

Kareeberg

MUNICIPALITY

[These financial statements have been audited]

FINANCIAL STATEMENTS

30 JUNE 2016

KAREEBERG LOCAL MUNICIPALITY

Index

Contents	Page
General Information	1
Approval of the Financial Statements	2
Report of the Auditor General	
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes In Net Assets	5
Cash Flow Statement	6
Statement of comparison of budget and actual amounts - Statement of Financial Position	7 - 8
Statement of comparison of budget and actual amounts - Statement of Financial Performance	9 - 10
Statement of comparison of budget and actual amounts - Cash Flow statement	11 - 12
Accounting Policies	13 - 44
Notes to the Financial Statements	45 - 71
 APPENDICES - Unaudited	
A Segmental Statement of Financial Performance - Municipal Votes	72
B Segmental Statement of Financial Performance	73
C Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	74
D National Treasury Appropriation Statements	
- Revenue and Expenditure (Standard Classification)	75
- Revenue and Expenditure (Municipal Vote Classification)	76
- Revenue and Expenditure (Revenue by Source and Expenditure by Type)	77
- Capital Expenditure by Vote, Standard Classification and Funding	78
- Cashflows	79

KAREEBERG LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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 N.I. Titus

MUNICIPAL MANAGER

Mr W. de Bruin

CHIEF FINANCIAL OFFICER

Mr. P.B. Rossouw

REGISTERED OFFICE

*Hanau Street,
CARNARVON,
9825*

AUDITORS

*Office of the Auditor General (NC)
Oliver Road,
Kimberley, 8301*

PRINCIPLE BANKERS

ABSA, Victoria Street, Carnarvon

ATTORNEYS

G.B. Kempen & De Wet Nel, Victoria Street, Carnarvon

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	Mr J.E.J. Hoorn
2	Mr D.P. Jason
3	Ms D. Olifant
4	Mr N.I. Titus
Proportional	Ms E.L. Riley
Proportional	Mr J. Horne
Proportional	Mr P. Viviers

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2016 , which are set out on pages 1 to 79 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Corporative Governance determination in accordance with this Act.



Mr W. de Bruin
Municipal Manager

31 August 2016

Date

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Notes	2016 (Actual) R	2015 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		119,474,002	115,003,240
Capital Replacement Reserve	2	11,347,812	11,347,812
Housing Development fund	2	40,546	38,010
Accumulated Surplus		108,085,645	103,617,419
Non-Current Liabilities		31,005,006	29,984,022
Employee benefits	3	8,999,385	8,418,000
Non-Current Provisions	4	22,005,620	21,566,021
Current Liabilities		4,471,772	5,061,369
Consumer Deposits	5	320,339	308,159
Current Employee benefits	6	2,116,675	1,919,560
Payables from exchange transactions	7	506,649	928,922
Unspent Conditional Government Grants and Receipts	8	1,528,110	1,904,727
Total Net Assets and Liabilities		154,950,780	150,048,631
ASSETS			
Non-Current Assets		127,885,878	124,637,101
Property, Plant and Equipment	10	110,034,927	105,824,226
Investment Property	11	15,451,029	15,463,392
Intangible Assets	12	15,086	18,371
Heritage Assets	13	14,900	19,176
Capitalised Restoration Cost	14	2,335,738	3,272,628
Long-Term Receivables	15	34,200	39,306
Current Assets		27,064,902	25,411,530
Inventory	16	527,836	527,836
Trade Receivables from exchange transactions	17	3,231,412	2,452,056
Other Receivables from non-exchange transactions	18	4,015	8,797
Operating Lease Asset	19	40,405	37,669
Current Portion of Long-term Receivables	15	7,585	8,727
Cash and Cash Equivalents	20	23,253,650	22,376,445
Total Assets		154,950,780	150,048,631

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 (Actual) R	2015 (Actual) R	Correction of Error - Note 34.08 R	2015 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		34,702,291	34,454,433	-	34,454,433
Taxation Revenue		4,438,366	4,197,712	-	4,197,712
Property taxes	21	4,438,366	4,197,712	-	4,197,712
Transfer Revenue		30,146,690	29,578,021	-	29,578,021
Government Grants and Subsidies - Capital	22	7,042,151	10,026,175	-	10,026,175
Government Grants and Subsidies - Operating	22	22,742,216	19,551,846	-	19,551,846
Contributed Property, Plant and Equipment		362,323	-	-	-
Other Revenue		117,235	678,699	-	678,699
Actuarial Gains		90,235	665,727	-	665,727
Licences and Permits		12,105	6,072	-	6,072
Fines		14,895	6,900	-	6,900
Revenue from Exchange Transactions		23,597,741	22,006,597	(662,991)	22,669,588
Property Rates - Penalties & Collection Charges		195,058	220,605	-	220,605
Service Charges	23	19,758,336	17,949,794	-	17,949,794
Rental of Facilities and Equipment		327,129	395,462	-	395,462
Interest Earned - external investments		1,808,471	1,592,813	-	1,592,813
Interest Earned - outstanding debtors		2,221	2,572	-	2,572
Agency Services		178,420	147,351	-	147,351
Other Revenue	24	1,328,105	1,697,999	(662,991)	2,360,990
Total Revenue		58,300,032	56,461,029	(662,991)	57,124,020
EXPENDITURE					
Employee related costs	26	17,101,451	16,252,966	-	16,252,966
Remuneration of Councillors	27	2,129,257	2,020,110	-	2,020,110
Debt Impairment	28	228,859	-	-	-
Depreciation and Amortisation	29	3,405,623	3,165,881	122,108	3,043,774
Impairments	10	10,248	-	-	-
Repairs and Maintenance		929,948	352,289	(527,836)	880,124
Actuarial losses	3	144,864	93,808	-	93,808
Finance Charges	30	1,989,338	1,809,398	936,270	873,128
Bulk Purchases	31	8,627,114	8,119,144	-	8,119,144
Contracted services		1,100,434	1,607,291	-	1,607,291
Grants and Subsidies	32	8,975,821	8,018,446	-	8,018,446
Stock Adjustments	31	888,553	413,583	-	413,583
General Expenses	33	8,298,428	7,972,046	-	7,972,046
Total Expenditure		53,829,939	49,824,962	530,542	49,294,420
Operating Surplus for the Year		4,470,093	6,636,067	(1,193,533)	7,829,600
Loss on disposal of Property, Plant and Equipment/Investment Property/Intangible Asset	10	(1,809)	(41,936)	-	(41,936)
Fair Value Adjustments	25	2,478	2,995	-	2,995
NET SURPLUS FOR THE YEAR		4,470,763	6,597,126	(1,193,533)	7,790,659

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Revaluations Reserve	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R
Balance at 1 July 2014	54,450	36,294	11,347,812	112,320,884	123,759,440
Net Surplus/(Deficit) for the year	-	-	-	7,790,659	7,790,659
Correction of error - See Note 34.08	-	-	-	(1,193,533)	(1,193,533)
Revaluation of PPE and CRC (Capitalised Restoration Cost)	(54,450)	-	-	-	(54,450)
Transfer to Housing Development Fund	-	1,716	-	(1,716)	-
Rounding	-	-	-	(1)	(1)
Balance at 30 June 2015	-	38,010	11,347,812	118,916,293	130,302,115
Correction of error - See Note 34.07	-	-	-	(15,298,875)	(15,298,875)
Restated Balance at 1 July 2015	-	38,010	11,347,812	103,617,419	115,003,240
Net Surplus/(Deficit) for the year	-	-	-	4,470,763	4,470,763
Transfer to/from Housing Development Fund	-	2,536	-	(2,536)	-
Rounding	-	-	-	(1)	(1)
Balance at 30 June 2016	-	40,546	11,347,812	108,085,645	119,474,002

