

KAREEBERG LOCAL MUNICIPALITY

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KAREEBERG LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GENERAL INFORMATION

NATURE OF BUSINESS

Kareeberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The Kareeberg Municipality includes the following geographical areas:

*Carnarvon
Vosburg
Vanwyksvlei*

MAYOR

Mr B.J.E. Sambee

MUNICIPAL MANAGER

Mr Z.E. Dingile

CHIEF FINANCIAL OFFICER

Mr. P.B. Rossouw

REGISTERED OFFICE

*Hanau Street,
CARNARVON,
9825*

AUDITORS

*Office of the Auditor General (NC)
McDougal Street,
Kimberley, 8301*

PRINCIPLE BANKERS

ABSA, Victoria Street, Carnarvon

ATTORNEYS

None

RELEVANT LEGISLATION

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

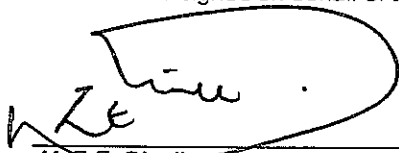
KAREEBERG LOCAL MUNICIPALITY

MEMBERS OF THE KAREEBERG LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	Ms E. Jann
2	Ms D. van Wyk
3	Ms V. Smith
4	Mr N.I. Titus
Proportional	Mr B.J.E. Slambee
Proportional	Ms M.L.M. Adams
Proportional	Mr G. van Tonder

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 68 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.



Mr Z.E. Dingile
Municipal Manager

18 August 2010

Date

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net Assets		59,165,640	56,994,530
Capital Replacement Reserve	2	11,347,812	11,347,812
Housing Development fund	2	362,183	757,374
Revaluations Reserve	2	54,450	39,900
Accumulated Surplus/(Deficit)		47,401,195	44,849,445
Non-Current Liabilities		4,141,026	3,168,960
Employee benefits	4	4,141,026	3,168,960
Current Liabilities		15,197,791	21,905,445
Consumer Deposits	5	225,179	208,504
Current Employee benefits	6	689,157	526,255
Trade and other payables	7	527,960	3,102,996
Unspent Conditional Government Grants and Receipts	8	13,097,173	16,040,469
Taxes	9	658,322	1,969,476
Current Portion of Long-term Liabilities	3	-	57,746
Total Net Assets and Liabilities		78,504,457	82,068,935
ASSETS			
Non-Current Assets		47,053,353	44,347,932
Property, Plant and Equipment	10	46,981,790	44,276,782
Intangible Assets	12	5,191	864
Long-Term Receivables	13	66,371	70,286
Current Assets		31,451,104	37,721,003
Trade Receivables from exchange transactions	14	2,050,755	2,603,465
Other Receivables from non-exchange transactions	15	130,676	-
Operating Lease Asset	16.1	9,038	6,690
Current Portion of Long-term Receivables	13	8,360	8,032
Cash and Cash Equivalents	17	29,252,274	35,102,815
Total Assets		78,504,457	82,068,935

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 (Actual) R	2009 (Actual) R
REVENUE			
Revenue from Non-exchange Transactions		21,718,523	39,984,939
Taxation Revenue		3,892,838	2,688,654
Property taxes	18	3,892,838	2,688,654
Transfer Revenue		17,803,112	37,107,979
Government Grants and Subsidies - Capital	19	5,205,223	17,267,755
Government Grants and Subsidies - Operating	19	12,597,889	19,669,494
Public Contributions and Donations		-	170,730
Other Revenue		22,573	188,306
Actuarial Gains		-	56,253
Third Party Payments		3,384	118,200
Fines		19,189	13,853
Revenue from Exchange Transactions		15,138,051	12,404,358
Property Rates - Penalties & Collection Charges		204,870	-
Service Charges	20	11,759,682	10,159,600
Rental of Facilities and Equipment		446,335	421,401
Interest Earned - external investments		1,743,469	1,667,689
Interest Earned - outstanding debtors		4,336	7,086
Licences and Permits		17,837	25,665
Agency Services		96,122	88,345
Other Revenue	21	860,956	30,021
Unamortised discount - Interest	22	4,445	4,552
Total Revenue		36,856,574	52,389,297
EXPENDITURE			
Employee related costs	23	10,045,627	8,095,366
Remuneration of Councillors	24	1,273,038	1,024,365
Debt Impairment	25	894,743	-
Depreciation and Amortisation		2,544,118	1,470,316
Impairments	26	15,874	120,368
Repairs and Maintenance		453,474	677,175
Actuarial losses	4	702,817	-
Finance Charges	27	290,205	349,973
Bulk Purchases	28	3,690,256	2,772,497
Grants and Subsidies Paid	29	5,733,259	4,324,209
Other Operating Grant Expenditure		5,369,922	13,692,049
Unamortised discount - Interest	22	21,097	9,911
General Expenses	30	3,662,486	2,716,513
Total Expenditure		34,696,915	35,252,742
Operating Surplus for the Year		2,159,659	17,136,556
Loss on disposal of Property, Plant and Equipment/Investment Property		(3,100)	(1,135)
Gain on disposal of Property, Plant & Equipment/Investment Property		-	36,484
NET SURPLUS/(DEFICIT) FOR THE YEAR		2,156,559	17,171,904

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Government Grant Reserve	Revaluations Reserve	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R
Balance at 1 JULY 2008							
Change in accounting policy - See Note 31.08	23,970,647	-	805,497	10,754,503	499,893	6,357,113	42,387,653
Change in accounting policy - See Note 31.06	(23,970,647)	-	-	-	-	-	(23,970,647)
Change in accounting policy - See Note 31.09	-	-	-	-	(499,893)	-	(499,893)
Restated Balance at 1 JULY 2008							
Net Surplus/(Deficit) for the year	-	-	805,497	10,754,503	-	21,865,614	21,865,614
Transfer from CRR	-	-	-	-	-	-	-
Revaluation of Property, Plant and Equipment	-	39,900	-	593,308	-	-	39,900
Transfer to Housing Development Fund	-	-	(48,122)	-	-	48,122	-
Balance at 30 JUNE 2009							
	-	39,900	757,374	11,347,812	-	44,849,445	56,994,530
Restated Balance at 1 JULY 2009							
Net Surplus/(Deficit) for the year	-	39,900	757,374	11,347,812	-	44,849,445	56,994,530
Revaluation of Property, Plant and Equipment	-	-	-	-	-	2,156,559	2,156,559
Transfer to Housing Development Fund	-	14,550	-	-	-	-	14,550
Balance at 30 JUNE 2010							
	-	54,450	362,183	11,347,812	-	47,401,195	59,165,640

KAREEBERG LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other - Exchange Transactions		13,914,252	31,483,782
Cash receipts from ratepayers, government and other - Non-Exchange Transactions		17,798,264	21,010,244
Cash payments to suppliers and employees		(32,397,491)	(50,875,888)
Cash receipts and payments on VAT transactions		(1,311,154)	142,550
Cash generated/(absorbed) by operations	33	(1,996,128)	1,760,687
Interest Received		1,747,805	1,667,689
Interest Paid		(290,205)	(349,973)
Net Cash from Operating Activities		(538,528)	3,078,403
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(5,251,561)	(17,716,449)
Proceeds on Disposal of Fixed Assets		-	55,549
Purchase of Intangible Assets		(6,316)	-
(Increase)/Decrease in Assets held for sale		-	2,026
Net Cash from Investing Activities		(5,257,877)	(17,658,874)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		-	-
New loans (repaid)		(78,843)	(170,619)
(Increase)/Decrease in Long-term Receivables		8,032	7,718
Increase/(Decrease) in Consumer Deposits		16,675	14,905
Net Cash from Financing Activities		(54,135)	(147,996)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(5,850,541)	(14,728,467)
Cash and Cash Equivalents at the beginning of the year		35,102,815	49,831,282
Cash and Cash Equivalents at the end of the year	34	29,252,274	35,102,815
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(5,850,541)	(14,728,467)

**ACCOUNTING PRINCIPLES AND POLICIES NOTES 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.

These annual financial statements have been prepared in accordance with Directive 5 "Determining the GRAP Reporting Framework", issued by the Accounting Standards Board.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC144)	Financial Instruments: Disclosure
IFRS 12 (AC102)	Income Taxes

IFRS 19 (AC116)	Employee Benefits
IFRS 32 (AC125)	Financial Instruments: Presentation
IFRS 39 (AC133)	Recognition and Measurement
SIC – 20 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

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

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

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

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

GRAP 12 – Inventories
 GRAP 16 – Investment Property
 GRAP 17 – Property, Plant and Equipment
 GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
 GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
 GRAP 102 – Intangible Assets

1.2. PRESENTATION CURRENCY

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

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

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. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets

1.6. RESERVES**1.6.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR according to the Funding and Reserve Policy. 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.

1.6.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income, interest and sale of houses, must be paid into the Housing Development Fund.

Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial Department responsible for housing.

1.6.3 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation of game are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation of game are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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 derecognition of financial instruments are applied to lease payables.

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

1.7.2 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 derecognition and impairment of financial instruments are applied to lease receivables.

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

1.8. UNSPENT CONDITIONAL GRANTS

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 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 income it is recognised as interest earned in the Statement of Financial Performance.

1.9. 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. EMPLOYEE BENEFITS

(a) 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 IAS 19 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan (benefit) is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The unrecognised 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.

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.

(b) 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 basic remuneration of the employee.

1.11. PROPERTY, PLANT AND EQUIPMENT

1.11.1 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, its deemed cost is the carrying amount of the asset(s) given up.

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

1.11.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.11.3 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.

1.11.4 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

	<i>Years</i>		<i>Years</i>
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	20-30	Landfill sites	15
Libraries	20-30	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	15-20	Computer equipment	3
<u>Heritage assets</u>			
No depreciation			
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

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

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

1.11.5 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. INTANGIBLE ASSETS

1.12.1 Initial Recognition

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

An asset meets the identifiability 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.

1.12.2 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.

1.12.3 Amortisation and Impairment

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

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3

1.12.4 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.

1.13. INVESTMENT PROPERTY

1.13.1 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.

1.13.2 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.

1.13.3 Depreciation and Impairment

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

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

1.13.4 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.

1.14. NON-CURRENT ASSETS HELD FOR SALE

1.14.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.14.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

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

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

1.16. INVENTORIES

1.16.1 Initial Recognition

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

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

1.16.2 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.

1.17. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

1.17.1 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 through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.17.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.17.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments and is calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. 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 balance as at 30 June included accumulated interest.

1.17.2.2 Trade and Other Receivables

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the 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 reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a 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 income statement.

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.

1.17.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. 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.

1.17.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (cash book balance). 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: loans and receivables.

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.

1.17.3 *De-recognition of Financial Instruments*

1.17.3.1 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.

1.17.3.2 Financial Liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and

the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.17.4 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.

1.18. REVENUE

1.18.1 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. Interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

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

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

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

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

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

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

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of

the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.18.2 Revenue from Exchange Transactions

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

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

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

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

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category.

Service charges from sewerage are 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.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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 arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

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

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

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

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

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue and in accordance with the relevant Standards of GRAP on Financial Instruments.

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.

1.18.3 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.

1.19. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillor, being the Mayor. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.20. 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.

1.21. 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.

1.22. 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.

1.23. CONTINGENT LIABILITIES

All known contingent liabilities are reflected in the financial statements.

1.24. 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:

Operating lease commitments – the Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Medical and other post-employment benefits

The cost of defined benefit plans and other employment medical benefits is 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 medical increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, plant and equipment

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's

judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Provisions and contingent liabilities

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

Revenue Recognition

Accounting Policy 1.19.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.19.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation note 1.19 above). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.25. 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 balance sheet.

