipment - at cost	(2,424,190)	(2,774,921)
		-	-

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

<b>41</b>	<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>	<b>2022</b>	<b>2021</b>
		<b>R</b>	<b>R</b>
<b>41.1</b>	<b>Irregular expenditure</b>		
	Opening balance	-	27,674,357
	Approved by Council	-	(27,674,357)

<p>SCM Regulation 32 contracts classified as irregular during audit process by AGSA. The contracts used of other organs of state was on rates with no fixed quantities and therefore it cannot be said that any part of the contract is irregular or the whole contract as currently disclosed. The municipality is not in agreement with this view and this issue will be dealt with in terms of the audit engagement letter process. Prior and current year being disclosed as per opinion of AGSA.</p>	<p>Matter will be dealt with in terms of applicable laws and regulations.</p>
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**Unauthorised expenditure**

Reconciliation of unauthorised expenditure:

Opening balance	1,935,841	
Unauthorised expenditure current year - capital	-	333,615
Unauthorised expenditure current year - operating	8,933,855	1,602,226
Condoned by council	(1,935,841)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<b>8,933,855</b>	<b>1,935,841</b>

Unauthorised expenditure on operating votes are due to:

- Capital
- 2020 2021: Recognition of retention money on sport fields project.
  
- Operating
- 2020 2021: Recognition of provision for impairment and write-offs of traffic fines. The service provider responsible for collecting ended his contract prematurely.

2021/2022: The depreciation expense of the deemed asset - Rehabilitation of landfill sites is more than budgeted due to increased cost of rehabilitation, higher inflation rates and higher interest rates

**42 MATERIAL LOSSES**

**42.1 Water distribution losses**

- Kilolitres purified	6,937,653	7,187,597
- Kilolitres sold	5,972,478	6,316,713
- Kilolitres lost during distribution	965,175	870,884
- Percentage lost during distribution	13.91%	12.12%
- Value of kilolitres lost during distribution	405,374	355,946
- The value of kilolitres lost is based on the treatment cost of water.		

The estimated consumption for public open spaces and informal houses are calculated on a conservative bases using baseline consumption estimations provided by the Department of Water Affairs. Water meters will be installed to measure the mentioned consumption in the future.

**42.2 Electricity distribution losses**

- Units purchased (Kwh)	206,174,820	201,693,361
- Units sold (Kwh)	184,025,117	179,910,798
- Units lost during distribution (Kwh)	22,149,703	21,782,563
- Percentage lost during distribution	10.74%	10.80%
- Value of units lost during distribution (Rand)	30,694,121	25,879,903

The electricity losses are in line with the guideline of the National Energy Regulator of South Africa of 10%

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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	1,899,346	2,149,856
Amount paid - previous years	(1,899,346)	(2,149,856)
<b>Balance unpaid (included in Payables from exchange transactions)</b>	<b>-</b>	<b>-</b>

43.2 **Audit fees - [MFMA 125 (1)(c)]**

Opening balance	-	-
Current year audit fee	3,298,944	3,434,043
External Audit - Auditor-General	3,232,047	3,209,125
Audit Committee	66,897	224,918
Amount paid - current year	3,298,944	3,434,043
<b>Balance unpaid (included in Payables from exchange transactions)</b>	<b>-</b>	<b>-</b>

43.3 **VAT - [MFMA 125 (1)(c)]**

Opening balance	8,735,709	4,776,156
Amounts received - Output VAT - current year	(63,818,857)	(52,662,549)
Amounts claimed - Input VAT - current year	62,017,027	56,420,876
Amount paid - current year	4,095,217	3,622,954
Amount - previous year	(3,622,954)	(3,421,728)
<b>Closing balance</b>	<b>7,406,142</b>	<b>8,735,709</b>

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)(c)]**

Opening balance	238,410	-
Current year payroll deductions and Council Contributions	30,473,809	28,152,039
Amount paid - current year	(30,712,219)	(27,913,629)
<b>Balance unpaid (included in Payables from exchange transactions)</b>	<b>-</b>	<b>238,410</b>

43.5 **Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]**

Opening balance	-	-
Current year payroll deductions and Council Contributions	46,595,223	44,717,195
Amount paid - current year	(46,595,223)	(44,717,195)
<b>Balance unpaid (included in Payables from exchange transactions)</b>	<b>-</b>	<b>-</b>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<b>43.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</b>		
During the financial year the following Councillors were outstanding for more than 90 days at any instance		
JW Schuurman		1,867
P Heradien	7,687	333
TE Abrahams		15,872
GJ Franse	17,586	-
FE Klazen	20,257	-
K Robyn	85,156	-
JS Mouton	13,052	-
B C Klaasen	13,613	12,472
<b>Total Councillor Arrear Consumer Accounts</b>	<b>157,351</b>	<b>30,542</b>