KAREEBERG LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 R	2015 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		4,508,410	4,629,459
Service Charges		18,049,879	16,538,065
Other Revenue		1,646,217	2,450,069
Government - Operating		23,150,211	19,685,000
Government - Capital		7,449,091	10,933,590
Interest		1,752,717	1,557,202
Payments			
Suppliers and employees		(37,625,869)	(36,182,212)
Finance charges	30	(1,989,338)	(1,809,398)
Transfers and Grants	32	(8,975,821)	(8,018,446)
Net Cash from Operating Activities		7,965,496	9,783,329
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(7,110,081)	(10,088,338)
Proceeds on Disposal of Fixed Assets		(236)	44,264
Purchase of Intangible Assets		(3,158)	-
(Increase)/Decrease in Heritage Assets		4,276	-
Net Cash from Investing Activities		(7,109,199)	(10,044,074)
CASH FLOW FROM FINANCING ACTIVITIES			
(Increase)/Decrease in Long-term Receivables		8,727	9,796
Increase/(Decrease) in Consumer Deposits		12,180	15,390
Rounding		-	(1)
Net Cash from Financing Activities		20,907	25,185
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		877,205	(235,560)
Cash and Cash Equivalents at the beginning of the year		22,376,445	22,612,006
Cash and Cash Equivalents at the end of the year	36	23,253,650	22,376,445
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		877,205	(235,560)

KAREBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	649,026	1,538,120	(889,094)	Increase in debtors
Call investment deposits	22,804,524	23,744,182	(1,139,558)	Increase in debtors/Additional spending of unspent grants/RBIG funds not received
Consumer debtors	1,822,478	6,000,119	(4,177,641)	Higher levied rate
Other Receivables	1,453,353	29,515	1,423,838	2015 Vat claim not received in 2016
Current portion of long-term receivables	7,585	8,450	(905)	
Inventory	527,836	-	527,836	Correction of error
Total current assets	27,064,802	31,320,426	(4,255,624)	
Non current assets				
Long-term receivables	34,200	41,821	(7,421)	Loan settled
Investments	-	-	-	
Investment property	15,451,029	10,214,723	5,236,306	Correction of error in 2015 not taken into account
Property, plant and equipment	112,370,864	122,804,086	(10,433,402)	RBIG funds not received/MIG funds withheld/Adjustment on Landfill sites
Biological Assets	-	-	-	
Intangible Assets	15,086	24,759	(9,673)	Less amortisation
Heritage Assets	14,900	-	14,900	Correction of error
Total non current assets	127,885,878	133,039,569	(5,199,291)	
TOTAL ASSETS	154,950,780	164,405,595	(9,454,815)	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	-	-	-	
Consumer deposits	320,339	370,388	(50,049)	Less movement of consumers
Trade and other payables	2,034,758	4,855,064	(2,820,306)	Less retention due to less capital funds received (RBIG/MIG)
Provisions and Employees Benefits	2,116,675	1,658,144	457,531	Adjustment on Landfill sites/Additional provision for permanent appointments
Total current liabilities	4,471,772	6,884,596	(2,412,824)	
Non current liabilities				
Borrowing	-	-	-	
Provisions and Employees Benefits	31,005,005	12,530,249	18,474,756	Adjustment on Landfill sites
Total non current liabilities	31,005,005	12,530,249	18,474,756	
TOTAL LIABILITIES	35,476,777	19,414,845	16,061,932	
NET ASSETS	119,474,003	144,990,750	(25,516,749)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	108,085,645	133,552,763	(25,467,118)	Nett effect of all above
Reserves	11,388,358	11,437,987	(49,629)	
TOTAL COMMUNITY WEALTH	119,474,003	144,990,750	(25,516,747)	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	1,538,120	-	1,538,120	
Call investment deposits	23,744,182	-	23,744,182	
Consumer debtors	6,000,119	-	6,000,119	
Other Receivables	29,515	-	29,515	
Current portion of long-term receivables	8,490	-	8,490	
Inventory	-	-	-	
Total current assets	31,320,426	-	31,320,426	
Non current assets				
Long-term receivables	41,621	-	41,621	
Investments	-	-	-	
Investment property	10,214,723	-	10,214,723	
Property, plant and equipment	120,346,947	2,457,119	122,804,066	Possible RBIG funds to be received
Biological Assets	-	-	-	
Intangible Assets	24,759	-	24,759	
Heritage Assets	-	-	-	
Total non current assets	130,628,050	2,457,119	133,085,169	
TOTAL ASSETS	161,948,476	2,457,119	164,405,595	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	-	-	-	
Consumer deposits	370,388	-	370,388	
Trade and other payables	4,855,084	-	4,855,084	
Provisions and Employee Benefits	1,659,144	-	1,659,144	
Total current liabilities	6,884,596	-	6,884,596	
Non current liabilities				
Borrowing	-	-	-	
Provisions and Employee Benefits	12,530,249	-	12,530,249	
Total non current liabilities	12,530,249	-	12,530,249	
TOTAL LIABILITIES	19,414,845	-	19,414,845	
NET ASSETS	142,533,631	2,457,119	144,990,750	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	131,095,644	2,457,119	133,552,763	
Reserves	11,437,987	-	11,437,987	
TOTAL COMMUNITY WEALTH/EQUITY	142,533,631	2,457,119	144,990,750	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