1.26. 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.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2	NET ASSET RESERVES	2010 R	2009 R
	RESERVES	11,347,812	12,145,594
	Capital Replacement Reserve	11,347,812	11,347,812
	Housing Development fund	362,183	757,374
	Revaluations Reserve	54,958	40,408
	Total Net Asset Reserve and Liabilities	11,347,812	12,145,594
3	LONG TERM LIABILITIES	2010 R	2009 R
	Annuity Loans - At amortised cost 18 August 2010	-	78,843
	Less: Current Portion transferred to Current Liabilities	-	78,843
	Annuity Loans - At amortised cost	-	57,746
	Unamortised charges on loans	-	78,843
		-	(21,097)
	Plus: Unamortised charges on loans	-	21,097
	Balance 1 July	-	(21,097)
	Adjustment for the period	(21,097)	(31,008)
		21,097	9,911
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	-	-
	One DBSA annuity loan at amortised cost is calculated at 3% interest rate, with a maturity date of 30 December 2009.		
	Liabilities are secured by the following property, plant and equipment.		
	3 Cabstar pickup trucks	-	422,655
	1 Isuzu Sewerage truck	-	392,736
		-	815,391
	The obligations under annuity loans are scheduled below:		
		2010 R	2009 R
		Minimum annuity payments	
	Amounts payable under annuity loans:		
	Payable within one year	-	81,555
	Payable within two to five years	-	-
	Payable after five years	-	-
		-	81,555
	Less: Future finance obligations	-	(2,712)
	Present value of annuity obligations	-	78,843
	Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.		
4	EMPLOYEE BENEFITS	2010 R	2009 R
	Post Retirement Benefits - Refer to Note 4.1	4,141,026	3,168,960
	Total Non-current Employee Benefit Liabilities	4,141,026	3,168,960
	Post Retirement Benefits	2010 R	2009 R
	Balance 1 July	3,291,474	2,961,818
	Contribution for the year	437,970	523,052
	Expenditure for the year	(131,767)	(137,143)
	Actuarial Loss/(Gain)	702,817	(56,253)
	Total post retirement benefits 30 June	4,300,494	3,291,474
	Less: Transfer of Current Portion - Note 6	(159,468)	(122,514)
	Balance 30 June	4,141,026	3,168,960
4	EMPLOYEE BENEFITS (CONTINUE)	2010 R	2009 R
	TOTAL NON-CURRENT EMPLOYEE BENEFITS		
	Balance 1 July	3,291,474	2,961,818
	Contribution for the year	437,970	523,052
	Expenditure for the year	(131,767)	(137,143)
	Actuarial Loss/(Gain)	702,817	(56,253)
	Total employee benefits 30 June	4,300,494	3,291,474
	Less: Transfer of Current Portion - Note 6	(159,468)	(122,514)
	Balance 30 June	4,141,026	3,168,960

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

4.1 Post Retirement Benefits

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

In-service (employee) members	16	16
Continuation members (e.g. Retirees, widows, orphans)	6	6
Total Members	22	22

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

In-service members	2,874,179	2,076,250
Continuation members	1,426,315	1,215,224
Total Liability	4,300,494	3,291,474

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

Hosmed
LA Health
Munimed - Key Health

The Municipality's Accrued Unfunded Liability at 30 June 2010 is estimated at R 4,300 million. The Current-service Cost for the year ending 30 June 2010 is estimated at R 150,477. It is estimated to be R 161,138 for the ensuing year.

Key actuarial assumptions used:	2010 %	2009 %
i) Rate of Interest		
Discount rate	9.09%	8.90%
Health Care Cost Inflation Rate	7.18%	7.50%
Net Effective Discount Rate	1.79%	1.30%

ii) Mortality rates

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

iii) Normal retirement age

The normal retirement age of employees is 65 for Males and 60 for females. It has been assumed that male in-service members will retire at age 64 and female in-service members retire at 59, which then allows for expected rates of early and ill-health retirement.

	2010 R	2009 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	4,300,494	3,291,474
Net liability/(asset)	4,300,494	3,291,474

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

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
4 EMPLOYEE BENEFITS (CONTINUE)		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	3,291,474	2,961,818
Total expenses	306,203	385,909
Current service cost	150,477	208,499
Interest Cost	287,493	314,553
Benefits Paid	(131,767)	(137,143)
Actuarial (gains)/losses	702,817	(56,253)
Present value of fund obligation at the end of the year	4,300,494	3,291,474
Less: Transfer of Current Portion - Note 6	(159,468)	(122,514)
Balance 30 June	4,141,026	3,168,960

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	2.674	1.426	4.300

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	3.387	1.525	4.912	14%
Health care inflation	-1%	2.455	1.337	3.792	-12%
Post-retirement mortality	-1 year	2.967	1.497	4.463	4%
Average retirement age	-1 year	3.126	1.426	4.552	6%
Withdrawal Rate	-50%	2.959	1.426	4.385	2%

	2010 R	2009 R
5 CONSUMER DEPOSITS		
Water & Electricity	225,179	208,504
Total Consumer Deposits	225,179	208,504

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

	2010 R	2009 R
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 4	159,468	122,514
Staff Leave	529,689	403,741
Total Current Employee Benefits	689,157	526,255

The movement in current employee benefits are reconciled as follows:

	2010 R	2009 R
<u>Current Portion of Post Retirement Benefits - Note 4</u>		
Balance at beginning of year	122,514	122,836
Transfer from non-current	168,721	122,514
Expenditure incurred	(131,767)	(122,836)
Balance at end of year	159,468	122,514

Staff Leave

	2010 R	2009 R
Balance at beginning of year	403,741	311,372
Contribution to current provision	125,948	92,369
Balance at end of year	529,689	403,741

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.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7	TRADE AND OTHER PAYABLES	2010 R	2009 R
	Trade Payables	440,481	3,037,526
	Payments received in advance	84,533	62,534
	Other Payables	2,946	2,536
	Total Trade Payables	527,960	3,102,996

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

8	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2010 R	2009 R
	Unspent Grants	13,137,581	16,040,469
	National and Provincial Government Grants	13,137,581	16,040,469
	Total Conditional Grants and Receipts	13,137,581	16,040,469

See appendix "F" for reconciliation of grants from spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

9	TAXES	2010 R	2009 R
	VAT Payable	658,322	1,969,476
		658,322	1,969,476

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

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

Reconciliation of Carrying Value

	Opening Balance R	Cost Additions R	Disposals R	Closing Balance R	Opening Balance R	Accumulated Depreciation Additions R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings	13,712,463	79,384	-	13,791,847	638,441	55,904	-	694,344	13,097,502
Land	11,986,394	-	-	11,986,394	-	-	-	-	11,986,394
Buildings	1,726,069	79,384	-	1,805,452	638,441	55,904	-	694,344	1,111,108
Infrastructure	33,013,967	4,117,157	948	37,130,175	6,038,982	1,733,268	505	7,771,745	29,358,430
Main: Roads	6,297,270	1,724,789	948	8,021,111	1,791,351	404,338	505	2,195,184	5,825,927
Main: Waste Management	13,087,121	750,000	-	13,837,121	281,104	651,610	-	932,714	12,904,407
Main: Electricity	1,971,492	-	-	1,971,492	1,117,247	89,473	-	1,206,720	764,772
Main: Water	10,437,180	567,678	-	11,004,859	2,081,154	520,278	-	2,601,432	8,403,427
Reservoirs/Pumps - Waste Management	11,303	1,064,691	-	1,065,993	10,463	11,557	-	22,020	1,043,973
Transformers, Switchgear and Meters	33,401	20,000	-	53,401	20,638	1,610	-	22,248	31,153
Reservoirs/Tanks - Water	1,176,199	-	-	1,176,199	737,026	54,401	-	791,427	384,772
Community Assets	2,771,966	-	1,036	2,770,930	1,046,963	116,067	689	1,162,341	1,608,589
Recreation Grounds	1,740,532	-	-	1,740,532	648,093	81,945	-	730,038	1,010,495
Civil Buildings	543,189	-	1,036	542,153	216,945	17,618	689	233,874	308,276
Libraries	356,575	-	-	356,575	121,656	11,870	-	133,527	223,049
Parks & Gardens	41,070	-	-	41,070	1,764	1,764	-	24,713	16,358
Public Conveniences/Bathhouses	85,150	-	-	85,150	35,076	2,686	-	37,772	47,378
Land Strip	5,449	-	-	5,449	2,244	173	-	2,417	3,032
Lease Assets	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-
Heritage Assets	5,000	-	-	5,000	-	-	-	-	5,000
Vehicles	5,000	-	-	5,000	-	-	-	-	5,000
Other Assets	5,130,449	1,089,571	46,783	6,153,237	2,632,676	636,891	28,599	3,240,968	2,912,268
Motor Vehicles	2,033,087	744,267	-	2,777,354	838,408	394,193	-	1,232,601	1,544,753
Plant & Equipment	1,235,017	37,855	24,438	1,248,434	706,479	101,119	11,641	795,957	452,477
Office Equipment	494,163	63,066	6,001	551,227	291,201	63,156	4,450	349,907	201,320
Furniture & Fittings	227,236	139,063	2,561	363,737	151,783	25,243	2,397	174,629	189,108
Fire Engines	49,699	-	582	49,117	15,527	3,148	516	16,158	30,959
Computer Equipment	417,398	32,070	10,100	439,368	349,515	18,942	9,595	366,862	90,506
Refuse Tankers	549,766	-	-	549,766	279,763	31,092	-	310,855	238,911
Game	124,084	53,250	3,100	174,234	-	-	-	-	174,234
	54,633,844	5,266,111	48,767	59,851,189	10,357,062	2,542,129	29,793	12,869,368	46,981,790

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

30 JUNE 2009

Reconciliation of Carrying Value	Opening Balance R	Cost		Closing Balance R	Operating Balance R	Accumulated Depreciation		Closing Balance R	Carrying Value	
		Additions R	Disposals R			Additions R	Disposals R			
Land and Buildings	13,712,463	-	-	13,712,463	583,839	54,602	-	638,441	13,074,022	
Land	11,986,394	-	-	11,986,394	-	-	-	-	11,986,394	
Buildings	1,726,069	-	-	1,726,069	583,839	54,602	-	638,441	1,087,628	
Infrastructure	16,418,047	16,604,854	8,934	33,013,967	5,247,386	799,001	7,405	6,038,982	26,974,984	
Main: Roads	4,179,398	2,117,872	-	6,297,270	1,495,903	295,447	-	1,791,351	4,505,920	
Main: Waste Management	1,978,925	11,108,196	-	13,087,121	262,146	18,958	-	281,104	12,806,017	
Main: Electricity	1,971,492	-	-	1,971,492	1,027,773	89,473	-	1,117,247	854,245	
Main: Water	7,061,969	3,378,786	3,574	10,437,180	1,744,409	339,057	2,313	2,081,154	8,356,027	
Reservoirs/Pumps - Waste Management	16,663	-	5,360	11,303	15,478	77	5,092	10,463	840	
Transformers, Switchgear and Meters	33,401	-	-	33,401	19,052	1,587	-	20,638	12,763	
Reservoirs/Tanks - Water	1,176,199	-	-	1,176,199	682,624	54,401	-	737,026	439,173	
Community Assets	2,771,966	-	-	2,771,966	930,897	116,067	-	1,046,963	1,725,003	
Recreation Grounds	1,740,532	-	-	1,740,532	566,148	81,945	-	648,093	1,092,439	
Civil Buildings	543,189	-	-	543,189	199,327	17,618	-	216,945	326,243	
Libraries	356,575	-	-	356,575	109,786	11,870	-	121,656	234,919	
Parks & Gardens	41,070	-	-	41,070	21,184	1,764	-	22,949	18,122	
Public Conveniences/Bathhouses	85,150	-	-	85,150	32,379	2,696	-	35,076	50,075	
Land Strip	5,449	-	-	5,449	2,072	173	-	2,244	3,204	
Lease Assets	-	-	-	-	-	-	-	-	-	
Office Equipment	-	-	-	-	-	-	-	-	-	
Heritage Assets	-	5,000	-	5,000	-	-	-	-	5,000	
Vehicles	-	5,000	-	5,000	-	-	-	-	5,000	
Other Assets	4,180,565	1,146,495	196,601	5,130,449	2,190,042	500,196	57,562	2,632,676	2,497,773	
Motor Vehicles	1,298,622	734,465	-	2,033,087	577,100	261,309	-	838,408	1,194,679	
Plant & Equipment	1,081,392	288,203	134,578	1,235,017	649,696	88,111	31,328	706,479	528,538	
Office Equipment	458,992	43,061	7,890	494,163	236,810	61,886	7,495	291,201	202,952	
Furniture & Fittings	214,535	20,523	7,822	227,236	143,003	16,166	7,386	151,783	75,453	
Fire Engines	49,699	-	-	49,699	12,379	3,148	-	15,527	34,172	
Computer Equipment	424,066	9,943	16,611	417,398	322,383	38,485	11,353	349,515	67,882	
Refuse Tankers	549,766	-	-	549,766	246,671	31,092	-	279,763	270,003	
Game	103,484	50,300	29,700	124,084	-	-	-	-	124,084	
	37,083,031	17,756,349	205,536	54,633,844	8,952,164	1,469,866	64,967	10,357,062	44,276,782	

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

10 PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

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

Land;
Property, Plant and Equipment financed by way of finance leases;
Property, Plant and Equipment financed by way of provisions;
Property, Plant and Equipment transferred as a result of the transfer of functions; and
Componentised infrastructure assets.