BC Klaasen has lodged a dispute in terms of the municipal account

Councillors outstanding for more than 90 days as at 30 June 2022:

P Heradien	3,687	
TE Abrahams	-	13,673
GJ Franse	17,220	
FE Klazen	17,598	-
B C Klaasen	13,613	12,472
<b>Total Councillor Arrear Consumer Accounts at year end</b>	<b>52,118</b>	<b>26,144</b>

**43.7 Discloser 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)**

2021/2022	Amount	Single Supplier	Type of deviation		
			Impossible	Impractical	Emergency
July	146,952	4	0	1	1
August	242,767	5	0	2	3
September	332,735	12	0	2	4
October	708,640	5	0	3	0
November	4,971,711	12	0	9	8
December	91,456	6	0	2	0
January	108,119	7	0	0	4
February	302,650	10	0	3	2
March	1,387,194	11	0	3	5
April	2,073,973	5	0	1	1
May	1,729,368	4	0	4	6
June	94,592	5	0	3	2
	<b>12,190,157</b>	<b>86</b>	<b>0</b>	<b>33</b>	<b>36</b>
2020/2021	Amount	Single Supplier	Impossible	Impractical	Emergency
July	1,837,705	7	0	9	4
August	258,565	2	0	1	0
September	280,026	6	0	3	2
October	364,300	5	0	3	0
November	2,007,074	11	0	4	1
December	1,111,124	6	0	4	2
January	148,231	2	0	0	0
February	221,689	5	0	2	0
March	384,047	14	0	6	2
April	110,358	3	0	4	1
May	3,051,131	17	0	26	4
June	6,268,554	14	0	11	10
	<b>16,042,804</b>	<b>92</b>	<b>0</b>	<b>73</b>	<b>26</b>

WITZENBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022  
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43.8 **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
Williams Loodgieters	SR Williams	Spouse	R Williams	Dept. of Health: Nurse	88,034
Freddie Opperman	Freddie Opperman	Spouse	J Opperman	Western Cape Education Department: Teacher	5,400
SEW Plumbing	SE Williams	Spouse	L Williams	Dept. of Health: Admin Officer	4,750
		Son	R Williams	Dept. of Health: Nurse	
O'Neill & Visser Attorneys	CW O'Neill	Spouse	H O'Neill	DOJ: Worcester	23,063
Vox Elektries	F Blom	Spouse	M Blom	SAPS: Officer	46,016
RJC Conservation Services	R Prins	Son	Prins	Chief Professional Nurse: Wolseley Clinic Dep of Health	98,360
JC Fencing	JJ Abrahamse	Father	K Abrahamse	Witzenberg Municipality: Traffic Officer	7,850
Hen Lyners and Associates (RF) (Pty) Ltd	N Lyners	Sibling	H Lyners	WCGTPW: Chief Engineer	751,181
WRP Consulting Engineers (PTY) Ltd	Pieter van Rooyen	Spouse	Zelmarie van Rooyen	Department of Public Works: Chief Town Planner	4,140
	Takalani Mamphitha	Spouse	Katlego Mamphitha	SABC: Systems Administrator	
WAB Print Media (Pty) Ltd	Wayne Brink	Spouse	Adelene Brink	Drakenstein Municipality	14,633
Piston Power Chemicals (Pty) Ltd	Ujush Andhee	Spouse	Nadira Andhee	Educator: Department of Education KZN	25,496
Motheo Construction	L Mashau	Sister	M Ndhlovu	Department of Statistics: Statistician	6,539,340
	S Mantlasi	Sibling	B Mantlasi	COGTA: Human Resource Manager	
	U Langa	Daughter	D Langa	Department of Education: Senior Educational Specialist	
	R Diphoko	Daughter	E Monareng	SANDF: Warrant Officer	
	R Diphoko	Spouse	M Diphoko	Transnet: Snr Constructon Manager	
	R Madi	Child	M Madi	Tholomela Municipality: Environmental Manager	
	V Singh	Spouse	R Singh	Department of Education: Teacher	
	N Chiluvane	Sibling	N Dube	CETA: Chairperson of Evaluation Committee	
	RJ Ahlschlager	Spouse	RJ Ahlschlager	SIU	
	I Gasant	Sibling	S Seegers	City of Cape Town: Head of Security	
RJ Designs	R Jacobs		C Africa	Saldanha Bay Municipality Assistant Librarian	10,950
Amandla Constrution	W Frazenburg	Brother in Law	J Jacobs	National Government Employment & Labour	7,935,634
		Sister	U Frazenburg	National Government Deeds Office Kimberley	
		Brother	E Frazenburg	WC Government Education Eerste Rivier HS	
		Sister	J Frazenburg	WC Government Education Kleinvlei HS	
		Brother	B Frazenburg	City of Cape Town: Traffic Dept	
Alitmax (Pty) Ltd	MM De Kock	Spouse	HJ De Kock	Consultant: IT Network Engineer State Information Technology Agency	230,000
DAV General Dealer (Pty) Ltd	D Lategan	Father	A Lategan	Financial Intern: Witzenberg Municipality	28,640
All Parts	A Janse	Husband	Ms Janse	Department of Health: Bella Vista Clinic	485
Peres Williams Transport	S Williams	Sister	A Prins	SA Army Band	1,600
Ian Dickie & Co	M Samuels	Spouse	D Samuels	SAPS: Warrant Officer Supply Chain	150,467