REVENUE BY SOURCE	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
Property rates	4,435,366	4,353,217	85,149	Increased supplementary roll
Property rates - penalties & collection charges	195,058	190,000	5,058	
Service charges	19,758,336	19,564,238	194,098	Higher consumption
Rental of facilities and equipment	327,129	339,214	(12,085)	Lower tenders for commonage
Interest earned - external investments	1,808,471	1,297,000	511,471	Higher interest rates
Interest earned - outstanding debtors	2,221	3,300	(1,079)	
Dividends received	-	-	-	
Fines	14,895	12,230	2,665	
Licences and permits	12,105	7,420	4,685	Higher sales
Agency services	178,420	103,333	75,087	More vehicle registrations
Government Grants and Subsidies - Operating	22,742,216	23,492,091	(749,875)	RBIG funds not received/MIG funds withheld
Other revenue	1,783,141	8,709,799	(6,926,658)	Donation PPE, Actuarial Gains, Contribution depreciation and debt Impairment
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	51,260,359	58,071,842	(6,811,483)	
EXPENDITURE BY TYPE				
Employee related costs	17,101,451	19,563,322	(2,461,871)	Vacancies
Remuneration of councillors	2,129,257	2,052,365	66,891	Government Gazette advertised more than budgeted
Debt impairment	228,859	2,436,881	(2,208,022)	Higher payment rate over 30 days
Depreciation & asset impairment	3,405,623	4,322,311	(917,288)	Remaining useful life assessment
Finance charges	1,989,336	831,014	1,158,324	Adjustment on landfill sites
Bulk purchases	9,515,667	9,698,001	(182,334)	
Other materials	929,948	1,676,267	(746,319)	Cash flow related
Contracted services	1,100,434	1,115,900	(15,466)	
Grants and subsidies paid	8,975,821	8,986,052	(10,231)	
Other expenditure	8,453,540	9,077,128	(623,588)	Savings on fuel, telephone and audit fees
Loss on disposal of PPE	1,809	2,000	(191)	
Total Operating Expenditure	53,831,747	59,771,842	(5,940,095)	
Operating Deficit for the year	(2,571,389)	(1,700,000)	(871,389)	
Government Grants and Subsidies - Capital	7,042,151	10,285,119	(3,242,968)	RBIG funds not received/MIG funds withheld
Net Surplus for the year	4,470,763	8,585,119	(4,114,356)	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Property rates	4,353,217	-	4,353,217	
Property rates - penalties & collection charges	190,000	-	190,000	
Service charges	19,564,238	-	19,564,238	
Rental of facilities and equipment	339,214	-	339,214	
Interest earned - external investments	1,297,000	-	1,297,000	
Interest earned - outstanding debtors	3,300	-	3,300	
Dividends received	-	-	-	
Fines	12,230	-	12,230	
Licences and permits	7,420	-	7,420	
Agency services	103,333	-	103,333	
Government Grants and Subsidies - Operating	23,060,000	432,091	23,492,091	RBIG funds not received/MIG funds withheld
Other revenue	8,425,799	264,000	8,709,799	Donation PPE, Actuarial Gains, Contribution depreciation and debt impairment
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	57,355,751	716,091	58,071,842	
EXPENDITURE BY TYPE				
Employee related costs	15,881,135	2,682,186	19,563,322	Adjustment on grants
Remuneration of councillors	2,062,366	-	2,062,366	
Debt impairment	2,435,881	-	2,435,881	
Depreciation & asset impairment	4,322,911	-	4,322,911	
Finance charges	831,014	-	831,014	
Bulk purchases	9,698,001	-	9,698,001	
Other materials	469,100	1,207,167	1,676,267	Adjustment on grants
Contracted services	515,900	600,000	1,115,900	Adjustment on grants
Grants and subsidies paid	9,303,352	(317,300)	8,986,052	Adjustment on grants
Other expenditure	12,633,090	(3,555,962)	9,077,128	Adjustment on grants
Loss on disposal of PPE	2,000	-	2,000	
Total Operating Expenditure	59,155,751	616,091	59,771,842	
Operating Surplus/(Deficit) for the year	(1,800,000)	100,000	(1,700,000)	
Government Grants and Subsidies - Capital	7,928,000	2,357,119	10,285,119	RBIG funds not received/MIG funds withheld
Net Surplus for the year	6,128,000	2,457,119	8,585,119	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property Rates	4,508,410	3,177,848	1,330,562	Increased supplementary roll
Service Charges	18,049,879	18,566,024	(516,145)	Lower payment rate
Other Revenue	1,646,217	9,525,563	(7,979,346)	Donation PPE, Actuarial Gains, Contribution depreciation and debt impairment
Government - Operating	23,150,211	22,946,936	203,275	
Government - Capital	7,449,091	10,285,119	(2,836,028)	RBIG funds not received/MIG funds withheld
Interest	1,752,717	1,170,600	582,117	Higher interest rates
Dividends	-	-	-	
Payments				
Suppliers and Employees	(37,625,869)	(43,194,984)	5,569,115	Vacancies, cash flow related and debt impairment
Finance charges	(1,989,338)	(831,014)	(1,158,324)	Adjustment on Landfill sites
Transfers and Grants	(8,975,821)	(8,986,052)	10,231	
NET CASH FROM/(USED) OPERATING ACTIVITIES	7,965,496	12,780,040	(4,814,544)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	4,040	-	4,040	
Decrease/(increase) in non-current receivables	6,727	8,490	237	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(7,113,239)	(10,385,119)	3,271,880	RBIG funds not received/MIG funds withheld
NET CASH FROM/(USED) INVESTING ACTIVITIES	(7,100,472)	(10,376,629)	3,276,157	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	12,180	10,000	2,180	
Payments				
Repayment of borrowing	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	12,180	10,000	2,180	
NET INCREASE/(DECREASE) IN CASH HELD	877,204	2,413,411	(1,536,206)	
Cash and Cash Equivalents at the beginning of the year	22,376,445	22,868,890	(492,445)	Nett effect of all above
Cash and Cash Equivalents at the end of the year	23,253,650	25,282,301	(2,028,651)	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates, penalties & collection charges	3,177,848	-	3,177,848	
Service charges	18,586,024	-	18,586,024	
Other revenue	8,796,408	829,155	9,625,563	Possible RBIG funds VAT to be received
Government - operating	23,060,000	(113,064)	22,946,936	
Government - capital	7,928,000	2,357,119	10,285,119	Possible RBIG funds to be received
Interest	1,170,600	-	1,170,600	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(42,261,553)	(933,391)	(43,194,984)	Adjustment on grants
Finance charges	(831,014)	-	(831,014)	
Transfers and Grants	(9,303,352)	317,300	(8,986,052)	Adjustment on grants
NET CASH FROM/(USED) OPERATING ACTIVITIES	10,322,921	2,457,119	12,780,040	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	8,490	-	8,490	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(7,928,000)	(2,457,119)	(10,385,119)	Possible RBIG funds to be received
NET CASH FROM/(USED) INVESTING ACTIVITIES	(7,919,510)	(2,457,119)	(10,376,629)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	10,000	-	10,000	
Payments				
Repayment of borrowing	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	10,000	-	10,000	
NET INCREASE/(DECREASE) IN CASH HELD	2,413,411	-	2,413,411	
Cash and Cash Equivalents at the beginning of the year	22,868,890	-	22,868,890	
Cash and Cash Equivalents at the end of the year	25,282,301	-	25,282,301	

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

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

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included in the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. 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:

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Standard	Description	Effective Date
GRAP 20 (Original – June 2011)	<p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
GRAP 108 (Original – Sept 2013)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	Unknown
GRAP 109	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Standard	Description	Effective Date
IGRAP17	<p><u>Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</u></p> <p>This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1 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 to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.9.2 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 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 MEC responsible for housing.

1.9.3 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 are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

1.10. LEASES**1.10.1 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 (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) 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, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2 Municipality as Lessor

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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 government organs.

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

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential 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 of future outflows of resources. 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.

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

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.

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 is the best estimate of the expenditure required to settle the present obligation at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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 is de-recognised.

1.13. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.13.1. Post Retirement Medical Obligations

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

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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

1.13.2. Long Service Awards

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

1.13.3. Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days, limited to 48 days, due to employees at year-end and also on the total salary of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.13.4. Staff Bonuses Accrued

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

1.13.5. Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 56 employees, is recognised as it accrue to Section 56 employees. Municipal performance bonus provisions are based on the performance contract stipulations as well as previous performance bonus payment trends.

1.13.6. Pension and retirement fund obligations

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

1.13.7. Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. PROPERTY, PLANT AND EQUIPMENT**1.14.1 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. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. 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 is 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.

Municipal land and building qualify as property, plant and equipment when the property is registered at the Deeds Office in the name of the Municipality or any identifiable unknown registered property.

Biological assets of the Municipality qualify as property plant and equipment as it is for recreation purposes. The Municipality controls the asset as a result of past events. Biological assets are initially measured at their fair value less cost to sell. The fair value of game is determined based on market prices of game. Initial recognition will be adjusted in each year a tender is issued to control the game numbers. A gain or loss arising on initial

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

recognition of biological assets at fair value less cost to sell is recognised in the Statement of Financial Performance for the period in which it arises.

1.14.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated 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 or service potential associated with the asset.

1.14.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated 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 the Statement of Financial Performance.

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

1.14.4 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:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	5-101	Buildings	8-52
Refuse	5-101	Specialist vehicles	3-30
Electricity	5-101	Other vehicles	5-30
Water	5-101	Office equipment	2-40
Sewerage	5-101	Furniture and fittings	1-40
Housing	10-50	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	8-52	Equipment	10-30
Recreational Facilities	10-101	Other plant and	
Security	30	Equipment	1-40
Halls	8-45	Landfill sites	12-70

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Libraries	25-45	Quarries	25
Parks and gardens	45	Emergency equipment	5-20
Other assets	8-34	Computer equipment	2 -30
<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 recognised in 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.

1.14.5 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 sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14.6 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.15. INTANGIBLE ASSETS**1.15.1 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 Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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;
- it is probable that the municipality will receive future economic benefits or service potential; and

Intangible assets are initially recognised at cost.

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 is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.15.2 Subsequent Measurement – Cost Model

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

1.15.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its 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	2-11
Computer Software Licenses	5-10

1.15.4 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 sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.16. INVESTMENT PROPERTY

1.16.1 Initial Recognition

Investment property is 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 Municipality, 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. Property with a currently undetermined use, is also classified as investment property.

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. The cost of self-constructed investment property is measured at cost.

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.

1.16.2 Subsequent Measurement – Cost Model

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

1.16.3 Depreciation and Impairment – Cost Model

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.16.4 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 sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.17 HERITAGE ASSETS**1.17.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.17.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.17.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets 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 recognised in 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.17.4 De-recognition

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

1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS**1.18.1 Cash-generating assets**

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

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

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.

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

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 CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.18.2 Non-cash-generating assets

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

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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

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

1.19. INVENTORIES

1.19.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. 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.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the volume of water in storage.

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

1.19.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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.

The basis of allocating cost to inventory items is the weighted average method.