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

The municipality therefore did not utilise the transitional provision in the following areas:

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Fully Depreciated assets still in use were as follows:		
Cost	75,232	75,232
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	75,232	75,232
Accumulated depreciation	(75,232)	(75,232)
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	(75,232)	(75,232)
Carrying value	-	-
Carrying value of assets retired from active use and held for disposal:		
Cost	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Accumulated depreciation	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Carrying value	-	-
Assets pledged as security:		
No assets are pledged as security.		
Third party payments received for losses incurred:		
Payments received (Excluding VAT)	3,384	118,200
Carrying value of assets written off/lost	(2,285)	(100,764)
Surplus/Deficit	1,099	17,437
Impairment of property plant and equipment		
Impairment charges on Property, plant and equipment recognised in statement of financial performance		
Land and Buildings	-	-
Infrastructure	444	1,529
Community Assets	347	-
Lease Assets	-	-
Revaluation	-	9,500
Other	15,084	109,339
	15,874	120,368

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Reconciliation of revaluation surplus:

Opening balance	39,900	-
Movement for the period	14,550	39,900
Closing balance	54,450	39,900

11 NON-CURRENT ASSETS HELD FOR SALE

	2010 R	2009 R
Non-current assets held for sale at beginning of year - at book value	-	2,026
Additions for the year	-	-
Non-current assets sold/written off during the year	-	2,026
Non-current assets held for sale at end of year - at book value	-	(2,026)

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 48.2

12 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July

	2010 R	2009 R
Cost	864	1,314
Accumulated Amortisation	1,421	1,421
	(557)	(107)
Acquisitions	6,316	-
Disposals	-	-
Impairments	-	-
Amortisation	(1,988)	(450)

Net Carrying amount at 30 June

	2010 R	2009 R
Cost	5,191	864
Accumulated Amortisation	7,737	1,421
	(2,546)	(557)

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 48.4

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

Description	Remaining Amortisation Period	2010 R	2009 R
-------------	----------------------------------	-----------	-----------

None

No intangible asset were assessed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

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

13 LONG TERM RECEIVABLES

Officials' Housing Loans - At amortised cost

	2010 R	2009 R
Officials' Housing Loans - At amortised cost	104,018	112,051
Less: Unamortised Discount on Loans	(29,267)	(33,732)
Balance 1 July	(33,732)	(38,283)
Adjustment for the period	4,445	4,551
	74,731	78,319
Less: Current portion transferred to current receivables	(8,360)	(8,032)
Officials Housing Loans - At amortised cost	(8,360)	(8,032)
Less: Provision for Impairment of Long Term Receivables	66,371	70,286
	-	-
Total Long Term Receivables	66,371	70,286

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

STAFF HOUSING LOANS

Staff are entitled to housing loans which attract interest at 4% per annum and which are repayable over a maximum period of 20 years. When a employee resigns, the outstanding amount must be settled. These loans are secured since the Council is the bond holder.

	2010 R	2009 R
14 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
<i>Service Receivables</i>		
Water	1,629,314	1,644,202
Electricity	1,491,687	1,318,368
Refuse	1,255,720	1,203,226
Sewerage	1,233,050	1,274,523
Payments received in advance	84,533	-
Total Service Receivables	5,694,303	5,440,319
Less: Provision for Impairment	(4,665,300)	(4,806,329)
Net Service Receivables	1,029,004	633,989
<i>Other Receivables</i>		
Sundry Receivables	601,676	93,726
Rentals	265,166	220,421
VAT	658,322	1,969,476
Total Other Receivables	1,525,164	2,283,623
Less: Provision for Impairment	(503,633)	(314,147)
Net Other Receivables	1,021,752	1,969,476
Total Net Receivables from Exchange Transactions	2,050,755	2,603,465
Ageing of Receivables from Exchange Transactions		
<i>(Electricity): Ageing</i>		
Current (0 - 30 days)	487,210	346,356
31 - 60 Days	140,273	77,953
61 - 90 Days	138,695	49,452
+ 90 Days	725,508	644,608
Total	1,491,687	1,318,368
<i>(Water): Ageing</i>		
Current (0 - 30 days)	184,700	217,524
31 - 60 Days	128,282	70,525
61 - 90 Days	100,926	103,524
+ 90 Days	1,215,407	1,252,628
Total	1,629,314	1,644,202
<i>(Refuse): Ageing</i>		
Current (0 - 30 days)	156,258	178,750
31 - 60 Days	82,757	89,059
61 - 90 Days	82,201	88,206
+ 90 Days	934,504	847,211
Total	1,255,720	1,203,226
<i>(Sewerage): Ageing</i>		
Current (0 - 30 days)	116,303	136,467
31 - 60 Days	82,214	87,358
61 - 90 Days	84,499	80,984
+ 90 Days	950,034	969,715
Total	1,233,050	1,274,523
<i>(Sundry Receivables): Ageing</i>		
Current (0 - 30 days)	363,429	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	238,447	93,726
Total	601,876	93,726

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(Rentals): Ageing

Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	265,186	220,421
Total	265,186	220,421

15 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2010 R	2009 R
Service Receivables		
Rates	1,765,499	790,206
Other Receivables	1,670	-
Accrued Fines	1,670	-
Total Service Receivables	1,767,169	790,206
Less: Provision for Impairment	(1,636,493)	(790,206)
Net Service Receivables	130,676	-
Total Net Receivables from Non-Exchange Transactions	130,676	-

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)	129,006	-
31 - 60 Days	12,491	-
61 - 90 Days	13,846	-
+ 90 Days	1,610,156	790,206
Total	1,765,499	790,206

(Other Receivables): Ageing

Current (0 - 30 days)	1,670	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
Total	1,670	-

Summary of Receivables by Customer Classification

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2010				
Total Receivables	7,991,883	21,786	230,331	8,244,000
Less: Provision for Impairment	(6,805,425)	-	-	(6,805,425)
Total Recoverable debtors by customer classification	1,186,458	21,786	230,331	1,438,575

Summary of Receivables by Customer Classification

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2009				
Total Receivables	6,324,459	-	220,212	6,544,672
Less: Provision for Impairment	(5,910,682)	-	-	(5,910,682)
Total Recoverable debtors by customer classification	413,777	-	220,212	633,989

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Trade and other receivables impaired

2010	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Total	5,168,932	1,836,493	6,805,425
2009	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
Total	5,120,476	790,206	5,910,682

Debits are required to be settled after 30 days, interest is charged on sales after this date at prime +1%.
The fair value of trade and other receivables approximates their carrying amounts.

Reconciliation of the Total doubtful debt provision

	2010 R	2009 R
Balance at beginning of the year	5,910,682	6,905,947
Contributions to provision	894,743	-
Transfer to Trade Receivable Impairment provision	-	-
Impairment written off against provision	-	(995,265)
Balance at end of year	6,805,425	5,910,682

16 OPERATING LEASE ARRANGEMENTS

16.1 The Municipality as Lessor

	2010 R	2009 R
Balance on 1 July	6,690	-
Operating Lease Asset previously not recognised - Note 31.11 and Note 31.1	-	3,856
Restated Balance on 1 July	6,690	3,856
Operating Lease Asset for the current year	2,349	3,034
Balance on 30 June	9,038	6,890

The municipality is leasing a piece of land to MTN for a period of 119 months with escalations of 10% per year.

	2010 R	2009 R
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	437,126	450,087
1 to 5 Years	218,203	643,198
More than 5 Years	26,799	36,930
Total Operating Lease Arrangements	682,128	1,130,215

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

The lease is in respect of land being leased until 2017.

17 CASH AND CASH EQUIVALENTS

Assets

	2010 R	2009 R
Call Investments Deposits	28,969,250	34,788,361
Balance previously reported		-
Correction of error - Refer note		-
Primary Bank Account (Cash book)	283,025	394,454
Total Cash and Cash Equivalents - Assets	29,252,274	35,182,815

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

Call Investments Deposits to an amount of R13 097 173 are held to fund the Unspent Conditional Grants (2009: R16 040 469).

Kareeberg municipality do not have a bank overdraft facility.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
The municipality has the following bank accounts:		
Current Accounts		
Carmarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):	283,025	394,454
	283,025	394,454
Carmarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):		
Cash book balance at beginning of year	394,454	(217,277)
Cash book balance at end of year	283,025	394,454
Bank statement balance at beginning of year	1,693,931	469,544
Bank statement balance at end of year	682,505	1,693,931

	2010 R	2009 R
Call Investment Deposits		
Call investment deposits consist out of the following accounts:		
Account no.	Place of investment	Name of fund
20-5772-3831	ABSA	Capital Replacement Reserve
90-7096-6577	ABSA	
18-021-5000	STANDARD BANK	
20-6699-9287	ABSA	Housing Fund
90-7057-3646	ABSA	Job creation - De Bull
90-7553-5657	ABSA	Land development
90-7553-5714	ABSA	Land development
90-7091-9951	ABSA	Land development
08-870-543-9	STANDARD BANK	Civil Defence
08-870-542-0	STANDARD BANK	Job Creation
90-9630-8465	ABSA	Self Build Project
08-871-077-7	STANDARD BANK	Geotechnical Investigation
91-7979-1250	ABSA	Water Assistance
08-870-7644	STANDARD BANK	
20-6699-9318	ABSA	TV Fund
91-1548-4469	ABSA	CMIP Kwaggakolk(VAT)
91-1135-2446	ABSA	MSIG
08-870-5536	STANDARD BANK	MIG Sanitation
91-1908-0801	ABSA	Electricity
91-6152-7986	ABSA	Water Services Plan
91-4181-7074	ABSA	CMIP-Saaiport project 301
90-9833-4420	ABSA	Library Development Projects
91-1908-0893	ABSA	EPWP - Paving/ Cleaning
91-0714-4855	ABSA	Lotto Carmarvon
91-1003-7312	ABSA	Lotto Vosburg
91-2628-3947	ABSA	VWV Housing VAT
91-2628-4105	ABSA	VB Housing VAT
91-2841-6291	ABSA	Finance Management Grant
91-3252-1989	ABSA	Transfer Fees Sub-Economic Housing
91-3945-6365	ABSA	VB Cleaning Project
91-7978-9996	ABSA	Vanwyksvlei Drought Relief Fund
91-5297-7293	ABSA	VAT - retention
91-5667-0176	ABSA	Carmarvon Waste Management
91-9262-9892	ABSA	VWV Short Term Water Provision
91-9797-5426	ABSA	VWV Drought Relief(R 2,1m)
92-1891-4002	ABSA	MIG Upgrading of streets
92-2783-7904	ABSA	Kreeberg Festival
20-7026-1686	ABSA	MIG
92-1221-8064	ABSA	Leave Fund
20-6873-9716	ABSA	Retension
92-1221-8064	ABSA	Provision for Employee benefits
20-6699-9318	ABSA	Reserves
91-8483-7033	ABSA	General Account
	28,969,250	34,708,361

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
10 PROPERTY RATES		
<i>Actual</i>		
Rateable Land and Buildings	9,517,396	2,815,319
Residential, Commercial Property, State	6,822,928	2,181,894
State - National / Provincial Services	694,468	633,325
Less: Reductions	(411,738)	-
Less: Rebates	(5,212,820)	(126,665)
Total Assessment Rates	3,892,830	2,688,654
 <i>Valuations - 30 JUNE 2010:</i>		
Rateable Land and Buildings	1,546,639,550	54,458,721
Residential & Commercial Property	1,518,642,150	41,979,041
State - National / Provincial Services	27,997,400	12,479,680
Total Assessment Rates	1,546,639,550	54,458,721

Valuations - 30 JUNE 2010:

	Valuation
Residential	177,990,500
State	20,802,800
State: Agriculture	7,194,600
Agriculture	1,271,507,150
Municipal	22,276,900
Municipal: Agriculture	13,153,700
Schietfontein	165,000
Churchs	9,684,200
Infrastructure	837,700
Wetdaadorganisasies	2,617,200
Commonage	160,000
Commonage (rentals)	9,747,800
Commonage (Boschmansberg)	7,752,000
Agriculture (Dubble lewy Camarvon)	2,750,000
Total Property Valuations	1,546,639,550

Assessment Rates are levied on the values of immovable properties. A new valuation and first supplementary roll were performed during 2009/10. The tariffs applicable is proclaimed by PK 1312 dated 15 June 2009.