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

2021  
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***Regulation 45 - Details of awards made to close family members of persons in service of State - continued***

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
Williams Loodgieters	SR Williams	Spouse	R Williams	Dept. of Health: Nurse	54,600
Freddie Opperman	Freddie Opperman	Spouse	J Opperman	Western Cape Education Department: Teacher	63,722
SEW Plumbing	SE Williams	Spouse	L Williams	Dept. of Health: Admin Officer	114,399
		Son	R Williams	Dept. of Health: Nurse	
Regan Brown Attorneys	R Brown	Brother	E Johnson	City of Cape Town: Traffic Dept	67,104
		Brother	D Johnson	SAPS: Worcester	
O'Neill & Visser Attorneys	CW O'Neill	Spouse	H O'Neill	DOJ: Worcester	254,998
Vox Elektries	F Blom	Spouse	M Blom	SAPS: Officer	18,345
RJC Conservation Services		Son	Prins	Chief Professional Nurse: Wolseley Clinic Dep of Health	28,000
JC Fencing	JJ Abrahamse	Father	K Abrahamse	Witzenberg Municipality: Traffic Officer	18,831
Leibrandt Training Academy	Nina Benjamin	Spouse	Heinrich Benjamin	SAPS Colonel	17,415
WRP Consulting Engineers (PTY) Ltd	Pieter van Rooyen	Spouse	Zelmarie van Rooyen	Department of Public Works: Chief Town Planner	3,600
	Takalani Mamphitha	Spouse	Katlego Mamphitha	SABC: Systems Administrator	
WAB Print Media (Pty) Ltd	Wayne Brink	Spouse	Adelene Brink	Drakenstein Municipality	1,565
Hilmarlandscape (Pty) Ltd	Helgardt Louw	Brother	R Louw	Witzenberg Municipality: Plumbing	500
Piston Power Chemicals (Pty) Ltd	Ujush Andhee	Spouse	Nadira Andhee	Educator: Department of Education KZN	42,448
Motheo Construction	L Mashau	Brother	R Manlhabi	Department of Home Affairs; Department of Statistics	1,622,726
RJ Designs	R Jacobs		C Africa	Saldanha Bay Municipality Assistant Librarian	1,950

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**COMMITMENTS**

**Commitments in respect of expenditure:**

	2022 R	2021 R
Approved and contracted for	49,802,560	98,709,118
Infrastructure	15,157,772	35,593,596
Community	31,834,358	59,130,866
Other Capital	2,810,430	3,984,656
<b>Total</b>	<b>49,802,560</b>	<b>98,709,118</b>
An implementing agent has been appointed for low cost housing projects. The available allocation as per provincial budgets for this project is:	<b>11,600,000</b>	<b>26,888,000</b>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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FINANCIAL RISK MANAGEMENT

2022  
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2021  
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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:

0.5% Increase in interest rates	712,231	562,604
0.5% Decrease in interest rates	(712,231)	(562,604)

(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 3 and 4 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 3 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

	2022 %	2022 R	2021 %	2021 R
<u>Exchange Receivables</u>				
Electricity	87.46%	52,937,815	100.00%	48,602,002
Water	6.10%	7,656,863	6.85%	7,188,001
Housing Rentals	6.38%	170,360	17.08%	410,607
Refuse	6.13%	4,483,398	5.71%	3,428,186
Sewerage	13.05%	9,135,635	14.54%	8,617,726
Other	6.25%	86,802	8.75%	113,942
Land Sales	100.00%	9,633,310	100.00%	1,133,310
	<u>24.38%</u>	<u>84,104,184</u>	<u>24.32%</u>	<u>69,493,773</u>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 3 and 4 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.