1.20. FINANCIAL INSTRUMENTS

Financial instruments recognised in the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.20.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.20.2 Subsequent Measurement

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

1.20.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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 Statement of Financial Performance.

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

1.20.2.2 *Payables and Annuity Loans*

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

1.20.2.3 *Cash and Cash Equivalents*

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

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

1.20.2.4 *Non-Current Investments*

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

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

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

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

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

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

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

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

1.20.3.2 Financial Liabilities

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

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

1.20.4 Offsetting of Financial Instruments

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.21 STATUTORY RECEIVABLES

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

1.21.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.21.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.21.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

- (i) derecognise the receivable; and
- (ii) recognise separately any rights and obligations created or retained in the transfer.

1.22. REVENUE**1.22.1 Revenue from Non-Exchange Transactions**

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

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 recognised 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.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes of spot fines. Revenue from spot fines is recognised when receipted.

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.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

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 is measured at the fair value of the consideration received or receivable.

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

1.22.2 Revenue from Exchange Transactions

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

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

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. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. 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. It is estimated that pre-paid electricity is consumed within 2 to 3 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is not material and thus not disclosed under Payables from Exchange Transactions in the Statement of Financial Position.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

Interest revenue is recognised using the effective interest rate method.

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

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 is 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 Municipality 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 Municipality.

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;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.23. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of management of the Municipality;
- (b) a member of management of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the management who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the accounting officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All managers or council of the Municipality, being the Mayor and members of the Council.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.24. UNAUTHORISED EXPENDITURE

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

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

Management judgement is required when recognising and measuring contingent liabilities.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

1.28.1 *Post-retirement medical obligations and long service awards*

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.28.2 *Impairment of Receivables*

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

1.28.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings 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.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.4 Intangible Assets

The useful lives of intangible 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.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.28.5 Investment Property

The useful lives of investment property 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 economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.28.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.28.7 Revenue Recognition

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

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Fine Revenue constitutes of spot fines. Revenue from spot fines is recognised when receipted. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.28.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill sites are recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill sites. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.28.9 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.28.10 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to Council approval.

1.28.11 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.29. TAXES – VALUE ADDED TAX

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

1.30. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.31. EVENTS AFTER REPORTING DATE

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

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

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

1.32. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2

	2016 R	2015 R
NET ASSET RESERVES		
RESERVES	11,388,358	11,385,822
Capital Replacement Reserve	11,347,812	11,347,812
Housing Development fund	40,546	38,010
Revaluation Reserve	-	-
Total Net Asset Reserves	11,388,358	11,385,822

3

	2016 R	2015 R
EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 3.1	8,271,402	7,511,000
Long Service Awards - Refer to Note 3.2	727,983	907,000
Total Non-current Employee Benefit Liabilities	8,999,385	8,418,000
<u>Post Retirement Benefits</u>		
Balance 1 July	7,772,000	7,619,334
Contribution for the year	845,000	998,481
Expenditure for the year	(235,402)	(180,088)
Actuarial Loss	144,864	(685,727)
Total post retirement benefits 30 June	8,526,462	7,772,000
Less: Transfer of Current Portion - Note 6	(255,060)	(261,000)
Balance 30 June	8,271,402	7,511,000
<u>Long Service Awards</u>		
Balance 1 July	1,109,000	1,005,846
Contribution for the year	155,000	135,415
Expenditure for the year	(260,492)	(126,069)
Actuarial (Gain)	(90,235)	93,808
Total long service awards 30 June	913,273	1,109,000
Less: Transfer of Current Portion - Note 6	(185,290)	(202,000)
Balance 30 June	727,983	907,000
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	8,881,000	8,625,180
Contribution for the year	1,000,000	1,133,896
Expenditure for the year	(495,894)	(306,156)
Actuarial Loss/(Gain)	54,629	(571,919)
Total employee benefits 30 June	9,439,735	8,881,000
Less: Transfer of Current Portion - Note 6	(440,350)	(463,000)
Balance 30 June	8,999,385	8,418,000

3.1

	2016 R	2015 R	
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	12	11	
Continuation members (e.g. Retirees, widows, orphans)	7	7	
Total Members	19	18	
The liability in respect of past service has been estimated to be as follows:			
In-service members	5,413,383	4,570,000	
Continuation members	3,113,069	3,202,000	
Total Liability	8,526,462	7,772,000	
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
	2014 R	2013 R	2012 R
In-service members	7,016,441	5,749,138	4,635,740
Continuation members	602,893	1,246,736	1,169,299
Total Liability	7,619,334	6,995,874	5,805,039
Experience adjustments were calculated as follows:			
		2016 Rm	2015 Rm
Liabilities: (Gain) / loss		0.332	0.287
Assets: Gain / (loss)		-	-
The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:			
	2014 Rm	2013 Rm	2012 Rm
Liabilities: (Gain) / loss	(0.036)	0.280	(0.591)
Assets: Gain / (loss)	-	-	-
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:			
Hosmed			
LA Health			
The Municipality's Accrued Unfunded Liability at 30 June 2016 is estimated at R8.526 million. The Current-service Cost for the year ending 30 June 2016 is estimated at R214,000. It is estimated to be R314,812 for the ensuing year.			

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 %	2015 %
3 EMPLOYEE BENEFITS (CONTINUE)		
Key actuarial assumptions used:		
i) Rate of Interest		
Discount rate	9.13%	8.14%
Health Care Cost Inflation Rate	8.25%	7.44%
Net Effective Discount Rate	0.82%	0.65%

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 9.13% per annum has been used. The corresponding index-linked yield at this term is 1.76%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 28 June 2016.

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 (NRA) for all active employees was assumed to be 65 years.

iv) Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

v) Expected rate of salary increases

2016/2017 - average CPI (Feb 2015 – Jan 2016) + 1 per cent
2017/2018 - average CPI (Feb 2016 – Jan 2017) + 1 per cent

	2016 R	2015 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	5,526,462	7,772,000
Total Liability	5,526,462	7,772,000
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	7,772,000	7,619,334
Total expenses	609,598	818,393
Current service cost	214,000	342,612
Interest Cost	631,000	655,869
Benefits Paid	(235,402)	(180,088)
Actuarial (gains)/losses	144,854	(685,727)
Present value of fund obligation at the end of the year	8,526,462	7,772,000
<u>Less:</u> Transfer of Current Portion - Note 6	(255,060)	(261,000)
Balance 30 June	8,271,402	7,511,000

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		5,413	3,113	8,526	
Health care inflation	1%	6,255	3,413	9,668	13%
Health care inflation	-1%	4,712	2,852	7,564	-11%
Discount Rate	1%	4,722	2,856	7,578	-11%
Discount Rate	-1%	6,256	3,414	9,670	13%
Post-retirement mortality	-1 year	5,616	3,249	8,865	4%
Average retirement age	-1 year	5,895	3,113	9,008	6%
Continuation of membership at retirement	-10%	4,872	3,113	7,985	-6%

Sensitivity Analysis on Current-service and Interest Costs for year ending 30 June 2017

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		314,800	767,100	1,081,900	
Health care inflation	1%	372,000	871,400	1,243,400	15%
Health care inflation	-1%	268,000	679,200	947,200	-12%
Discount Rate	1%	271,200	755,100	1,026,300	-5%
Discount Rate	-1%	368,700	776,100	1,144,800	6%
Post-retirement mortality	-1 year	325,800	798,100	1,124,900	4%
Average retirement age	-1 year	352,100	811,100	1,163,200	8%
Continuation of membership at retirement	-10%	283,300	717,700	1,001,000	-7%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 57 employees were eligible for Long Service Bonuses.

The Current-service Cost for the year ending 30 June 2016 is R 76,000. The Current-service Cost for the ensuing year has been estimated to be R 67,366.

	2016 %	2015 %
Key actuarial assumptions used:		
i) Rate of Interest		
Discount rate	8.44%	7.26%
General Salary Inflation (long-term)	7.30%	6.52%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.07%	0.69%

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

3

EMPLOYEE BENEFITS (CONTINUE)

2016
R2015
R

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used. Consequently, a discount rate of 8.44% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.55%. These rates were deducted from the yield curve obtained from the Bond Exchange of South Africa after the market close on 28 June 2016.