Rates are levied annually and are payable after due dates. Interest are levied on monthly and annually outstanding amounts at prime rate plus 1% after due dates.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
19 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	-	-
Equitable Share - Refer to Note 19.1		-
Conditional Grants	18,608,601	36,937,249
Equitable share	7,227,987	5,648,175
Drought relief	842,339	797,447
Library Development	332,918	304,335
Financial Management Grant	857,244	616,321
Department of Economic Affairs	15,000	-
Development Bank	45,375	-
MSIG	881,506	897,295
Electricity	54,823	78,066
MIG - Upgrading of streets	1,063,096	1,921,102
Saalpoort VAT	-	12,561
VAT Retention	-	11,278
Tourism	-	57,525
Water Service Plan	64,751	2,742,002
Copperlon pipeline	165,000	-
District Municipality Contribution	-	500,000
Sport Development	-	47,042
MIG Sanitation	5,058,293	19,400,424
Sanitation - sewerage	1,541,524	-
Waste Management	8,596	32,873
VAT Housing	28,500	-
MIG Vanvyksvlei Short term Water Supply	317,951	3,970,802
Kareeberg Festival	62,246	-
MIG	41,472	-
Total Government Grants and Subsidies	18,608,601	36,937,249
Government Grants and Subsidies - Capital	5,205,223	17,267,755
Government Grants and Subsidies - Operating	13,403,378	19,669,494
	18,608,601	36,937,249

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

19.1 Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh electricity per month, which is funded from this grant.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of basic services for the geographical area concerned and range from R199 per month to R354 per month.(2009: R173 per month to R253 per month)

(See Appendix "F" for a reconciliation of all grants).

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
20 SERVICE CHARGES		
Electricity	4,466,914	3,725,462
Service Charges	4,466,914	3,725,462
Water	2,974,678	2,624,724
Service Charges	2,974,678	2,624,724
Refuse removal	2,470,537	2,153,801
Service Charges	2,470,537	2,153,801
Sewerage and Sanitation Charges	1,847,553	1,655,613
Service Charges	1,847,553	1,655,613
Total Service Charges	11,759,682	10,159,600
21 OTHER REVENUE		
Application Specific Registrations	3,100	2,400
Sale of Sand	30	50
Building Fees	120	660
Photocopies	2,891	3,168
Grave Fees	5,070	4,995
Encroachment	917	917
Cement block Sales	600	420
Pond Fees	1,090	160
Hawker Fees	-	760
Refuse Bags Sold	772	1,145
Connection Fees	590	960
Surplus Cash	30	4
Gain due to additions on Biological assets	38,700	10,400
Valuation Certificates	1,180	2,015
Grant VAT Income	805,489	-
Grazing Rights	-	252
Money paid back	-	1,716
Electricity caravan park	378	-
Total Other Income	860,956	30,021
22 FAIR VALUE ADJUSTMENTS		
Unamortised Discount - Interest - LT Receivables	4,445	4,552
Unamortised Discount - Interest - External Loans	(21,097)	(9,911)
	(16,652)	(5,359)
23 EMPLOYEE RELATED COSTS		
Other Allowances	900	900
Salaries & Wages	7,438,094	6,529,844
Uniform Allowance	19,427	20,516
Leave Reserve Fund	125,948	92,369
Personnel Contributions	2,161,614	1,113,766
Skill Development Levy	80,830	69,313
Bargaining Council	3,188	2,822
Pension Gratification	444	444
UIF Fund	84,706	56,791
Contribution to Employee Benefits - Post Retirement Medical - Note 4	150,477	208,499
	10,045,627	8,095,366
<u>Less:</u> Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	10,045,627	8,095,366

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

KEY MANAGEMENT PERSONNEL

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

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Salary and Bonus, Leave Paid	554,000	446,509
Travel Allowance	96,000	96,000
UIF	1,497	1,497
Cell phone (VAT Included)	18,000	18,000
Total	669,497	562,005

Remuneration of the Chief Finance Officer

Salary and Bonus, Leave Paid	296,805	263,409
Travel Allowance	104,436	94,512
Pension	45,665	20,693
Medical	27,450	21,248
UIF	1,497	1,497
Bargaining Council	45	41
Cell phone (VAT Included)	12,000	12,000
Total	487,898	413,370

Remuneration of Chief Operations Manager

Salary and Bonus, Leave Paid	363,295	322,419
Travel Allowance	104,436	94,512
Pension	55,894	25,291
Medical	33,236	24,817
UIF	1,497	1,497
Bargaining Council	45	41
Cell phone (VAT Included)	18,000	18,000
Total	576,404	486,576

Remuneration of Director : Corporate Services

Salary and Bonus, Leave Paid	281,584	248,716
Travel Allowance	104,436	94,512
Pension	45,665	20,663
Medical	26,262	16,524
UIF	1,497	1,497
Bargaining Council	45	41
Cell phone (VAT Included)	12,000	12,000
Total	471,469	393,953

	2010 R	2009 R
24 REMUNERATION OF COUNCILLORS		
Mayor	367,933	339,977
Councillors	827,845	611,957
Councillors' Cell phones	77,259	72,431
Total Councillors' Remuneration	1,273,038	1,024,365

In-kind Benefits

The Mayor is fulltime. He is provided with an office and his own PA at the cost of the Council.

25 DEBT IMPAIRMENT		
Long term Receivables - Note 13	-	-
Trade Receivables from exchange transactions - Note 14	48,456	-
Trade Receivables from non-exchange transactions - Note 15	846,287	-
Total Contribution to Impairment Provision	894,743	-

	2010 R	2009 R
26 IMPAIRMENTS		
Property Plant & Equipment	15,874	110,868
PPE - Biological Asset	-	9,500
	15,874	120,368

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

27	FINANCE CHARGES		
	Long-term Liabilities	2,712	6,214
	Post Retirement Charges	287,493	314,553
	Fair Value of Creditors	-	29,207
	Total finance charges	290,205	349,973
28	BULK PURCHASES		
	Electricity	3,690,256	2,772,497
	Water	-	-
	Total Bulk Purchases	3,690,256	2,772,497
29	GRANTS AND SUBSIDIES		
	Indigent Subsidies	5,733,259	4,324,209
	Total Grants and Subsidies	5,733,259	4,324,209
		2010	2009
		R	R
30	GENERAL EXPENSES		
	Audit Costs	996,135	746,733
	Fuel & Oil	387,161	408,455
	Subsistence and Travelling	469,645	437,668
	Telephone & Postage	285,707	280,228
	Bank charges	69,486	62,043
	Electricity Water pump	109,172	104,433
	Advertisement, printing & stationary	145,995	111,312
	Refuse bag purchases	93,600	100,800
	Assurance	126,723	128,723
	Other General Expenses	323,918	273,994
	Housing Fund	409,178	5,178
	Membership for associations	100,000	33,813
	Chemicals	97,203	21,863
	Special programmes	48,564	1,270
	General Expenses	3,662,486	2,716,513
	Other General Expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as workman's compensation, vehicle licenses, cleaning agents and membership fees.		
		2009	2008
		R	R
31	CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3		
31.01	Current Employee Benefits		
	Balance previously reported:		-
	Transfer from Trade and other payables (Staff Leave) - Note 31.02		311,372
	Transfer from Accumulated Surplus/(Deficit) - Note 31.09		122,636
	Total		434,208
31.02	Trade and other payables		
	Balance previously reported:		372,352
	Transfer leave accrual to Current Employee Benefits - Refer notes 31.01		(311,372)
	Total		60,981
31.03	Long-term Liabilities		
	Finance Leases moved from operating to Liabilities as they are required by GRAP.		
	Balance previously reported:	-	249,462
	Opening balance GRAP movements 2008	(49,456)	-
	Implementation of IAS 39 - Financial Instruments	-	(31,008)
	Restatement of fair values of External loans out of Surplus up to 30 June 2007 - Note 31.09	-	(49,456)
	Restatement of fair values of External loans for the year 2007/08 - Note 31.11	-	16,446
	Total	(49,456)	215,454
31.04	Non-Current Employee Benefits		
	Employee Benefits recorded as they are required by GRAP.		
	Balance previously reported	-	-
	Opening balance GRAP movements 2008	-	-
	Implementation of IAS 19	-	-
	Transfer to Accumulated Surplus/(Deficit) - Note 31.09	-	2,638,982
	Long-service not previously recognised transferred from Accumulated Surplus - Note 31.09 and Note 31.11	-	2,638,982
	Total	-	2,638,982

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

31.05	Property, Plant and Equipment - GRAP 17		
	Property, Plant and Equipment recorded as they are required by GRAP.		
	Balance previously reported	-	36,979,547
	Opening balance GRAP movements 2008	-	-
	Implementation of GRAP		
	Transfer from Biological assets at fair value - Note 31.07	-	103,484
	Total	-	37,083,031
		2009	2008
		R	R
31.06	Capitalisation Reserve		
	Capitalisation Reserve recorded as they are required by GRAP.		
	Balance previously reported	-	499,893
	Opening balance GRAP movements 2008	-	-
	Implementation of GRAP		
	Transfer to Accumulated Surplus/(Deficit) - Note 31.09	-	(499,893)
	Total	-	-
		2009	2008
		R	R
31.07	Biological Assets - GRAP		
	Biological Assets recorded as they are required by GRAP.		
	Balance previously reported	-	103,484
	Opening balance GRAP movements 2008	-	-
	Implementation of GRAP		
	Transfer to Property, Plant and Equipment at cost - Note 31.05	-	(103,484)
	Total	-	-
		2009	2008
		R	R
31.08	Government Grant Reserve		
	Government Grant Reserve recorded as they are required by GRAP.		
	Balance previously reported	-	23,970,647
	Opening balance GRAP movements 2008	-	-
	Implementation of GRAP		
	Transfer to Accumulated Surplus/(Deficit) - Note 31.09	-	(23,970,647)
	Total	-	-
31.09	Accumulated Surplus/(Deficit)		
	Movements on Accumulated Surplus recorded as they are required by GRAP.		
	Implementation of GRAP		
	Transfer to Non-Current Employee Benefits - Note 31.04	-	(2,734,317)
	Transfer to Current Employee Benefits - Note 31.01	-	122,836
	Transfer from Capitalisation Reserve - Note 31.06	-	499,893
	Transfer from Government Grant Reserve - Note 31.08	-	23,970,647
	Restatement of fair values of External loans out of Surplus up to 30 June 2007 - Note 31.03	-	49,456
	Restatement of fair values of Long Term Receivables - Note 31.12	-	(42,902)
	Total	-	21,865,614
31.10	Operating Lease Assets		
	Operating Lease Assets recorded as they are required by GRAP.		
	Balance previously reported	-	-
	Opening balance GRAP movements 2008	-	-
	Implementation of GRAP		
	Operating Lease Asset previously not recognised for opening balance - Note 31.11	-	3,656
	Total	-	3,656
31.11	Changes to Statement of Financial Performance		
	Movements on Operating account recorded as they are required by GRAP.		
	Balance previously reported	-	1,673,833
	Implementation of GRAP and IAS 39 - Financial Instruments		
	Restatement of interest expenditure - Unamortised discount - Note 31.03	-	-18,448
	Adjusting the operating lease for the previous year - Note 31.10	-	3,656
	Transfer Actuarial Losses to Non-Current Employee Benefits - Note 31.04 and Note 31.09	-	-89,665
	Transfer Interest Cost to Non-Current Employee Benefits - Note 31.04 and Note 31.09	-	-211,900
	Transfer Employee Benefits Current service Cost to Non-Current Employee Benefits - Note 31.04 and Note 31.09	-	-174,251
	Transfer Employee Benefits Paid to Non-Current Employee Benefits - Note 31.04 and Note 31.09	-	125,479
	Transfer Building Clause Income from Other Income to Property Rates - Note 18 and Note 21	-	5,225
	Transfer Building Clause Income from Other Income to Property Rates - Note 18 and Note 21	-	-5,225
	Transfer Commission on insurance recoveries to Agency services - Note 21	-	10,026
	Transfer Commission on insurance recoveries to Agency services - Note 21	-	-10,026
	Create over/under payment of operating leases out of surplus - Note 31.13	-	1,575
	Restatement of interest revenue - Unamortised discount - Note 31.12	-	4,618
	Total	-	1,314,090