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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## FINANCIAL RISK MANAGEMENT CONTINUED

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

	2022 %	2022 R	2021 %	2021 R
<u>Exchange Receivables</u>				
Electricity	2.93%	7,589,397	2.88%	6,169,034
Water	45.54%	117,844,318	45.60%	97,703,889
Housing Rentals	0.97%	2,499,485	0.93%	1,993,487
Refuse	26.53%	68,643,271	26.41%	56,591,185
Sewerage	23.53%	60,884,259	23.63%	50,632,172
Other	0.50%	1,302,927	0.55%	1,187,880
	<u>100.00%</u>	<u>258,763,656</u>	<u>100.00%</u>	<u>214,277,648</u>

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

	2022 %	2022 R	2021 %	2021 R
Residential	95.77%	247,823,886	95.90%	205,494,465
Commercial	1.75%	4,524,568	2.03%	4,353,570
Other	2.48%	6,415,202	2.07%	4,429,612
	<u>100.00%</u>	<u>258,763,656</u>	<u>100.00%</u>	<u>214,277,648</u>

Bad debts written off per debtor class:

<u>Exchange Receivables</u>				
Water management	31.84%	(19,784)	44.45%	(7,234)
Waste management	33.16%	(20,599)	30.83%	(5,018)
Waste water management	33.41%	(20,756)	23.85%	(3,882)
Other	1.59%	(986)	0.86%	(141)
	<u>100.00%</u>	<u>(62,125)</u>	<u>100.00%</u>	<u>(16,274)</u>

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:

	2022 R	2021 R
Receivables from exchange transactions	86,202,955	71,504,141
Cash and Cash Equivalents	144,870,308	115,295,816
Unpaid conditional grants and subsidies	10,816,494	1,672,368
	<u>241,889,757</u>	<u>188,472,325</u>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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## FINANCIAL RISK MANAGEMENT CONTINUED

## (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
<b>2022</b>				
Borrowing	2,023,807	547,662	-	-
Capital repayments	1,896,741	527,450	-	-
Interest	127,066	20,212	-	-
Trade and Other Payables	44,326,583	-	-	-
Unspent conditional government grants and receipts	14,410,793	-	-	-
	<b>60,761,183</b>	<b>547,662</b>	-	-
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2021</b>				
Borrowing	1,762,766	1,250,670	-	-
Capital repayments	1,586,619	1,188,300	-	-
Interest	176,147	62,370	-	-
Trade and Other Payables	47,999,227	-	-	-
Unspent conditional government grants and receipts	24,203,606	-	-	-
	<b>73,965,599</b>	<b>1,250,670</b>	-	-

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

46	<b>FINANCIAL INSTRUMENTS</b>	<b>2022</b>	<b>2021</b>
		<b>R</b>	<b>R</b>
	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.		
<b>46.1</b>	<b><u>Financial Assets</u></b>		
	<b><u>Classification</u></b>		
	<b>Receivables</b>		
	Receivables from exchange transactions	86,202,955	71,504,141
	<b>Other Receivables</b>		
	Government Subsidies and Grants	10,816,494	1,672,368
	<b>Short-term Investment Deposits</b>		
	<b>Bank Balances</b>		
	Bank Balances	144,870,308	115,295,816
		<u><b>241,889,757</b></u>	<u><b>188,472,325</b></u>
	<b>SUMMARY OF FINANCIAL ASSETS</b>		
	Financial instruments at amortised cost	241,889,757	188,472,325
	<b>At amortised cost</b>	<u><b>241,889,757</b></u>	<u><b>188,472,325</b></u>
<b>46.2</b>	<b><u>Financial Liability</u></b>		
	<b><u>Classification</u></b>		
	<b>Long-term Liabilities</b>		
	Annuity Loans	-	1,188,302
	Capitalised Lease Liability	527,449	-
	<b>Payables from exchange transactions</b>		
	Trade creditors	8,498,370	16,485,991
	Retentions	8,176,979	3,699,275
	Deposits	227,707	93,513
	Other	35,600,506	31,419,723
	<b>Other Payables</b>		
	Government Subsidies and Grants	14,410,793	24,203,606
	<b>Current Portion of Long-term Liabilities</b>		
	Annuity Loans	1,404,850	1,586,619
	Capitalised Lease Liability	491,891	-
		<u><b>69,338,545</b></u>	<u><b>78,677,029</b></u>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>		
	Financial instruments at amortised cost	<u><b>69,338,545</b></u>	<u><b>78,677,029</b></u>

**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

		2022 R	2021 R
47	<b>PRIVATE PUBLIC PARTNERSHIPS</b>		
	Council has not entered into any private public partnerships during the financial year.		
48	<b>CONTINGENT LIABILITY</b>		
48.1	<b>Claims against Council</b>	<b>13,043,757</b>	<b>9,645,563</b>
	Estimate legal Fees	-	-

The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. Management are respectfully of opinion that this matter will be successfully defended. The Municipality is defending all the claims. The amounts indicated is Management's estimated financial exposure. The following are narratives of the cases:

Ceres Koekedouw Management Committee	The purchase agreement of the Vredebes Farm includes 15 hectares water rights. The Ceres Koekedouw Management Committee now claims that Witzenberg Municipality is part of their historical loan agreements and therefore responsible for a portion of the repayment of their loan. The purchase agreement however is silent on the loan.	889,892	889,892
South African Revenue Services	The municipality has submitted a VAT ruling application to the South African Revenue Services (SARS) relating to the output tax treatment of the library grants received and/or receivable from the Western Cape Department of Cultural Affairs (DCAS). The municipality has previously submitted a non-binding VAT ruling to the SARS, whereupon SARS informed us that we need to confirm from the DCAS if the library function has been assigned to the municipality as contemplated in the Constitution of South Africa. At the date of the VAT ruling application, the DCAS did not confirm if the library function has been assigned to the municipality. We have submitted the VAT ruling application to the SARS on the basis that the library function is not assigned to the municipality, as we could not find any evidence confirming that the library function has been assigned to the municipality. The municipality now awaits the outcome of the library function VAT ruling outcome from the SARS. The amount are not disclosed as no ruling has been issued by SARS.	7,019,150	6,555,250
Gunter C Mrs	Plaintiff claims damages from the municipality after she fell on the sidewalk. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.	585,766	585,766
Smith WJ	Stepped into hole of manhole cover on c/o Friesland & Delta Street, Bella Vista. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.	628,370	628,370
Rooi JCR	Broke ankle after stepping in open storm channel. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.	986,285	986,285
Van der Merwe C	Involved in accident with municipal vehicle. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.	191,453	
Pedro I	Fell into an open manhole. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.	2,551,000	
Fortuin N	Drove in to stray ox in Pine Valley, Wolseley. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.	75,000	
Open Serve	Damage to underground cables at Bon Cretien Street Ceres. The case was submitted to the municipality's insurance broker. The chance that any amount might be payable by the municipality is remote.	34,041	

**48.2 Possible increase in Councillor Remuneration**

The Minister for Cooperative Governance and Traditional Affairs on, 2 November 2022, approved data allowances for members of municipal councils which may take effect retrospectively from 1 July 2021. The data allowance is pending a council resolution and the approval from Provincial Minister for Local Government.	82,800	
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<b>TOTAL CONTINGENT LIABILITY</b>	<b>13,043,757</b>	<b>9,645,563</b>
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**WITZENBERG MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

49	<b>CONTINGENT ASSET</b>	<b>2022 R</b>	<b>2021 R</b>
	With the review of the municipality's housing arrangement accounting, the municipality also reviewed its housing input tax VAT treatment relating to the payment of its housing implementing agents. The housing VAT sections of the Value-Added Tax Act, 1991 as amended, is inherently complex. As a consequence of our housing VAT review, the municipality has submitted a VAT ruling application the SARS confirming if the municipality can reclaim input tax for VAT purposes from the payments made to its implementing agent for the housing projects. Note that the municipality is the developer of the housing projects considered and the implementing agents are performing housing construction services to the municipality for the houses that the municipality sells to the housing beneficiaries. The municipality now awaits the outcome of the housing VAT ruling outcome from the SARS. In the event that the SARS issue a positive VAT ruling. The amount are not disclosed as no ruling has been issued by SARS.	18,034,021	20,975,483

**50 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.

**50.1 Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

**50.2 Compensation of Councillors and key management personnel**

The compensation of key management personnel is set out in Notes 26 and 27 to the Annual Financial Statements.

**50.3 Other related party transactions**

No purchases were made during the year where Councillors or staff have an interest.

**50.4 Ceres Koekedouw Management Committee**

Ceres Koekedouw Management Committee is an entity established by the Witzenberg Municipality and the Koekedouw Irrigation Board. Ceres Koekedouw Management Committee is responsible for the management of the Koekedouw Dam, jointly owned by Witzenberg Municipality and the Koekedouw Irrigation Board.

Witzenberg municipality was responsible for 41% of the expenditure to build the Koekedouw Dam. The expense was financed by way of loans. These loans have already been redeemed.

The municipality is entitled to 10 million kilolitre water per annum from the dam.

The total carrying value of the municipal asset in respect of the dam of R28 336 269 is included under Property Plant and Equipment – Infrastructure Assets in Note 9.

The following contributions included with General Expenses were paid to the Ceres Koekedouw Management Committee (VAT excluded)

<u><b>1,309,043</b></u>	<u><b>1,223,847</b></u>
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**51 FINANCIAL SUSTAINABILITY**

Management is of the opinion that will Municipality will continue to operate as a going concern and perform it's functions as set out in the Constitution.

Financial Indicators

The current ratio increased to 2.25 from 1.7 in the prior year.

Cash and Cash Equivalentents have increased to R 145 million from R 115 million in the prior year.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

52 NON-LIVING RESOURCES

The responsibility for the non-living water resource emanates from chapter 3 of the Water Service Act which recognises the municipality as a water service authority.