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	(67,443)	(27,192)
Assets: Gain / (loss)	-	-

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

	2014 Rm	2013 Rm	2012 Rm
Liabilities: (Gain) / loss	69,081	67,707	26,420
Assets: Gain / (loss)	-	-	-

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

Present value of fund obligations	913,273	1,109,000
Net liability(asset)	913,273	1,109,000

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1,109,000	1,095,846
Total expenses	(105,492)	9,346
Current service cost	76,000	62,898
Interest Cost	79,000	72,517
Benefits Paid	(260,492)	(126,069)
Actuarial losses/(gains)	(90,235)	93,808
Present value of fund obligation at the end of the year	913,273	1,109,000
Less: Transfer of Current Portion - Note 6	(185,290)	(202,000)
Balance 30 June	727,983	907,000

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		0.913	
General salary inflation	1%	0.957	5%
General salary inflation	-1%	0.873	-4%
Discount Rate	1%	0.869	-5%
Discount Rate	-1%	0.962	5%
Average retirement age	-2 yrs	0.845	-29%
Average retirement age	2 yrs	1.011	11%
Withdrawal rates	-50%	0.989	8%

Sensitivity Analysis on Current-service and Interest Costs for year ending 30 June 2017

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		67,400	69,500	136,900	
General salary inflation	1%	72,300	73,100	145,400	6%
General salary inflation	-1%	62,900	66,100	129,000	-6%
Discount Rate	1%	63,300	73,500	136,800	0%
Discount Rate	-1%	72,000	64,800	136,800	0%
Average retirement age	-2 yrs	52,900	46,800	99,700	-27%
Average retirement age	2 yrs	76,100	77,700	153,800	12%
Withdrawal rates	-50%	60,000	75,900	155,900	14%

3.3 Retirement funds

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

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

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE RETIREMENT FUND2016
R2015
R

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 100.00% (30 June 2014 - 99.90%).

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 153.10% (30 June 2014 - 101.70%).

Contributions paid recognised in the Statement of Financial Performance

1,390,139

1,276,019

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
4 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	22,005,620	21,566,021
Total Non-current Provisions	22,005,620	21,566,021
<u>Landfill Sites</u>		
Balance 1 July	21,566,021	20,639,168
Balance previously reported	-	2,763,484
Correction of Error - Note 34.02	-	(2,763,484)
Correction of Error - Note 34.02	-	20,639,168
Increase in Estimate	(839,739)	(154,159)
Balance previously reported	-	(603,668)
Correction of Error - Note 34.02	-	603,668
Correction of Error - Note 34.02	-	(154,159)
Unwinding of discounted interest	1,279,338	1,081,012
Balance previously reported	-	144,742
Correction of Error - Note 34.02	-	(144,742)
Correction of Error - Note 34.02	-	1,081,012
Total provision 30 June	22,005,620	21,566,021
<u>Less:</u> Transfer of Current Portion to Current Provisions	-	-
Balance 30 June	22,005,620	21,566,021

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset. Details of the sites are as follows:

Location	Estimated decommission date	Cost of rehabilitation 2016 R	Cost of rehabilitation 2015 R
Carnarvon	2036	12,237,723	12,019,741
Vanwyksvlei	2085	5,027,709	4,916,055
Vosburg	2028	4,740,188	4,630,215
		22,005,620	21,566,021
	2014	2015	2016
Discount Rate used	4.71%	5.24%	5.93%

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

	2016 R	2015 R
5 CONSUMER DEPOSITS		
Water & Electricity	320,339	308,159
Total Consumer Deposits	320,339	308,159

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

	2016 R	2015 R
6 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 3	255,060	261,000
Current Portion of Long-Service Provisions - Note 3	185,280	202,000
Provision for Performance Bonuses	283,709	164,453
Provision for Annual Bonuses	247,843	244,974
Provision for Staff Leave	1,144,773	1,027,134
Total Current Employee Benefits	2,116,675	1,919,560

The movement in current employee benefits are reconciled as follows:

Current Portion of Post Retirement Benefits - Note 3

Balance at beginning of year	261,000	88,380
Transfer from non-current	229,462	352,708
Expenditure incurred	(235,402)	(180,088)
Balance at end of year	255,060	261,000

Current Portion of Long-Service Provisions - Note 3

Balance at beginning of year	202,000	130,836
Transfer from non-current	243,782	197,133
Expenditure incurred	(260,492)	(126,069)
Balance at end of year	185,280	202,000

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
6	CURRENT EMPLOYEE BENEFITS (CONTINUE)		
	<u><i>Provision for Performance Bonuses</i></u>		
	Balance at beginning of year	184,453	165,843
	Contribution to current portion	420,683	164,820
	Expenditure incurred	(321,427)	(146,210)
	Balance at end of year	<u>283,709</u>	<u>184,453</u>
	Performance bonuses are being paid to Municipal Manager and Managers after an evaluation of performance was approved by the council. There is no possibility of reimbursement.		
	<u><i>Provision for Staff Leave</i></u>		
	Balance at beginning of year	1,027,134	1,043,200
	Contribution to current portion	422,928	245,757
	Expenditure incurred	(305,289)	(261,824)
	Balance at end of year	<u>1,144,773</u>	<u>1,027,134</u>
	Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave up to 46 days, at reporting date. This provision will be realised as employees take leave.		
	<u><i>Provision for Annual Bonuses</i></u>		
	Balance at beginning of year	244,974	230,765
	Contribution to current portion	2,869	14,189
	Balance at end of year	<u>247,843</u>	<u>244,974</u>
	Annual bonuses are being paid to Municipal personnel after one full year's service. There is no possibility of reimbursement.		
7	PAYABLES FROM EXCHANGE TRANSACTIONS	2016 R	2015 R
	Trade Payables	328,727	738,390
	Payments received in advance	176,895	189,306
	Other Payables	1,226	1,226
	Total Trade Payables	<u>506,849</u>	<u>928,922</u>
	Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. Payables are being recognised net of any discounts.		
8	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2016 R	2015 R
	Unspent Grants	1,528,110	1,904,727
	National and Provincial Government Grants	<u>1,528,110</u>	<u>1,904,727</u>
	Total Conditional Grants and Receipts	<u>1,528,110</u>	<u>1,904,727</u>
	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.		
9	TAXES	2016 R	2015 R
	VAT Payable	-	-
	Less: Contribution to provision for impairment of trade receivables from exchange transactions	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
	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 2016