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

31.12	Long Term Receivables	Fair value restated on long term receivables recorded as they are required by GRAP.	
	Balance previously reported	-	119,769
	Opening balance GRAP movements 2008	-	-
	IAS 39 - Financial Instruments		
	Restatement of fair values of housing loans to staff of Surplus up to 30 June 2007 - Note 31.09	-	(42,902)
	Restatement of fair values of housing loans to staff for the year 2007-08 - Note 31.11	-	4,618
	Total	-	81,485
31.13	Trade receivables from Exchange transactions	Trade receivables from Exchange transactions recorded as they are required by GRAP.	
	Balance previously reported	-	8,434,575
	Opening balance GRAP movements 2008	-	-
	Implementation of GRAP		
	Create over/under payment of operating leases out of surplus- Note 31.11	-	1,575
	Total	-	8,436,150
		2009 R	2008 R
32	CORRECTION OF ERROR IN TERMS OF GRAP 3		
32.1	Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities"		
	In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has transitional provisions for the following GRAP Standards:		
	GRAP 12 – Inventories		
	GRAP 16 – Investment Property		
	GRAP 17 – Property, Plant and Equipment		
	GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets		
	GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations		
	GRAP 102 – Intangible Assets		
	These provisions were not adopted in the prior year and are now adopted for periods ending on and after 30 June 2010.		
32.2	Intangible Assets		230,692
	Balance previously reported		(229,378)
	Transfer to Accumulated Surplus for assets incorrectly capitalised - Note 32.3		
	Total		1,314
32.3	Statement of financial performance		-
	Balance previously reported		1,314,899
	Transfer from Intangible Assets for assets incorrectly capitalised - Note 32.2		(229,378)
	Total		1,085,520
		2010 R	2009 R
33	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus/(Deficit) for the year	2,156,559	17,171,904
	Adjustments for:		
	Depreciation	2,542,129	1,469,866
	Amortisation of intangible Assets	1,988	450
	(Gain)/Loss on disposal of property, plant and equipment	3,100	(35,349)
	Impairments	15,874	120,368
	Contribution from/to employee benefits - non-current	437,970	523,052
	Contribution from/to employee benefits - non-current - expenditure incurred	(131,767)	(137,143)
	Contribution from/to employee benefits - non-current - actuarial losses	702,617	-
	Contribution from/to employee benefits - non-current - actuarial gains	-	(56,253)
	Contribution to employee benefits – current	125,948	92,369
	Contribution to provisions – bad debt	894,743	-
	Unamortised discount - Interest - Revenue	(4,445)	(4,552)
	Unamortised discount - Interest - Expenditure	21,097	9,911
	Impairment written off	-	(995,265)
	Operating lease income accrued	(2,349)	(3,034)
	Interest income	(1,747,805)	(1,667,689)
	Interest expense	280,205	349,973
	Operating Surplus/(Deficit) before changes in working capital	5,306,066	16,838,609
	Changes in working capital	(7,261,788)	(15,077,922)
	Increase/(Decrease) in Trade and Other Payables	(2,575,035)	3,042,015
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(2,902,888)	(20,006,006)
	Increase/(Decrease) in Taxes	(1,311,154)	142,550
	(Increase)/Decrease in Trade Receivables from exchange transactions	504,254	712,209
	(Increase)/Decrease in Other Receivables from non-exchange transactions	(976,963)	1,031,311
	Cash generated/(absorbed) by operations	(1,955,720)	1,760,687

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R		
34	CASH AND CASH EQUIVALENTS				
	Cash and cash equivalents included in the cash flow statement comprise the following:				
	Call Investments Deposits - Note 17	28,969,250	34,708,361		
	Bank - Note 17	283,025	394,454		
	Total cash and cash equivalents	29,252,274	35,102,815		
35	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
	Cash and Cash Equivalents - Note 34	29,252,274	35,102,815		
	Less:	29,252,274	35,102,815		
	Unspent Committed Conditional Grants - Note 8	13,137,581	16,040,469		
	Cash Portion of Housing Development Fund - Note 2	362,183	757,374		
	Net cash resources available for internal distribution	15,752,510	18,304,973		
	Allocated to:				
	Capital Replacement Reserve	11,347,812	11,347,812		
	Relension	387,088	2,992,202		
	Provision for Employee benefits	1,000,000	1,000,000		
	Reserves	352,116	352,116		
	Staff Leave	529,689	403,741		
	Resources available for working capital requirements	2,135,806	2,209,102		
36	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
	Long-term Liabilities - Note 3	-	78,843		
	Used to finance property, plant and equipment - at cost	-	-		
		-	78,843		
	Cash set aside for the repayment of long-term liabilities	-	(78,843)		
	Cash invested for repayment of long-term liabilities	-	-		
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 3% and will be repaid by 31 December 2009				
37	BUDGET COMPARISONS				
		2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
37.1	Operational				
	Revenue by source				
	Property Rates	3,892,838	3,910,569	(17,731)	0%
	Government Grants and Subsidies - Capital	5,205,223	8,213,166	(3,007,943)	-37%
	Government Grants and Subsidies - Operating	12,597,889	19,877,834	(7,279,945)	-37%
	Third Party Payments	3,384	-	3,384	100%
	Fines	19,189	4,230	14,959	354%
	Property Rates - Penalties & Collection Charges	204,870	106,000	98,870	93%
	Service Charges	11,759,682	11,894,986	(135,304)	-1%
	Rental of Facilities and Equipment	446,335	405,480	40,855	10%
	Interest Earned - external investments	1,743,469	1,323,000	420,469	32%
	Interest Earned - outstanding debtors	4,336	4,500	(164)	-4%
	Licences and Permits	17,837	37,267	(19,430)	-52%
	Agency Services	96,122	56,500	39,622	70%
	Other Revenue	860,956	5,937,780	(4,776,824)	-65%
	Unamortised discount - Interest	4,445	-	4,445	100%
		36,856,574	51,471,312	(14,614,738)	-28%
	Expenditure by nature				
	Employee Related Costs	(10,045,027)	(9,426,591)	(617,036)	7%
	Remuneration of Councillors	(1,273,038)	(1,280,116)	7,078	-1%
	Debt Impairment	(894,743)	(225,000)	(669,743)	298%
	Collection Cost	-	(35,000)	35,000	-100%
	Depreciation and Amortisation	(2,544,118)	(2,410,665)	(133,453)	6%
	Impairments	(15,874)	-	(15,874)	100%
	Repairs and Maintenance	(453,474)	(730,300)	276,826	-38%
	Actuarial losses	(702,817)	-	(702,817)	100%
	Finance Charges	(290,205)	(303,571)	13,366	-4%
	Bulk Purchases	(3,690,256)	(3,815,662)	125,406	-3%
	Contracted services	-	-	-	0%
	Grants and Subsidies	(5,733,259)	(5,732,292)	(967)	0%
	Operating Grant Expenditure	(5,369,922)	(20,364,000)	14,994,078	-74%
	Unamortised Discount - Interest - Expenditure	(21,097)	-	(21,097)	100%
	General Expenses	(3,662,486)	(9,133,606)	5,471,122	-60%
		(34,696,915)	(53,459,805)	18,761,890	-35%
	Other Gains/Losses				
	Loss on Disposal of PPE	(3,100)	(2,000)	(1,100)	55%
		(3,100)	(2,000)	(1,100)	55%
	Net Surplus for the year	2,156,559	(1,989,493)	4,146,052	-200%

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Details of material variances

Debt Impairment - Withholding of rates
Actuarial losses - Adjusted Actuarial Report

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
37.2 Expenditure by Vote				
Cemetery	(107,751)	(108,371)	620	-1%
Library	(603,737)	(622,500)	18,763	-3%
Museum	(36,306)	(126,102)	89,796	-71%
Corporate Services	(1,048,017)	(1,160,479)	112,462	-10%
Electricity Administration	(117,901)	(144,700)	26,799	-19%
Electricity Generation	(3,980,584)	(4,109,383)	128,799	-3%
Electricity Distribution	(285,419)	(307,622)	22,403	-7%
General Expenditure of Council	(16,419,050)	(29,437,287)	13,018,237	-44%
Official Housing	(1,173)	(3,673)	2,500	-68%
Property Rates	-	(5,620,342)	5,620,342	-100%
Commonage	(51,769)	(73,913)	22,144	-30%
Municipal Buildings	(137,307)	(135,606)	(1,701)	1%
Municipal Manager/Treasurer	(5,598,257)	(4,608,041)	(990,216)	21%
Nursing Service	(20,170)	(23,356)	3,186	-14%
Air Port	(30,846)	(40,073)	9,227	-23%
Abattoir	(19)	(524)	505	-98%
Fire Department	16 August 2010	(15,632)	56,040	-358%
Civil Protection	(4,736)	(36,827)	32,091	-87%
Pound	(14,231)	(10,684)	(3,547)	33%
Public Works	(1,894,236)	(1,920,294)	26,058	-1%
Streets & Pavements	(412,110)	(418,481)	6,371	-2%
Licensing & Traffic	(184,201)	(199,668)	15,467	-8%
Nature Reserve	(108,955)	(104,710)	(4,245)	4%
Parks & Open areas	(191,846)	(189,897)	(1,949)	1%
Swimming Pool	(72,954)	(61,847)	(11,107)	18%
Caravan Park	(4,873)	(9,929)	5,056	-51%
Refuse	(2,156,320)	(2,287,381)	131,061	-6%
Sewerage & Cleansing	(1,924,465)	(2,389,625)	465,160	-19%
Water Distribution	(258,655)	(240,052)	(18,603)	8%
Water Provision	(372,443)	(519,310)	146,867	-28%
Less Inter-Departmental Charges	1,349,605	1,465,704	(116,099)	-8%
	<u>(34,688,736)</u>	<u>(53,460,605)</u>	<u>18,812,477</u>	<u>-35%</u>

Details of material variances

Municipal Manager/Treasurer - Additional contribution to Pension fund

37.3 Capital expenditure by vote				
Municipal Manager/Treasurer	208,267	-	208,267	100%
Library	105,749	-	105,749	100%
Electricity Administration	20,662	-	20,662	100%
Public Works	116,842	200,000	(83,158)	-42%
Streets & Pavements	1,724,789	1,422,000	302,789	21%
Nature Reserve	38,700	-	38,700	100%
Parks & Open areas	-	4,500,000	(4,500,000)	-100%
Sewerage, Refuse & Cleansing	2,466,875	500,000	1,966,875	394%
Water Provision	567,678	-	567,678	100%
	<u>5,291,969</u>	<u>6,622,000</u>	<u>(1,330,031)</u>	<u>-20%</u>

Details of material variances

Municipal Manager/Treasurer - Furniture & Electronic equipment
Library - Computers & extension of building
Streets & Pavements - Additional roads paved & tarred
Sewerage, Refuse & Cleansing - Additional pipeline, pump station enlargement of collective drains and vehicles
Water Provision - Additional bore holes and desalination plant

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

38.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	-
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year - operating	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

38.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

38.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	-
Irregular expenditure current year	-	2,149,071
Condoned or written off by Council	-	(2,149,071)
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

38.4 Material Losses

Electricity distribution losses

Units purchased (Kwh)	8,203,635	8,326,783
- Units lost during distribution (Kwh)	1,201,021	1,768,533
- Percentage lost during distribution	14.64%	21.24%

Water distribution losses

- Mega litres purified	-	-
- Mega litres lost during distribution	-	-
- Percentage lost during distribution	0.00%	0.00%

39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

39.1 Contributions to organised local government - (MFMA 125 (1)(b)) - SALGA CONTRIBUTIONS

Council subscriptions	100,000	32,458
Amount paid - current year	(100,000)	(32,458)
Balance unpaid (included in creditors)	-	-

2010 R 2009 R

39.2 Audit fees - (MFMA 125 (1)(b))

Opening balance	-	-
Current year audit fee	996,135	775,940
External Audit - Auditor-General	996,135	775,940
Amount paid - current year	(996,135)	(775,940)
Balance unpaid (included in creditors)	-	-

39.3 VAT - (MFMA 125 (1)(b))

Opening balance	(39,760)	(346,843)
Amounts received - current year	1,763,053	1,395,006
Amounts claimed - current year (payable)	(2,214,070)	(2,389,235)
Amounts received - current year	-	954,469
Amounts received - previous year	39,760	346,843
Closing balance	(451,018)	(39,760)

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

2010 R 2009 R

39.4 PAYE, SDL and UIF - (MFMA 125 (1)(b))

Current year payroll deductions and Council Contributions	1,127,470	1,079,870
Amount paid - current year	(1,127,470)	(1,079,870)
Balance unpaid (included in creditors)	-	-

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
39.5 Pension and Medical Aid Deductions - (MFMA 125 (1)(b))		
Current year payroll deductions and Council Contributions	2,177,017	1,942,141
Amount paid - current year	(2,177,017)	(1,942,141)
L.A. Health	(241,338)	(441,320)
Munimed	(42,588)	(91,616)
Cape Pension Fund	(251,521)	(226,774)
Hosmed	(484,565)	(155,773)
Cape Joint Retirement Fund	(793,541)	(574,539)
SAMWU Provident Fund	(353,464)	(352,119)
Balance unpaid (included in creditors)	-	-
39.6 Councillor's arrear consumer accounts - (MFMA 125 (1)(b))		
The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2010:		
	2010 R Outstanding more than 90 days	2009 R Outstanding more than 90 days
None	-	-
Total Councillor Arrear Consumer Accounts	-	-
39.7 Quotations awarded - Section 45 - Supply Chain Management		
Mr C van der Merwe - Chief Operational Manager's Wife - Brother-in-law	1,870,674	2,569,853
BC & DD Bricks - Director is the spouse of a senior general worker.	-	193,341
	<u>1,870,674</u>	<u>2,763,294</u>
	2010 R	2009 R
40 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for:	5,083,096	5,975,419
Infrastructure	<u>5,083,096</u>	<u>5,975,419</u>
Total	<u>5,083,096</u>	<u>5,975,419</u>
	2010 R	2009 R
This expenditure will be financed from:		
Government Grants	5,083,096	5,975,419
	<u>5,083,096</u>	<u>5,975,419</u>
	2010 R	2009 R
41 FINANCIAL RISK MANAGEMENT		
The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.		
(a) Foreign Exchange Currency Risk		
The municipality does not engage in foreign currency transactions.		
(b) Price risk		
The municipality is not exposed to price risk.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(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.