The nature of the municipality's custodial responsibility includes the duty to provide access to water services, the duty to prepare and adopt a water service development plan and the reporting on the implementation thereof, any contracts and joint ventures with water services providers and the adoption of appropriate bylaws that sets out the conditions for the provision of water services.

Additional supporting information pertaining to the provision of water can be found in chapter 3 of the Annual Report

The Municipality has the following non-living water resources per town:

**Ceres**

The main water source for Ceres is the Koekedouw Dam. Six boreholes serve as a backup source of supply.

**Tulbagh**

Currently, Klein Berg, Moordenaarskloof and Tierkloof serve as the main sources of water supply to Tulbagh.

**Wolseley**

Wolseley receives its water supply from the Tierhokkloof weir.

**Prince Alfred's Hamlet**

Prince Alfred's Hamlet has four water sources. They consist of the Wabooms River Weir, a fountain, one borehole and a supply line from the Koekedouw Dam.

**Op-die-Berg**

Op-die-Berg has three water sources, a fountain and two boreholes.

There is no liabilities or contingent liabilities that arose from the non-living resource which is water

<b>Water purchased by the farmers including VAT amount to</b>	768,699	304,740
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53 SUBSEQUENT EVENTS

The Minister for Cooperative Governance and Traditional Affairs had approved increases in remuneration for members of municipal councils which will take effect retrospectively from 1 July 2021. The increase was pending the approval from Provincial Minister for Local Government at financial year end. The additional remuneration has been included in Remuneration of Councillors in the Statement of Financial Performance and Trade Payables in the statement of Financial Position.

The Minister for Cooperative Governance and Traditional Affairs on, 2 November 2022, approved data allowances for members of municipal councils which may take effect retrospectively from 1 July 2021. The data allowance is pending a council resolution and the approval from Provincial Minister for Local Government. The possible increase in councillor remuneration are disclosed as a contingent liability in note 48.2

**WITZENBERG MUNICIPALITY**  
**APPENDIX A - Unaudited**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2022**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 JUNE 2021</b>	<b>Received during the period</b>	<b>Redeemed during the period</b>	<b>Balance at 30 JUNE 2022</b>
				<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>ANNUITY LOANS</b>							
NEDBANK	8.00%	5032032 0001	30/05/2023	2,317,862	-	1,131,013	1,186,849
DBSA	9.50%	102040/1	30/09/2021	21,055		21,055	0
DBSA	8.59%	100605/1	30/06/2023	436,004	-	218,003	218,001
<b>Total Annuity Loans</b>				<b>2,774,921</b>	<b>-</b>	<b>1,370,071</b>	<b>1,404,850</b>
<b>LEASE LIABILITY</b>							
Office Equipment	10.00%		30/06/2024	-	1,478,069	458,729	1,019,340
<b>Total Lease Liabilities</b>				<b>-</b>	<b>1,478,069</b>	<b>458,729</b>	<b>1,019,340</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>2,774,921</b>	<b>1,478,069</b>	<b>1,828,800</b>	<b>2,424,190</b>

**WITZENBERG MUNICIPALITY**  
**APPENDIX B - Unaudited**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022**  
**MUNICIPAL VOTES CLASSIFICATION**

<b>2021 Actual Income R</b>	<b>2021 Actual Expenditure R</b>	<b>2021 Surplus/ (Deficit) R</b>		<b>2022 Actual Income R</b>	<b>2022 Actual Expenditure R</b>	<b>2022 Surplus/ (Deficit) R</b>
91,142,833	(37,915,735)	53,227,097	Budget and Treasury Office	109,824,927	(43,188,267)	66,636,660
151,241,034	(150,717,030)	524,004	Civil services	173,559,693	(159,830,048)	13,729,645
130,925,503	(26,066,330)	104,859,174	Community and social services	122,004,012	(30,070,461)	91,933,552
(5,222,866)	(57,452,493)	(62,675,359)	Corporate Services	8,727,614	(49,823,645)	(41,096,031)
274,798,044	(268,153,405)	6,644,639	Electro Technical Services	335,557,217	(312,116,280)	23,440,937
13,000	(22,960,858)	(22,947,858)	Executive and Council	8,088,051	(21,841,617)	(13,753,567)
491,526	(4,469,385)	(3,977,859)	Housing	1,029,362	(4,947,451)	(3,918,089)
2,139,959	(7,042,671)	(4,902,712)	Planning	1,529,762	(7,353,346)	(5,823,584)
17,597,600	(42,098,664)	(24,501,064)	Public Safety	15,433,387	(36,528,511)	(21,095,125)
9,367,720	(26,996,696)	(17,628,976)	Sport and recreation	9,570,185	(30,197,417)	(20,627,231)
<b>672,494,353</b>	<b>(643,873,267)</b>	<b>28,621,085</b>	<b>Total</b>	<b>785,324,209</b>	<b>(695,897,042)</b>	<b>89,427,168</b>