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2016

Reconciliation of Carrying Value

	Cost				Accumulated Impairments				Accumulated Depreciation				Carrying Value	
	Opening Balance R	Additions R	WIP R	Disposals/Revaluation/Transfers R	Closing Balance R	Opening Balance R	Additions R	Closing Balance R	Opening Balance R	Depreciation Charge R	Disposals R	Closing Balance R	R	R
Land and Buildings	24,438,716	290,270	-	-	24,729,986	405	-	405	799,374	85,557	-	884,932	23,844,650	
Land Buildings	21,585,500	-	-	-	21,585,500	-	-	-	-	-	-	-	21,585,500	
	2,854,216	290,270	-	-	3,144,486	405	-	405	799,374	85,557	-	884,932	2,259,150	
Infrastructure	84,729,800	3,359,263	1,511,723	300,341	89,300,535	-	-	-	12,361,726	2,598,865	290,308	14,858,933	74,841,543	
Electricity	5,360,276	-	-	2,247	5,358,031	-	-	-	957,221	208,898	2,245	1,168,874	4,194,357	
Road Transport	41,033,752	1,362,732	-	276,331	42,720,153	-	-	-	3,719,007	1,133,445	275,535	4,576,918	37,543,236	
Sanitation	19,533,757	1,949,107	-	21,783	21,461,100	-	-	-	3,085,357	874,438	21,910	4,516,177	16,942,923	
Solid Waste Disposal	1,377,431	-	-	-	1,377,431	-	-	-	278,501	80,537	-	359,038	1,018,394	
Stormwater	478,385	-	-	-	478,385	-	-	-	143,992	31,036	-	175,028	303,357	
Water Supply	14,222,874	47,424	-	-	14,271,298	-	-	-	3,397,646	468,510	-	3,866,150	10,405,140	
WIP	2,722,412	-	1,511,723	-	4,234,135	-	-	-	-	-	-	-	4,234,135	
Community Assets	9,188,360	1,669,664	190,824	-	11,028,877	3,592	-	13,639	1,373,552	269,696	-	1,643,250	9,371,508	
Recreation Grounds	5,939,707	1,669,664	-	-	7,609,401	-	10,248	10,248	595,309	195,525	-	700,834	6,908,319	
Civil Buildings	411,277	-	-	-	411,277	-	-	-	233,245	6,847	-	240,092	171,185	
Cemetry	18,000	-	-	-	18,000	-	-	-	4,496	519	-	5,015	12,985	
Museum	450,000	-	-	-	450,000	-	-	-	112,402	12,985	-	125,386	324,614	
Clinic	451,000	-	-	-	451,000	-	-	-	112,652	13,013	-	125,665	325,335	
Libraries	894,167	-	-	-	894,167	-	-	-	208,454	26,371	-	232,825	661,341	
Parks & Gardens	41,070	-	-	-	41,070	-	-	-	23,292	684	-	23,976	17,095	
Public Conveniences/Bathhouses	208,447	-	-	-	208,447	-	-	-	85,703	13,753	-	99,456	103,489	
WIP	758,691	-	190,824	-	947,315	-	-	3,592	-	-	-	-	947,315	
Other Assets	6,059,638	450,831	-	71,520	6,438,940	10,910	-	10,910	4,023,819	297,964	70,888	4,250,884	2,177,146	
Motor Vehicles	2,854,178	-	-	-	2,854,178	-	-	-	1,991,947	99,224	-	2,091,171	563,007	
Plant & Equipment	1,144,727	317,568	-	9,341	1,452,954	-	-	-	712,885	94,823	9,309	798,489	654,455	
Office Equipment	429,907	7,500	-	9,375	428,032	-	-	-	273,019	17,716	9,350	281,387	146,844	
Furniture & Fittings	778,415	30,242	-	16,609	792,049	-	-	-	451,997	34,950	20,800	466,147	325,901	
Fire Engines	17,207	-	-	-	17,207	-	-	-	12,833	4,104	14,862	1,975	438	
Computer Equipment	543,784	36,268	-	16,683	595,419	-	-	-	247,875	37,249	16,377	260,547	298,872	
Refuse Tankers	392,736	-	-	-	392,736	-	-	-	333,362	9,896	-	343,258	49,478	
Game	98,684	57,222	-	4,548	151,260	-	-	-	-	-	-	-	140,350	
	124,397,594	5,770,057	1,702,347	371,869	131,498,139	14,906	10,248	25,154	18,558,472	3,249,884	370,297	21,438,656	110,034,927	

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2015

Reconciliation of Carrying Value

	Opening Balance R	Additions R	Cost WIP R	Costs/Revaluation/Transfers R	Closing Balance R	Opening Balance R	Accumulated Impairments Additions R	Closing Balance R	Opening Balance R	Accumulated Depreciation Depreciation Charge R	Deprecials R	Closing Balance R	Carrying Value R
Land and Buildings													
Land	29,895,500	-	-	5,280,000	24,439,716	-	405	405	715,339	84,036	-	799,374	23,639,937
Land	27,091,700	-	-	5,280,000	21,511,700	-	-	-	-	-	-	-	21,595,500
Balance previously reported	(226,200)	-	-	-	(226,200)	-	-	-	-	-	-	-	(226,200)
Correction of Error - Note 34.01	2,757,583	96,633	-	-	2,854,216	-	405	405	715,339	84,036	-	799,374	2,054,437
Buildings													
Infrastructure	76,958,952	2,565,076	5,205,063	-	84,729,091	-	-	-	10,202,647	2,159,079	-	12,361,726	72,368,164
Electricity	5,360,278	-	-	-	5,360,278	-	-	-	749,217	209,004	-	957,221	4,403,057
Road Transport	35,915,229	2,483,450	-	-	41,033,752	-	-	-	3,061,874	717,133	-	3,779,007	37,254,746
Sanitation	19,533,757	-	15,025	-	19,549,382	-	-	-	3,191,352	674,005	-	3,865,357	15,684,024
Solid Waste Disposal	1,377,431	-	-	-	1,377,431	-	-	-	216,446	62,052	-	278,501	1,098,931
Stormwater	478,185	-	-	-	478,185	-	-	-	112,879	31,013	-	143,892	334,293
Water Supply	14,223,974	-	2,708,789	-	16,930,662	-	-	-	2,931,776	485,872	-	3,397,648	13,533,014
Community Assets													
Recreation Grounds	7,336,249	1,359,752	756,691	293,332	9,166,360	-	3,592	3,592	1,223,377	431,323	281,148	1,375,552	7,791,215
Child Buildings	4,624,287	-	-	43,332	5,098,707	-	-	-	487,101	171,313	43,126	595,309	5,344,398
Cemetery	651,277	-	-	240,000	771,277	-	-	-	279,420	191,847	239,022	233,245	178,032
Museum	18,000	-	758,691	-	774,691	-	-	-	3,977	519	-	4,496	770,195
Clubs	450,000	-	-	-	450,000	-	-	-	89,177	12,995	-	112,402	337,998
Libraries	451,000	-	-	-	451,000	-	-	-	99,638	13,013	-	112,652	339,348
Parks & Gardens	894,167	-	-	-	894,167	-	-	-	180,003	26,371	-	206,454	687,713
Public Conveniences/Bathhouses	41,070	-	-	-	41,070	-	-	-	22,606	684	-	23,292	17,776
Other Assets	286,447	-	-	-	286,447	-	-	-	71,132	14,371	-	85,503	117,933
Motor Vehicles													
Motor Vehicles	8,475,255	105,323	-	520,940	6,059,638	-	10,910	10,910	4,091,499	314,799	302,479	4,023,819	2,024,909
Plant & Equipment	2,854,178	-	-	-	2,854,178	-	-	-	1,879,043	112,004	-	1,991,947	662,231
Office Equipment	1,150,831	9,633	-	16,037	1,144,727	-	-	-	682,072	46,078	15,964	712,985	431,742
Furniture & Fittings	441,277	-	-	-	441,277	-	-	-	283,454	20,631	11,066	273,019	156,868
Fire Engines	874,951	45,513	-	142,048	778,415	-	-	-	517,699	75,625	141,323	451,987	326,419
Computer Equipment	17,207	-	-	-	17,207	-	-	-	12,176	457	-	12,633	4,573
Refuse Tankers	598,012	3,277	-	57,505	543,784	-	-	-	259,385	45,595	57,104	247,875	295,809
Game	549,786	-	-	157,030	392,736	-	-	-	477,673	12,710	157,021	333,362	59,374
	189,034	46,800	-	136,950	98,684	-	10,910	10,910	-	-	-	-	87,774
Total	120,393,539	4,125,783	5,962,354	6,084,272	124,397,604	-	14,906	14,906	10,232,861	2,989,237	663,626	18,556,472	105,324,226