	2010 R	2009 R
The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follows:		
0.5% (2009 - 0.5%) Increase in interest rates	145,261	175,225
0.5% (2009 - 0.5%) Decrease in interest rates	(145,261)	(175,225)

(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. 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 14 & 15 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 14 & 15 for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 14 & 15 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) are included at prime lending rate plus 1% where applicable.

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

	2010 %	2010 R	2009 %	2009 R
Electricity	14.78%	1,004,477	17.33%	1,024,245
Water	21.23%	1,444,614	25.43%	1,503,344
Rentals	3.90%	265,186	3.73%	220,421
Refuse	16.16%	1,099,462	18.28%	1,079,528
Sewerage	16.41%	1,116,746	20.29%	1,199,213
Other Consumer Arrears	3.50%	238,447	1.59%	93,726
Rates	24.05%	1,636,493	13.37%	790,206
	100.00%	5,805,425	100.00%	5,910,682

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.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

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

Long term receivables	74,731	78,319
Trade receivables and other receivables	2,181,431	2,603,465
Cash and Cash Equivalents	29,252,274	35,102,815
	<u>31,508,437</u>	<u>37,784,600</u>

(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
2010				
Long Term liabilities	-	-	-	-
Capital repayments	-	-	-	-
Interest	-	-	-	-
Trade and Other Payables	527,860	-	-	-
Unspent conditional government grants and receipts	13,137,581	-	-	-
	<u>13,665,541</u>	<u>-</u>	<u>-</u>	<u>-</u>
2009				
Long Term liabilities	81,555	-	-	-
Capital repayments	78,843	-	-	-
Interest	2,712	-	-	-
Trade and Other Payables	3,102,996	-	-	-
Unspent conditional government grants and receipts	16,040,459	-	-	-
	<u>19,225,019</u>	<u>-</u>	<u>-</u>	<u>-</u>

		2010 R	2009 R	
42	FINANCIAL INSTRUMENTS			
	In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:			
	The fair value of financial instruments approximates the amortised costs as reflected below.			
42.1	<u>Financial Assets</u>			
	<u>Classification</u>			
	Long-term Receivables			
	Staff Loans	At amortised cost	95,659	104,018
	Consumer Debtors			
	Trade receivables from exchange transactions	At amortised cost	5,694,303	5,440,319
	Other receivables from exchange transactions	At amortised cost	1,525,384	2,283,623
	Other receivables from non-exchange transactions	At amortised cost	1,767,169	790,206
	Current Portion of Long-term Receivables			
	Staff Loans	At amortised cost	8,360	8,032
	Short-term Investment Deposits			
	Call Deposits	At amortised cost	28,969,250	34,708,361

KAREEBERG MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Bank Balances and Cash				
Bank Balances	At amortised cost		283,025	394,454
			<u>38,343,149</u>	<u>43,729,014</u>
SUMMARY OF FINANCIAL ASSETS				
At amortised cost			<u>38,343,149</u>	<u>43,729,014</u>
			2010	2009
			R	R
41 FINANCIAL INSTRUMENTS (CONTINUE)				
42.2 Financial Liability	Classification			
Trade Payables				
Trade creditors	At amortised cost	440,481	3,037,526	
Retentions	At amortised cost	84,533	62,534	
Unspent Conditional Grants and Receipts				
Other Spheres of Government	At amortised cost	13,137,581	16,040,469	
Current Portion of Long-term Liabilities				
Annuity Loans	At amortised cost	-	78,843	
		<u>13,662,595</u>	<u>19,219,371</u>	
SUMMARY OF FINANCIAL LIABILITY				
At amortised cost		<u>13,662,595</u>	<u>19,219,371</u>	
43 EVENTS AFTER THE REPORTING DATE				
The municipality has no events after reporting date during the financial year ended 2009/2010.				
44 IN-KIND DONATIONS AND ASSISTANCE				
The municipality did not receive any in-kind donations or assistance during the year under review.				
45 PRIVATE PUBLIC PARTNERSHIPS				
Council has not entered into any private public partnerships during the financial year.				
46 CONTINGENT LIABILITY				
The Rate Payers Association is currently in dispute with the municipality. Rate Payers Association will continue with the non payment of municipal rates accounts.				
Signed collective agreement, from SALGA stipulating back pay of 9 months on wage curves according to approved post evaluations, was not received at year end.				
47 RELATED PARTIES				
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.				
47.1 Related Party Transactions				
	Rates - Levied 1 Jul 09 - 30 Jun 10	Service Charges - Levied 1 Jul 09 - 30 Jun 10	Other - Levied 1 Jul 09 - 30 Jun 10	Outstanding Balances 30 June 2010
Year ended 30 JUNE 2010				
Councillors	12,971	30,251	-	1,530
Municipal Manager and Section 57 Employees	17,729	37,621	-	1,642
The rates, service charges and other charges are in accordance with approved tariffs. No impairment expenses have been recognised in respect of amounts owed by related parties.				
47.2 Related Party Loans				
Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 13 to the Annual Financial Statements.				
47.3 Compensation of key management personnel				
The compensation of key management personnel is set out in note 23 to the Annual Financial Statements.				

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

47.4	Other related party transactions	2010	2009
	The following purchases were made during the year where Councillors or Management have an interest:	R	R
	<u>Councillor/Staff Member</u>		
	Mr C van der Merwe - Chief Operational Manager Wife's - Brother-in-law	1,870,674	2,569,953
		<u>1,870,674</u>	<u>2,569,953</u>
48	TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES		
48.1	GRAP 19 - Provisions, contingent liabilities and contingent Assets		
	The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise provisions, contingent liabilities or contingent assets relating to Refuse tip-sites.		
	The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2011 financial statements.		
48.2	GRAP 100 - Non-current assets and discontinued operations		
	The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not recognised in terms of the transitional provisions relating to those standards.		
48.3	GRAP 16 - Investment Properties		
	The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise all the Investment Properties.		
	The municipality is currently in the process of identifying all Investment Properties and have valued them in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.		
48.4	GRAP 102 - Intangible Assets		
	The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:		
	<ul style="list-style-type: none"> • Computer Software; • Intangible assets financed by way of finance leases; • Intangible assets transferred as a result of the transfer of functions; and • Servitudes. 		
	The municipality is currently in the process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.		
48.5	GRAP 12 - Inventories		
	The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise the following inventories:		
	Land held for sale		
	The municipality is currently in the process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2011 financial statements.		
48.6	GRAP 17 - Property, Plant and Equipment		
	The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise the following Property, Plant & Equipment:		
	Refer to Note 10		

APPENDIX A - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2009	Correction	Balance at 30 JUNE 2009 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2010
ANNUITY LOANS									
DBSA	3.00%	Vehicles & Equipment Ref - K11, L23	31/12/2009	78,843	-	78,843	-	78,843	-
Total Annuity Loans				78,843	-	78,843	-	78,843	-
TOTAL EXTERNAL LOANS				78,843	-	78,843	-	78,843	-

APPENDIX B - Unaudited
KAREEBERG LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Residual Value Opening Balance	Additions	Residual Value Additions	Revaluation	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	
Land and Buildings										
Land	11,387,075	590,320	-	-	-	-	-	11,885,394	-	11,885,394
Buildings	1,639,765	86,303	75,414	3,959	-	-	-	1,805,452	638,441	1,111,101
	13,026,840	685,623	75,414	3,959	-	-	-	13,770,147	638,441	13,097,892
Infrastructure										
Main Roads	5,992,487	314,864	1,630,549	86,239	-	901	47	8,021,111	1,791,351	5,825,927
Main Waste Management	12,432,765	654,356	712,500	37,500	-	-	-	13,837,121	281,104	12,904,407
Main Electricity	1,972,917	98,575	-	-	-	-	-	1,971,492	89,473	754,772
Main Water	9,915,321	521,869	530,284	28,394	-	-	-	11,004,959	2,081,154	6,403,427
Reservoirs/Pumps - Waste Management	10,738	565	1,001,956	52,735	-	-	-	1,005,991	10,463	1,043,873
Transformers, Switchgear and Meters	31,731	1,670	10,000	1,000	-	-	-	53,401	20,638	31,153
Reservoirs/Tanks - Water	1,117,398	58,810	-	-	-	-	-	1,176,199	737,026	384,772
	31,383,268	1,659,608	3,911,290	205,059	-	901	47	37,130,175	6,038,982	28,359,430
Community Assets										
Recreation Grounds	1,653,506	87,027	-	-	-	-	-	1,740,532	848,083	1,010,495
Community Halls	516,029	27,159	-	-	-	984	52	542,153	216,945	268,278
Libraries	308,747	17,939	-	-	-	-	-	355,572	121,656	233,049
Parks & Gardens	38,017	2,054	-	-	-	-	-	41,070	22,949	16,358
Clinics	80,693	4,259	-	-	-	-	-	85,150	35,076	47,378
Cemeteries	5,170	272	-	-	-	-	-	5,440	2,244	3,032
	2,833,368	138,588	-	-	-	984	52	2,770,310	1,046,963	1,600,889
Heritage Assets										
Vehicles	4,750	250	-	-	-	-	-	5,000	-	5,000
	4,750	250	-	-	-	-	-	5,000	-	5,000
Total carried forward	47,026,225	2,475,170	3,986,714	209,027	-	1,885	99	53,607,952	7,774,395	44,869,527

APPENDIX B - Unaudited
KAREEBERG LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost										Accumulated Depreciation			Carrying Value
	Opening Balance	Residual Value Opening Balance	Additions	Residual Value Additions	Revaluation	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
Total brought forward	47,028,226	2,475,170	3,986,714	209,827	-	-	99	53,697,932	7,724,386	1,905,238	1,184	8,628,430	44,069,522	
Housing Rental Stock	-	-	-	-	-	-	-	-	-	-	-	-	-	
Housing Rentals	-	-	-	-	-	-	-	-	-	-	-	-	-	
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	
Leased Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	
Office Equipment (Lease)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Biological Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	
Game	124,084	-	38,700	-	14,550	3,100	-	174,234	-	-	-	-	174,234	
	124,084	-	38,700	-	14,550	3,100	-	174,234	-	-	-	-	174,234	
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	
Motor Vehicles	1,331,433	101,654	707,054	37,213	-	-	-	2,777,354	838,408	394,193	-	1,232,601	1,544,753	
Plant & Equipment	1,171,266	61,751	35,962	1,893	-	23,216	1,222	1,248,434	706,479	101,119	11,641	785,957	452,477	
Office Equipment	473,216	20,947	59,913	3,153	-	5,701	300	551,227	291,201	63,156	4,450	349,907	201,320	
Furniture & Fittings	215,674	11,392	132,110	6,953	-	2,433	128	363,737	151,783	25,243	2,397	174,639	189,108	
Fire Engines	47,214	2,485	-	-	-	553	29	48,117	15,527	3,148	516	18,156	30,959	
Computer Equipment	396,528	20,670	30,467	1,604	-	9,595	505	438,368	348,515	18,942	9,595	358,862	80,506	
Refuse Tankers	522,277	27,486	-	-	-	-	-	549,763	219,793	31,092	-	310,155	239,611	
	4,759,608	240,557	905,505	50,816	-	41,488	2,184	5,979,003	2,632,076	636,491	28,699	3,240,860	2,738,034	
Total Property, Plant and Equipment	51,912,118	2,721,726	4,990,918	289,643	14,550	46,484	2,203	59,651,160	10,357,662	2,542,129	29,793	12,889,598	40,891,790	
Investment Property	-	-	-	-	-	-	-	-	-	-	-	-	-	
Land	-	-	-	-	-	-	-	-	-	-	-	-	-	
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	
Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	
Computer Software	1,350	71	6,000	316	-	-	-	7,737	557	1,988	-	2,546	5,191	
	1,350	71	6,000	316	-	-	-	7,737	557	1,988	-	2,546	5,191	
Total	51,913,468	2,721,797	4,996,918	290,959	14,550	46,484	2,203	59,658,926	10,357,630	2,544,116	29,793	12,871,544	46,886,902	