**WITZENBERG MUNICIPALITY**  
**APPENDIX C - Unaudited**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

<b>2021 Actual Income R</b>	<b>2021 Actual Expenditure R</b>	<b>2021 Surplus/ (Deficit) R</b>		<b>2022 Actual Income R</b>	<b>2022 Actual Expenditure R</b>	<b>2022 Surplus/ (Deficit) R</b>
128,956,606	(23,852,053)	105,104,554	Community and social services	121,667,495	(27,254,731)	94,412,763
274,575,871	(268,153,405)	6,422,466	Energy sources	333,992,039	(312,116,280)	21,875,759
-	(506,271)	(506,271)	Environmental protection	237	(886,081)	(885,844)
13,000	(24,407,927)	(24,394,927)	Executive and council	8,088,051	(23,820,065)	(15,732,015)
85,919,967	(91,856,355)	(5,936,388)	Finance and administration	118,552,541	(89,142,216)	29,410,325
491,526	(4,469,385)	(3,977,859)	Housing	1,029,362	(4,947,451)	(3,918,089)
-	(2,507,675)	(2,507,675)	Internal audit	-	(1,920,930)	(1,920,930)
4,108,855	(10,138,143)	(6,029,288)	Planning and development	1,866,042	(11,138,174)	(9,272,132)
13,465,997	(37,314,382)	(23,848,385)	Public safety	12,583,999	(29,623,202)	(17,039,204)
24,366,562	(36,471,219)	(12,104,657)	Road transport	18,645,208	(34,725,684)	(16,080,476)
9,367,720	(26,996,696)	(17,628,976)	Sport and recreation	9,570,185	(30,197,417)	(20,627,231)
35,367,119	(44,379,491)	(9,012,372)	Waste management	51,070,525	(58,138,662)	(7,068,137)
42,749,428	(31,586,451)	11,162,976	Waste water management	36,497,509	(32,603,390)	3,894,120
53,111,700	(41,233,814)	11,877,886	Water management	71,761,017	(39,382,760)	32,378,257
<b>672,494,353</b>	<b>(643,873,267)</b>	<b>28,621,085</b>	<b>Total</b>	<b>785,324,209</b>	<b>(695,897,042)</b>	<b>89,427,168</b>

**WITZENBERG MUNICIPALITY**  
**APPENDIX D - Unaudited**  
**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 2021 (Unpaid)	Grants Received	Re-payment of Unspent Grant	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2022	Unspent 2022 (Payable)	Unpaid 2022 (Receivable)
	R	R	R	R	R	R	R	R
<b><u>National Government Grants</u></b>								
Finance Management Grant	-	1,550,000	-	(1,550,000)	-	-	-	-
Municipal infrastructure Grant	340,138	24,980,000	(340,000)	-	(23,707,100)	1,273,038	1,273,038	-
Regional Bulk Infrastructure Grant (DWAF)	10,000,000	20,000,000	(10,000,000)	-	(22,160,011)	(2,160,011)	-	2,160,011
Integrated National Electricity Program	(291,587)	12,762,000	-	-	(8,596,630)	3,873,783	3,873,783	-
Equitable share	-	106,666,000	-	(106,666,000)	-	-	-	-
Department of Rural Development	471,155	-	-	-	-	471,155	471,155	-
Expanded Public Works Programme	(103,068)	2,617,000	-	(2,513,932)	-	-	-	-
Neighbourhood Development Plan	321	-	-	-	-	321	321	-
<b><u>Provincial Government Grants</u></b>								
Library services	-	10,536,000	-	(9,768,378)	(767,622)	-	-	-
CDW	846,161	132,000	(739,077)	(38,024)	-	201,060	201,060	-
Municipal Infrastructure Support Grant	(1,046,497)	-	-	-	-	(1,046,497)	-	1,046,497
Economic Development and Tourism SMME booster	68	-	-	-	-	68	68	-
Service Delivery and Capacity Building	-	600,000	-	-	-	600,000	600,000	-
Human Settlement Development	5,325,746	2,961,094	-	-	(4,803,773)	3,483,067	3,483,067	-
Capacity Building (Internship)	576,978	250,000	-	-	-	826,978	826,978	-
Municipal Infrastructure	(206,126)	-	-	-	-	(206,126)	-	206,126
Financial Management Support	1,289,770	-	(1,289,770)	-	-	-	-	-
Maintenance and Construction of Transport Infrastructure	830,165	4,385,404	(830,165)	-	(11,764,174)	(7,378,770)	-	7,378,770
Local Government Support Grant	306,429	-	(306,429)	-	-	-	-	-
Regional Social Economical Program	919,480	800,000	-	-	(1,619,003)	100,477	100,477	-
Public Employment Support Grant	-	1,600,000	-	(1,600,000)	-	-	-	-
<b><u>District Municipality</u></b>								
Parks and recreation	300,001	-	-	-	-	300,001	300,001	-
Sanitation Infrastructure	(25,090)	-	-	-	-	(25,090)	-	25,090
Capacity Building	-	264,000	-	(264,000)	-	-	-	-
Infrastructure	1,000,000	500,000	-	-	(188,481)	1,311,519	1,311,519	-
Covid 19	1,997,194	-	-	(27,868)	-	1,969,326	1,969,326	-
<b><u>Public Contributions</u></b>								
Essen Belgium	3,963,623	668,424	-	(1,453,017)	-	3,179,030	3,179,030	-
China - Water meters	15,626	-	-	(8,443)	-	7,183	7,183	-
<b>Total</b>	<b>26,510,487</b>	<b>191,271,922</b>	<b>(13,505,441)</b>	<b>(123,889,662)</b>	<b>(73,606,794)</b>	<b>6,780,512</b>	<b>17,597,006</b>	<b>10,816,494</b>