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
10	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
	Assets pledged as security:		
	No assets are pledged as security.		
	Third party payments received for losses incurred:		
	Payments received (Excluding VAT)	-	-
	Surplus/Deficit	-	-
	Impairment of property plant and equipment		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Land and Buildings	-	405
	Community Assets	10,248	3,592
	Other	-	10,910
		<u>10,248</u>	<u>14,906</u>
	Effect of changes in accounting estimates		
	The effect of a change in accounting estimate will have on the current period and subsequent periods:		
		2016 R	2017 R
	Effect on Property, plant and equipment	<u>52,805</u>	<u>338,032</u>
11	INVESTMENT PROPERTY		
	Net Carrying amount at 1 July	15,463,392	10,195,722
	Cost	15,562,100	10,282,100
	Balance previously reported		10,301,100
	Correction of error, Refer to note 34.04		(19,000)
	Accumulated Depreciation	(98,708)	(86,378)
	Depreciation for the year	(12,364)	(12,330)
	Transfers from Property, Plant and equipment	-	5,280,000
	Net Carrying amount at 30 June	<u>15,451,029</u>	<u>15,463,392</u>
	Cost	15,562,100	15,562,100
	Accumulated Depreciation	(111,071)	(98,708)
	Fair value of these investment property is R20114700 and expenditure of R9536 was identified on these investment properties.		
	Revenue derived from the rental of investment property	<u>281,783</u>	<u>344,185</u>
	Operating expenditure incurred on properties generating revenue	<u>9,536</u>	<u>10,547</u>
	Operating expenditure incurred on properties not generating revenue	<u>-</u>	<u>-</u>
	There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
	There are no contractual obligations to purchase, construct or develop investment property or for repairs and maintenance or enhancements.		
	Estimated Fair Value of Investment Property at 30 June	<u>20,114,700</u>	<u>19,214,400</u>
	Fair value was determined by valuation roll.		
12	INTANGIBLE ASSETS		
	Computer Software		
	Net Carrying amount at 1 July	18,371	25,188
	Cost	203,610	203,614
	Balance previously reported		203,614
	Correction of Error - Note 33.04		-
	Accumulated Amortisation	(185,238)	(178,425)
	Acquisitions	3,158	-
	Disposals	(2,105)	(4)
	Amortisation	(6,443)	(6,813)
	Disposal Amortisation	2,105	-
	Net Carrying amount at 30 June	<u>15,086</u>	<u>18,371</u>
	Cost	204,662	203,610
	Accumulated Amortisation	(189,577)	(185,238)
	The following material intangible assets are included in the carrying value above		
		Carrying Value	
		2016 R	2015 R
	Description		
	VIP Salary System	5	263
	Capman Personnel System	5	329
	MS Office	2-3	10,356
		4,467	12,945
	No intangible asset were assessed having an indefinite useful life.		5,097
	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.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
13 HERITAGE ASSETS		
Net Carrying amount at 1 July	19,176	19,176
Transfers to Property, Plant and equipment	(4,276)	-
Net Carrying amount at 30 June	14,900	19,176
Cost	14,900	19,176

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

Third party payments received for losses and impairments incurred:

Payments received (Excluding VAT)	-	-
Carrying value of assets written off/lost/impairment	-	-
Surplus/Deficit	-	-

14 CAPITALISED RESTORATION COST		
Net Carrying amount at 1 July	3,272,628	3,538,856
Cost	5,913,418	6,067,577
Balance previously reported		900,996
Correction of Error - Note 34.03		(900,996)
Correction of Error - Note 34.03		6,067,577
Accumulated Depreciation	(2,284,830)	(2,142,235)
Balance previously reported		(123,838)
Correction of Error - Note 34.03		123,838
Correction of Error - Note 34.03		(2,142,235)
Accumulated Impairments	(355,960)	(386,486)
Balance previously reported		(58,266)
Correction of Error - Note 34.03		58,266
Correction of Error - Note 34.03		(386,486)
Acquisitions	(639,739)	(154,159)
Balance previously reported		86,253
Correction of Error - Note 34.03		(86,253)
Correction of Error - Note 34.03		(154,159)
Depreciation for the year	(136,933)	(142,595)
Balance previously reported		(20,487)
Correction of Error - Note 34.03		20,487
Correction of Error - Note 34.03		(142,595)
Impairment	39,761	30,526
Balance previously reported		4,087
Correction of Error - Note 34.03		(4,087)
Correction of Error - Note 34.03		30,526
Net Carrying amount at 30 June	2,335,736	3,272,628
Cost	5,073,679	5,913,418
Accumulated Depreciation	(2,421,763)	(2,284,830)
Accumulated Impairments	(316,179)	(355,960)

Restoration cost financed by way of a provision - Refer to note 4 for further details

15 LONG TERM RECEIVABLES		
Officials' Housing Loans - At amortised cost	49,984	56,712
<u>Less:</u> Unamortised Discount on Loans	(8,200)	(10,678)
Balance 1 July	(10,678)	(13,673)
Adjustment for the period	2,478	2,995
	41,764	48,034
<u>Less:</u> Current portion transferred to current receivables	(7,585)	(8,727)
Officials Housing Loans - At amortised cost	(7,585)	(8,727)
	34,200	39,306
<u>Less:</u> Provision for Impairment of Long Term Receivables	-	-
Total Long Term Receivables	34,200	39,306

STAFF HOUSING LOANS

Staff was 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.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
16 INVENTORY		
Consumable Stores - Stationery and materials - At cost	527,836	527,836
Balance previously reported		-
Correction of Error - Note 34.05		527,836
Total Inventory	527,836	527,836
Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
Consumable stores materials surplusses identified during the annual stores counts.	-	-
No inventory assets were pledged as security for liabilities.		
17 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables		
Water	715,041	624,785
Electricity	873,087	444,679
Refuse	399,785	210,448
Sewerage	494,241	485,306
Payments received in advance	176,695	189,306
Total Service Receivables	2,658,849	1,954,525
Less: Provision for Impairment	(840,385)	(537,424)
Net Service Receivables	1,818,464	1,417,101
Other Receivables		
Sundry Receivables	1,159,349	810,570
Rentals	257,331	328,735
VAT	632,739	602,390
Total Other Receivables	2,049,419	1,741,695
Less: Provision for Impairment	(257,331)	(328,735)
Less: Contribution to provision for VAT impairment of trade receivables from exchange transactions	(379,139)	(378,005)
Net Other Receivables	1,412,949	1,034,955
Total Net Receivables from Exchange Transactions	3,231,412	2,452,056
Ageing of Receivables from Exchange Transactions		
(Electricity): Ageing		
Current (0 - 30 days)	654,360	377,302
31 - 60 Days	50,639	(8,604)
61 - 90 Days	13,189	11,774
+ 90 Days	154,896	64,208
Total	873,087	444,679
(Water): Ageing		
Current (0 - 30 days)	361,442	378,965
31 - 60 Days	134,226	63,438
61 - 90 Days	83,046	39,689
+ 90 Days	136,327	142,694
Total	715,041	624,785
(Refuse): Ageing		
Current (0 - 30 days)	275,876	160,205
31 - 60 Days	46,668	51,417
61 - 90 Days	35,941	12,781
+ 90 Days	41,301	(13,953)
Total	399,785	210,448
(Sewerage): Ageing		
Current (0 - 30 days)	241,114	220,816
31 - 60 Days	74,857	53,976
61 - 90 Days	68,583	34,408
+ 90 Days	109,687	176,106
Total	494,241	485,306
(Sundry Receivables): Ageing		
Current (0 - 30 days)	472,595	1,034,955
31 - 60 Days	-	(224,385)
61 - 90 Days	-	-
+ 90 Days	686,754	-
Total	1,159,349	810,570
(VAT): Ageing		
Current (0 - 30 days)	253,600	224,365
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	379,139	378,005
Total	632,739	602,390
(Rentals): Ageing		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	5,339
+ 90 Days	257,331	323,397
Total	257,331	328,735

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

18

	2016 R	2015 R
RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
<i>Service Receivables</i>		
Rates	1,853,084	1,070,564
Total Service Receivables	1,853,084	1,070,564
Less: Provision for Impairment	(1,859,069)	(1,061,767)
Net Service Receivables	4,015	8,797
Total Net Receivables from Non-Exchange Transactions	4,015	8,797

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)	4,015	8,797
31 - 60 Days	-	6,971
61 - 90 Days	-	13,075
+ 90 Days	1,859,069	1,841,721
Total	1,853,084	1,070,564

(Other Receivables): Ageing

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

Summary of Receivables by Customer Classification

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2016				
Total Receivables	4,834,404	83,514	1,653,433	6,571,351
Less: Provision for Impairment	(2,956,785)	-	-	(2,956,785)
Less: Provision for Impairment (VAT)	(379,139)	-	-	(379,139)
Total Recoverable debtors by customer classification	1,498,480	83,514	1,653,433	3,235,427

Summary of Receivables by Customer Classification

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2015				
Total Receivables	4,374,622	94,602	1,097,560	5,566,784
Less: Provision for Impairment	(2,727,926)	-	-	(2,727,926)
Less: Provision for Impairment (VAT)	(378,005)	-	-	(378,005)
Total Recoverable debtors by customer classification	1,268,691	94,602	1,097,560	2,460,853

Receivables impaired

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
2016			
Total	1,097,716	1,859,069	2,956,785
2015			
Total	866,159	1,861,767	2,727,926

Monthly rate debts are required to be settled after 30 days, interest is charged on rates after this date at prime +1%.
The fair value receivables approximates their carrying amounts.