APPENDIX C - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Residual Value Opening Bal	Additions	Residual Value Additions	Revaluation	Disposals	Residual Value Disposals	Closing Balance	
Commonage	874,223	48,012	-	-	-	-	-	7,524	912,711
Municipal Buildings	11,984,927	630,770	-	-	-	-	-	719,079	11,984,588
Municipal Manager/Treasurer	1,035,692	50,551	197,653	10,413	-	1,634	86	56,935	1,189,815
Library	699,240	38,602	100,461	5,287	-	3,753	188	81,238	720,744
Museum	73,164	3,851	-	-	-	13,647	718	12,359	345,646
Electricity Administration	2,350,038	123,686	-	-	-	107	6	8,082	50,671
General Expenditure of Council	255	13	19,629	1,033	-	135	7	140,428	1,590,369
Health Services	288,739	15,892	-	-	-	-	-	255	13
Public Works	55,029	1,954	-	-	-	-	-	-	135,643
Public Works	259,929	17,650	-	-	-	-	-	9,448	25,974
Streets & Pavements	6,083,468	315,139	111,009	5,612	-	553	29	3,148	6,403,617
Licensing & Traffic	591,096	31,149	1,638,548	68,238	-	8201	373	2,195,272	3,424,711
Nature Reserve	151,989	1,464	38,700	-	14,560	-	47	42,953	583,261
Parks & Open areas	1,652,311	89,964	-	-	-	3,100	-	18,091	184,031
Swimming Pool	15,230	802	-	-	-	-	-	19,402	104,031
Craven Park	11,202	590	-	-	-	-	-	733,612	1,005,662
Sewerage Refuse & Cleansing	14,374,993	756,579	2,345,431	123,444	-	-	859	10,674	5,258
Water Provision	11,452,363	602,757	539,294	29,384	-	10,319	-	5,230	15,441,609
								2,141,680	3,599,533
TOTAL	51,942,118	2,721,728	4,990,910	280,843	14,660	46,484	2,203	12,069,388	46,981,700

APPENDIX C - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation					Accumulated Depreciation				Carrying Value		
	Opening Balance	Residual Value Opening Bal	Additions	Residual Value Additions	Disposals	Residual Value Disposals	Closing Balance	Opening Balance	Additions		Disposals	Closing Balance
Executive & Council	255	13	-	-	-	-	268	255	-	-	255	13
Budget & Treasury Office	13,894,542	727,332	197,653	10,413	5,387	284	14,824,471	1,313,728	138,710	5,092	1,447,346	13,377,124
Corporate Services	-	-	-	-	-	-	-	-	-	-	-	-
Planning & Development	-	-	-	-	-	-	-	-	-	-	-	-
Health	286,739	15,092	-	-	-	-	301,831	126,195	9,448	-	135,643	165,188
Community & Social Services	772,404	40,653	100,461	5,287	13,755	724	904,327	337,666	71,118	12,467	395,317	508,010
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	55,030	2,896	-	-	553	29	57,344	23,342	3,148	516	25,974	31,370
Sport & Recreation	1,830,642	89,819	38,700	-	3,100	-	1,970,611	685,326	83,673	-	769,999	1,201,612
Environmental Protection	-	-	-	-	14,550	-	-	-	-	-	-	-
Waste Management	14,374,993	755,579	2,345,431	123,444	16,319	859	17,583,269	1,174,637	972,728	5,705	2,141,660	15,441,609
Water	6,895,092	362,900	1,749,549	92,082	7,235	381	9,092,005	2,291,612	487,568	5,878	2,773,302	6,318,704
Road Transport	11,452,383	602,757	539,294	28,384	-	-	12,622,818	2,954,225	635,308	-	3,589,533	9,033,285
Electricity	2,350,038	123,686	19,629	1,033	135	7	2,494,243	1,450,076	140,428	135	1,590,369	903,875
	51,912,118	2,721,726	4,990,918	260,643	46,484	2,203	59,851,189	10,357,062	2,642,129	29,793	12,869,398	46,981,790

APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
MUNICIPAL VOTES CLASSIFICATION

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
5,415	(66,304)	(60,889)	Cemetery	5,670	(107,751)	(102,081)
693	(507,689)	(506,996)	Library	1,099	(603,737)	(602,638)
-	(95,361)	(95,361)	Museum	-	(36,306)	(36,306)
-	(29,207)	(29,207)	Corporate Services	-	(1,048,017)	(1,048,017)
4,053,098	(117,716)	3,935,383	Electricity Administration	4,793,857	(117,901)	4,675,956
-	(2,963,422)	(2,963,422)	Electricity Generation	-	(3,980,594)	(3,980,594)
-	(307,710)	(307,710)	Electricity Distribution	-	(285,419)	(285,419)
37,819,779	(20,966,090)	16,853,689	General Expenditure of Council	18,488,156	(16,419,050)	2,069,106
2,400	(1,177)	1,223	Official Housing	2,520	(1,173)	1,347
2,688,654	-	2,688,654	Property Rates	3,997,838	-	3,997,838
364,239	(160,124)	204,115	Commonage	387,120	(51,769)	335,351
41,180	(55,894)	(14,714)	Municipal Buildings	39,029	(137,307)	(98,278)
317,557	(4,867,418)	(4,549,861)	Municipal Manager/Treasurer	1,133,648	(5,598,257)	(4,464,609)
760	(11,426)	(10,666)	Health Service	-	-	-
-	(6,825)	(6,825)	Nursing Service	-	(20,170)	(20,170)
300	(47,197)	(46,897)	Air Port	300	(30,846)	(30,546)
-	(20)	(20)	Abattoir	-	(19)	(19)
-	(12,512)	(12,512)	Fire Department	-	(11,279)	(11,279)
-	(23,626)	(23,626)	Civil Protection	-	(4,736)	(4,736)
160	(5,477)	(5,317)	Pound	1,090	(14,231)	(13,141)
1,010	(1,297,254)	(1,296,244)	Public Works	120	(1,894,236)	(1,894,116)
-	(304,737)	(304,737)	Streets & Pavements	-	(412,110)	(412,110)
17,820	(265,350)	(247,530)	Licensing & Traffic	7,420	(184,201)	(176,781)
10,400	(84,065)	(73,665)	Nature Reserve	38,700	(108,955)	(70,255)
700	(108,254)	(107,554)	Parks & Open areas	700	(191,846)	(191,146)
4,914	(55,231)	(50,317)	Swimming Pool	9,946	(72,954)	(63,008)
7,260	(4,736)	2,524	Caravan Park	3,090	(4,873)	(1,783)
-	-	-	Refuse	2,471,309	(2,156,320)	314,989
4,137,593	(3,385,791)	751,802	Sewerage & Cleansing	2,173,789	(1,924,465)	249,324
-	(267,564)	(267,564)	Water Distribution	-	(258,655)	(258,655)
2,951,849	(234,948)	2,716,902	Water Provision	3,301,174	(372,443)	2,928,731
52,425,781	(36,253,124)	16,172,657	Sub Total	36,856,574	(36,049,620)	806,954
-	999,248	999,248	Less Inter-Departmental Charges	-	1,349,605	1,349,605
52,425,781	(35,253,877)	17,171,904	Total	36,856,574	(34,700,015)	2,156,559

APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
37,819,778.54	(20,966,090)	16,853,689	Executive & Council	18,488,156	(16,419,050)	2,069,106
3,414,329.43	(5,131,830)	(1,717,500)	Budget & Treasury	5,560,455	(5,819,371)	(258,916)
-	(29,207)	(29,207)	Corporate Services	-	(1,048,017)	(1,048,017)
760.00	(18,251)	(17,491)	Health	-	(20,170)	(20,170)
6,108.40	(669,354)	(663,246)	Community & Social Services	6,769	(747,795)	(741,026)
160.00	(41,616)	(41,456)	Public Safety	1,090	(30,246)	(29,156)
23,274.00	(252,286)	(229,012)	Sport & Recreation	52,436	(378,628)	(326,192)
4,137,592.92	(3,385,791)	751,802	Waste Management	2,471,309	(2,156,320)	314,989
-	-	-	Waste Water Management	2,173,789	(1,924,465)	249,324
18,830.00	(1,867,341)	(1,848,511)	Road Transport	7,540	(2,490,547)	(2,483,007)
2,951,849.33	(502,511)	2,449,338	Water	3,301,174	(631,098)	2,670,076
4,053,098.38	(3,388,848)	664,251	Electricity	4,793,857	(4,383,914)	409,943
52,425,781	(36,253,124)	16,172,657	Sub Total	36,856,574	(36,049,620)	806,954
-	999,248	999,248	Less Inter-Departmental Charges	-	1,349,605	1,349,605
52,425,781	(35,253,877)	17,171,904	Total	36,856,574	(34,700,015)	2,156,559

APPENDIX E(1) - Unaudited
KAREEBERG LOCAL MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
MUNICIPAL VOTES CLASSIFICATION

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property Rates	3,892,838	3,910,569	(17,731)	-0.45%	
Government Grants and Subsidies	17,803,112	28,091,000	(10,287,888)	-36.62%	Grants not spent
Fines	19,189	4,230	14,959	353.64%	
Third Party Payments	3,384	-	3,384	100.00%	
Property Rates - Penalties & Collection Charges	204,870	106,000	98,870	93.27%	
Service Charges	11,759,682	11,894,986	(135,304)	-1.14%	
Rental of Facilities and Equipment	446,335	405,480	40,855	10.08%	
Interest Earned - External Investments	1,743,469	1,323,000	420,469	31.78%	
Interest Earned - Outstanding Debtors	4,336	4,500	(164)	-3.65%	
Licenses and Permits	17,837	37,267	(19,430)	-52.14%	Licensing not functional
Agency Services	96,122	56,500	39,622	70.13%	
Other Revenue	860,956	5,637,780	(4,776,824)	-84.73%	Revenue forgone
Unamortised Discount - Interest	4,445	-	4,445	100.00%	
Total Revenue	36,856,574	51,471,312	(14,614,738)	-28.39%	
EXPENDITURE					
Cemetery	(107,751)	(108,371)	620	-0.57%	
Library	(603,737)	(622,500)	18,763	-3.01%	
Museum	(36,306)	(126,102)	89,796	-71.21%	
Corporate Services	(1,048,017)	(1,160,479)	112,462	-9.69%	
Electricity Administration	(117,901)	(144,700)	26,799	-18.52%	
Electricity Generation	(3,980,594)	(4,109,383)	128,789	-3.13%	
Electricity Distribution	(285,419)	(307,822)	22,403	-7.28%	
General Expenditure of Council	(16,419,050)	(29,437,287)	13,018,237	-44.22%	
Official Housing	(1,173)	(3,673)	2,500	-68.06%	
Property Rates	-	(5,620,342)	5,620,342	-100.00%	
Commonage	(51,769)	(73,913)	22,144	-29.95%	
Municipal Buildings	(137,307)	(135,606)	(1,701)	1.25%	
Municipal Manager/Treasurer	(5,598,257)	(4,608,041)	(990,216)	21.49%	Additional contribution to Pension fund
Nursing Service	(20,170)	(23,356)	3,186	-13.64%	
Air Port	(30,846)	(40,073)	9,227	-23.02%	
Abattoir	(19)	(524)	505	-98.37%	
Fire Department	(11,279)	(15,632)	4,353	-27.84%	
Civil Protection	(4,736)	(36,827)	32,091	-87.14%	
Pound	(14,231)	(10,684)	(3,547)	33.20%	Not material
Public Works	(1,894,236)	(1,920,294)	26,058	-1.36%	
Streets & Pavements	(412,110)	(418,481)	6,371	-1.52%	
Licensing & Traffic	(184,201)	(199,668)	15,467	-7.75%	
Nature Reserve	(108,955)	(104,710)	(4,245)	4.05%	
Parks & Open areas	(191,846)	(189,897)	(1,949)	1.03%	
Swimming Pool	(72,954)	(61,647)	(11,107)	17.96%	Repair pump & more water usage
Caravan Park	(4,873)	(9,929)	5,056	-50.93%	
Refuse	(2,156,320)	(2,287,381)	131,061	-5.73%	
Sewerage & Cleansing	(1,924,465)	(2,389,625)	465,160	-19.47%	
Water Distribution	(258,655)	(240,052)	(18,603)	7.75%	
Water Provision	(372,443)	(519,310)	146,867	-28.28%	
Less Inter-Departmental Charges	1,349,605	1,465,704	(116,099)	-7.92%	
Total Expenditure	(34,700,015)	(53,460,885)	18,760,790	-35.09%	
SURPLUS / (DEFICIT) FOR THE YEAR	2,156,559	(1,989,493)	4,146,052	-208.40%	