**WITZENBERG MUNICIPALITY**  
**APPENDIX D - Unaudited**  
**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 2020 (Unpaid)	Grants Received	Write Offs / Transfers	Operating expenditure during the year Transferred to revenue	Capital expenditure during the year Transferred to revenue	Balance 30 JUNE 2021	Unspent 2021 (Payable)	Unpaid 2021 (Receivable)
R	R	R	R	R	R	R	R	R
<b><u>National Government Grants</u></b>								
Finance Management Grant	54,161	1,550,000	(54,161)	(1,550,000)	-	-	-	-
Municipal infrastructure Grant	9,843,224	22,013,000	(9,843,224)	(630,000)	(21,042,862)	340,138	340,138	-
Regional Bulk Infrastructure Grant (DWAF)	19,236,146	10,000,000	(19,236,146)	-	-	10,000,000	10,000,000	-
Integrated National Electricity Program	(291,587)	-	-	-	-	(291,587)	-	291,587
Equitable share	-	116,085,531	-	(116,085,531)	-	-	-	-
Department of Rural Development	471,155	-	-	-	-	471,155	471,155	-
Expanded Public Works Programme	(432,918)	2,360,000	-	(2,030,150)	-	(103,068)	-	103,068
Neighbourhood Development Plan	321	-	-	-	-	321	321	-
<b><u>Provincial Government Grants</u></b>								
Library services	800,000	9,764,000	-	(9,764,000)	(800,000)	-	-	-
CDW	738,977	131,000	-	(23,816)	-	846,161	846,161	-
Municipal Infrastructure Support Grant	(1,046,497)	-	-	-	-	(1,046,497)	-	1,046,497
Economic Development and Tourism SMME booster	1,662,236	363,060	-	-	(2,025,228)	68	68	-
Human Settlement Development	3,507,702	28,563,744	-	(238,000)	(26,507,700)	5,325,746	5,325,746	-
Fire Service Capacity Building Grant	830,000	-	-	-	(830,000)	-	-	-
Capacity Building (Internship)	294,922	300,000	-	(17,944)	-	576,978	576,978	-
Municipal Infrastructure	(206,126)	-	-	-	-	(206,126)	-	206,126
Financial Management Support	1,289,770	-	-	-	-	1,289,770	1,289,770	-
Maintenance and Construction of Transport Infrastructure	830,165	-	-	-	-	830,165	830,165	-
Local Government Support Grant	806,370	-	-	(499,941)	-	306,429	306,429	-
Regional Social Economical Program	4,005,448	1,000,000	-	-	(4,185,968)	819,480	819,480	-
<b><u>District Municipality</u></b>								
Parks and recreation	300,001	-	-	-	-	300,001	300,001	-
Sanitation Infrastructure	(25,090)	-	-	-	-	(25,090)	-	25,090
Planning and Development	100,000	-	-	-	-	100,000	100,000	-
Infrastructure	1,000,000	500,000	-	-	(500,000)	1,000,000	1,000,000	-
Covid 19	2,226,216	240,000	-	(279,396)	(189,626)	1,997,194	1,997,194	-
<b><u>Other</u></b>								
Development Bank of South Africa	(1,136,760)	1,136,760	-	-	-	-	-	-
<b><u>Public Contributions</u></b>								
Essen Belgium	3,987,568	834,420	-	(356,909)	(501,456)	3,963,623	3,963,623	-
China - Water meters	16,005	-	-	(378)	-	15,627	15,627	-
<b>Total</b>	<b>48,861,409</b>	<b>194,841,515</b>	<b>(29,133,531)</b>	<b>(131,476,065)</b>	<b>(56,582,840)</b>	<b>26,510,488</b>	<b>28,182,856</b>	<b>1,672,368</b>