APPENDIX E(1) - Unaudited
KAREEBERG LOCAL MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property Rates	3,892,838	3,910,569	(17,731)	-0.45%	
Government Grants and Subsidies	17,803,112	28,091,000	(10,287,888)	-36.62%	Grants not spent
Public Contributions and Donations	-	-	-	100.00%	
Fines	19,189	4,230	14,959	353.64%	
Third Party Payments	3,384	-	3,384	100.00%	
Property Rates - Penalties & Collection Charges					
	204,870	106,000	98,870	93.27%	
Service Charges	11,759,682	11,694,986	(135,304)	-1.14%	
Rental of Facilities and Equipment	446,335	405,480	40,855	10.08%	
Interest Earned - External Investments	1,743,469	1,323,000	420,469	31.78%	
Interest Earned - Outstanding Debtors	4,336	4,500	(164)	-3.65%	
Licences and Permits	17,837	37,267	(19,430)	-52.14%	Licensing not functional
Agency Services	96,122	56,500	39,622	70.13%	
Other Revenue	860,956	5,637,760	(4,776,824)	-84.73%	Revenue forgone
Unamortised Discount - Interest	4,445	-	4,445	100.00%	
Total Revenue	36,866,674	51,471,312	(14,614,738)	-28.39%	
EXPENDITURE					
Executive & Council	(16,419,050)	(29,437,267)	13,018,237	-44.22%	
Budget & Treasury	(5,819,371)	(10,482,172)	4,662,801	-44.48%	
Corporate Services	(1,048,017)	(1,160,479)	112,462	-9.69%	
Health	(20,170)	(23,356)	3,186	-13.64%	
Community & Social Services	(747,795)	(856,973)	109,178	-12.74%	
Public Safety	(30,246)	(63,143)	32,897	-52.10%	
Sport & Recreation	(378,628)	(366,383)	(12,245)	3.34%	
Waste Management	(2,156,320)	(2,287,381)	131,061	-5.73%	
Waste Water Management	(1,924,465)	(2,389,625)	465,160	-19.47%	
Road Transport	(2,490,547)	(2,538,443)	47,896	-1.89%	
Water	(631,088)	(759,362)	128,264	-16.89%	
Electricity	(4,383,914)	(4,561,905)	177,991	-3.90%	
Less: Interdepartmental Charges	1,349,605	1,465,704	(116,099)	-7.92%	
Total Expenditure	(34,700,015)	(53,468,805)	18,768,790	-35.09%	
SURPLUS / (DEFICIT) FOR THE YEAR	2,166,659	(1,997,493)	4,164,052	-208.40%	

APPENDIX E (2) - Unaudited
KAREEBERG LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT
MUNICIPAL VOTES CLASSIFICATION

	2010	2010		2010	2010		2010	2010		Explanation of Significant Variances greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance				
	R	R	R	R	R	R	%			
Municipal Manager/Treasurer	208,267	-	208,267	-	208,267		100.00%	Furniture & Electronic equipment		
Library	105,749	-	105,749	-	105,749		100.00%	Computers & extension of building		
Electricity Administration	20,662	-	20,662	-	20,662		100.00%	Transformer required		
Public Works	116,842	-	116,842	200,000	(83,158)		-41.58%			
Streets & Pavements	1,724,789	-	1,724,789	1,422,000	302,789		21.29%	Additional roads tarred & paved		
Nature Reserve	38,700	-	38,700	-	38,700		100.00%	Game increase (own breeding)		
Parks & Open areas	-	-	-	4,500,000	(4,500,000)		-100.00%			
								Additional pipeline, pump station		
Sewerage, Refuse & Cleansing	2,468,875	-	2,468,875	500,000	1,968,875		393.78%	enlargement of collective drains, vehicles		
Water Provision	567,678	-	567,678	-	567,678		100.00%	Additional bore holes and desalination plant		
Total	5,251,561	-	5,251,561	6,622,000	(1,370,439)		-20.70%			

APPENDIX E (2) - Unaudited
KAREEBERG LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2010 Actual	2010 Under Construction	2010 Total Additions	2010 Budget	2010 Variance	2010 Variance %	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R		
Budget & Treasury	208,267	-	208,267	-	208,267	100.00%	Furniture & Electronic equipment
Community & Social Services	105,749	-	105,749	-	105,749	100.00%	Computers & extension of building
Sport & Recreation	38,700	-	38,700	4,500,000	(4,461,300)	-99.14%	Game increase (own breeding)
Waste Management	2,468,875	-	2,468,875	-	2,468,875	100.00%	Additional pipeline, pump station
Waste Water Management	-	-	-	500,000	(500,000)	-100.00%	enlargement of collective drains, vehicles
Road Transport	1,841,631	-	1,841,631	1,622,000	219,631	13.54%	Additional roads tarred & paved
Water	567,678	-	567,678	-	567,678	100.00%	Additional bore holes and desalination plant
Electricity	20,662	-	20,662	-	20,662	100.00%	Transformer required
Total	5,251,561	-	5,251,561	6,622,000	(1,370,439)	-20.70%	

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

Grant Description	Balance 1 JULY 2009	Correction of error	Restated balance 30 JUNE 2009	Contributions during the year	Interest on Investments	Other Income	Operating Expenditure Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2010
	R	R	R	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS									
Job Creation De Built	31,907	-	31,907	-	1,202	-	-	-	33,109
Land Development	53,644	-	53,644	-	1,272	-	-	-	54,916
Civil Defence	15,846	-	15,846	-	635	-	-	-	16,481
Job Creation	10,889	-	10,889	-	436	-	-	-	11,325
Department of Economic Affairs	-	-	-	-	-	15,000	15,000	-	-
Self Build Project	127,315	-	127,315	-	1,958	-	-	-	129,274
Geotechnical Investigation	5,610	-	5,610	-	321	-	-	-	5,931
Water Assistance	71,281	-	71,281	-	1,486	-	-	-	72,767
Development Bank	-	-	-	-	-	45,375	45,375	-	-
TV Fund	10,089	-	10,089	-	27	-	-	-	10,126
CMIP Kwaggakolk(VAT)	188,246	-	188,246	-	2,895	-	-	-	191,142
MSIG	1,344	-	1,344	-	-	1,300,000	-	196,290	419,838
MIG Sanitation	5,058,293	-	5,058,293	-	-	-	685,217	4,286,800	-
Sanitation - sewerage	6,761,550	-	6,761,550	-	-	-	1,497,818	43,706	5,220,026
Electricity	113,870	-	113,870	-	1,406	-	54,823	-	60,454
Water Service Plan	53,251	-	53,251	-	528	14,033	64,751	-	3,061
CMIP - Saaiport project 301	3,357	-	3,357	-	3	-	-	-	3,359
Library Development Projects	179,974	-	179,974	-	4,587	334,000	222,169	110,749	185,643
Paving Projects	22,034	-	22,034	-	59	-	-	-	22,092
Loito Camarvon	1,698	-	1,698	-	1	-	-	-	1,700
Loito Vosburg	29,553	-	29,553	-	335	-	-	-	29,888
Copperton pipeline	-	-	-	-	-	165,000	165,000	-	-
VVV Housing VAT	85,675	-	85,675	-	1,318	-	-	-	86,993
VB Housing VAT	36,496	-	36,496	-	65	-	28,500	-	8,061
Mun.Fin.Management Grant	173,350	-	173,350	-	-	750,000	857,244	-	66,107
Transfer Fees Sub-Econ	107,761	-	107,761	-	4,673	-	-	-	112,434
Cleaning Project Vosburg	23,824	-	23,824	-	64	-	-	-	23,887
Vanwyksvlei Drought Relief Fund	30,451	-	30,451	-	345	-	-	-	30,796
VAT - Retention	11,056	-	11,056	-	30	-	-	-	11,085
Camarvon Waste Management	21,056	-	21,056	-	56	-	8,596	-	12,515
Sport Development	-	-	-	-	-	-	-	-	-
VVV Short Term Water Provision	317,951	-	317,951	-	-	-	156,070	161,881	-
VVV Drought Relief (R 2.1mil)	1,379,974	-	1,379,974	-	-	-	436,542	405,797	537,636
MIG upgrading of streets	1,063,096	-	1,063,096	-	-	-	1,063,096	-	-
Kareeberg Festival	50,019	-	50,019	-	238	11,989	62,246	-	-
MIG	-	-	-	-	-	5,778,000	41,472	-	5,736,528
Total Receipts	16,040,469			-	23,941	8,413,397	6,175,411	5,205,223	13,097,173

APPENDIX F - Unaudited
KAREEBERG LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 55 OF 2003

<u>Job Creation De Bult</u>	Job creation at De Bult - Camarvon
Council of Representatives	
<u>Land Development</u>	
Department of Housing and Local Government	Development Plans (IDP)
<u>Civil Defence</u>	
Provincial Administration	Civil Defence
<u>Contribution Sport Development</u>	
Provincial Administration	Vanwyksvlei sport development
<u>Self Build Project</u>	
Department of Housing and Local Government	Housing projects- Vanwyksvlei
<u>Geotechnical Investigation</u>	
Department of Housing and Local Government	Geotechnical Investigation - Vanwyksvlei
<u>Water Assistance</u>	
Provincial Administration	Water Assistance - Vanwyksvlei
<u>TV Fund</u>	
Nirham Shand	TV Transmitter Vanwyksvlei
<u>CMIP Kwaggaokolk (VAT)</u>	
SARS	VAT Water Project - Vanwyksvlei
<u>MSIG</u>	
DORA - National Treasury	Annual allocation according to DORA.
<u>MIG Sanitation</u>	
DORA - National Treasury	Eradication of Buckets
<u>Electricity</u>	
Eskom	Schiafontein electrification (DM)
<u>Water Service Plan</u>	
Department of Water Affairs and Forestry	Water service plan projects

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

<u>CMIP - Saalpoort project 301</u>	
DORA - National Treasury	Saalpoort bore hole water project - Camarvon
<u>Library Development Projects</u>	
Department of Sports, Arts and Culture	Development and upgrading of libraries.
<u>Paving Projects</u>	
Department of Public Works	EPWP (Extended Public Works Program)
<u>Lotto Camarvon</u>	
LOTTO	Erection of Sport facilities
<u>Lotto Vosburg</u>	
LOTTO	Erection of Sport facilities
<u>VWV Housing VAT</u>	
SARS	Housing Projects - Vanwyksvlei
<u>VB Housing VAT</u>	
SARS	Housing Projects - Vosburg
<u>Municipal Finance Management Grant</u>	
DORA - National Treasury	Annual allocation according to DORA.
<u>Transfer Fees Sub-Econ</u>	
Council of Representatives	Transfer fees of Sub-Economic Houses
<u>Cleaning Project Vosburg</u>	
Vosburg Municipality	Cleaning Project - Vosburg
<u>Vanwyksvlei Drought Relief Fund</u>	
Department of Water Affairs and Forestry	Drought Relief - Vanwyksvlei
<u>VAT - Retention</u>	
SARS	VAT money - General

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

<u>Carnarvon Waste Management</u>	
Department of Environmental Management	Carnarvon - Cleanest Town Competition
<u>VWV Short Term Water Provision</u>	
Department of Water Affairs and Forestry	Short term water projects - Vanvyksvlei
<u>VWV Drought Relief (R 2.1mil)</u>	
Department of Water Affairs and Forestry	Drought Relief - Vanvyksvlei
<u>MIG upgrading of streets</u>	
DORA - National Treasury	Annual allocation according to DORA.
<u>Kareeberg Festival</u>	
Department of Sport, Arts & Culture	Kareeberg Festival
<u>Development Bank of SA</u>	
Development Bank of South Africa	Development Strategy
<u>MIG</u>	
DORA - National Treasury	Annual allocation according to DORA.
<u>Department of Economic Affairs</u>	
Department of Tourism	Carnarvon Fly Inn
<u>Department of Water Affairs</u>	
DWAFF	Copperton Pipeline Project