Reconciliation of the Total doubtful debt provision

	2016 R	2015 R
Balance at beginning of the year	3,105,931	3,443,246
Contributions to provision	228,859	-
VAT contribution to Impairment provision	1,134	134,306
Impairment written off against provision	-	(471,820)
Balance at end of year	3,335,924	3,105,931

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

19 OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor

Balance on 1 July	37,669	31,561
Balance previously reported		29,515
Operating Lease Asset previously year not recognised correctly - Note 34.06 and Note 34.07		2,046
Operating Lease Asset for the current year	2,736	6,188
Balance previously reported		5,617
Operating Lease Asset previously year not recognised correctly - Note 34.06 and Note 34.08		491
Balance on 30 June	40,405	37,669

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

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

The municipality is leasing a piece of land to Vodacom for a period of 60 months with escalations of CPI with a maximum of 10% per year.

The municipality is leasing a piece of land to Sentech for a period of 60 months with escalations of CPI with a maximum of 10% per year.

The municipality is leasing a piece of land to emerging farmers for a period of 60 months with escalations of 6% per year.

The municipality is leasing a advertising rights to Primedia for a period of 36 months with escalations of 7% per year.

	2016 R	2015 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	376,852	339,354
2 to 5 Years	958,263	1,209,244
More than 5 Years	25,743	151,614
Total Operating Lease Arrangements	1,360,858	1,700,212

This lease income was determined from a contracts 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 by MTN until 2017.

The lease is in respect of land being leased by Vodacom until 2022.

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

The lease is in respect of land being leased by Sentech until 2018.

The lease is in respect of land being leased by emerging farmers until 2019.

The lease is in respect of advertising rights by Primedia until August 2017.

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

20 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	22,604,624	22,125,577
Primary Bank Account (Cash book)	649,026	250,869
Total Cash and Cash Equivalents - Assets	23,253,650	22,376,445

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 R1 526 110 are held to fund the Unspent Conditional Grants (2015: R1 904 727).

Kareeberg Municipality do not have a bank overdraft facility.

	2016 R	2015 R
The municipality has the following bank accounts:		
<u>Current Accounts</u>		
Camarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):	649,026	250,869
	649,026	250,869
<u>Camarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):</u>		
Cash book balance at beginning of year	250,869	167,919
Cash book balance at end of year	649,026	250,869
Bank statement balance at beginning of year	2,209,626	1,612,654
Bank statement balance at end of year	1,723,600	2,209,626

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

			2016 R	2016 R	2015 R
Call Investment Deposits					
Call investment deposits consist out of the following accounts:			Bank Certificates (excl. accruals)		
Account no.	Place of investment	Name of fund			
20-5772-3831	ABSA	Capital Replacement Reserve	11,347,812	11,347,812	11,347,812
20-7477-9380	ABSA	Housing Fund	40,546	40,546	38,010
20-7477-9380	ABSA	Job creation - De Bult	41,023	41,023	38,458
20-7477-9380	ABSA	Land development	17,614	17,614	16,514
20-7477-9380	ABSA	Land development	16,072	16,072	15,068
20-7477-9380	ABSA	Land development	30,722	30,722	28,802
08-870-543-9	STANDARD BANK	Civil Defence	19,711	19,745	18,985
92-8617-3395	ABSA	EPWP Vosburg dust	-	-	288,797
20-7477-9380	ABSA	CMIP Kwaggekoek(VAT)	648	648	609
08-870-5536	STANDARD BANK	Sanitation Interest/VAT	1,021,813	1,021,813	1,135,046
20-7477-9380	ABSA	Electricity	36,957	36,957	34,647
20-7477-9380	ABSA	Water Services Plan	3,455	3,455	3,239
20-7477-9380	ABSA	CMIP-Saalpoort project 301	3,793	3,793	3,556
20-7477-9380	ABSA	EPWP - Paving/ Cleaning	24,982	24,982	23,421
20-7477-9380	ABSA	Lotto Camarvon	1,918	1,918	1,799
20-7477-9380	ABSA	Lotto Vosburg	33,838	33,838	31,723
20-7477-9380	ABSA	Transfer Fees Sub-Economic Housing	142,264	142,349	133,356
20-7477-9380	ABSA	VB Cleaning Project	27,013	27,013	25,324
20-7477-9380	ABSA	VAT - retention	12,535	12,535	11,752
92-1221-8064	ABSA	Youth Development	93,632	93,632	93,632
92-1221-8064	ABSA	Leave Fund	2,589,598	2,589,598	2,565,560
92-8504-7305	ABSA	Retention	328,727	328,727	738,390
92-1221-8064	ABSA	Provision for Employee benefits	4,000,000	4,000,000	4,000,000
92-1221-8064	ABSA	Reserves	352,116	352,116	352,116
92-1221-8064	ABSA				
08-871-0777	STANDARD BANK	General Account	2,417,716	2,417,716	1,178,962
			22,604,505	22,604,624	22,125,577

	2016 R	2015 R
PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	13,400,074	6,329,512
Residential, Commercial Property	12,582,041	5,741,131
State - National / Provincial Services	718,033	588,381
<u>Less: Reductions</u>	(485,446)	(454,427)
<u>Less: Rebates</u>	(6,476,263)	(1,677,372)
Total Assessment Rates	4,438,366	4,197,712

<u>Valuations - 30 June 2016:</u>		
Rateable Land and Buildings	1,951,163,925	1,955,780,025
Residential & Commercial Property	1,904,424,725	1,909,040,625
State - National / Provincial Services	46,739,200	46,739,200
Total Assessment Rates	1,951,163,925	1,955,780,025

<u>Valuations - 30 June 2016:</u>	Valuation
Residential	232,803,400
State	20,912,800
State: Agriculture	25,825,400
Agriculture	1,449,850,600
Municipal	20,979,825
Schietfontein	93,000
Churches	11,850,200
Infrastructure	345,800
Public Benefit Organisations	2,348,000
Commonage	178,000
Commonage (rentals)	13,280,900
Infrastructure farms	171,683,500
Sport clubs	961,500
Total Property Valuations	1,951,163,925

Assessment Rates are levied on the values of immovable properties. A Supplementary roll was performed during 2015/16. The tariffs applicable are proclaimed by PK 41 dated 1 June 2015.

Rates are levied annually and are payable after due dates. Interest is 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 2016

22

GOVERNMENT GRANTS AND SUBSIDIES

	2016 R	2015 R
Unconditional Grants	15,021,000	15,096,000
Equitable Share - Refer to Note 22.01	15,021,000	15,096,000
Conditional Grants	11,763,367	14,482,021
Department of Water Affairs and Forestry	1,512,299	2,706,768
CMIP Kwaggakolk (VAT)	-	112,586
Municipal Systems Improvement Grant	819,851	828,753
Sanitation - sewerage	99,327	116,117
Library Development Projects	1,309,000	855,000
Municipal Finance Management Grant	1,590,107	1,617,259
Municipal Infrastructure Grant	5,174,737	6,956,434
Expanded Public Works Program (EPWPG)	975,753	1,000,000
Expanded Public Works Program (EPWPG Incentive)	262,492	289,084
Total Government Grants and Subsidies	29,784,367	29,578,021
Government Grants and Subsidies - Capital	7,042,151	10,026,175
Government Grants and Subsidies - Operating	22,742,216	19,551,846
	29,784,367	29,578,021

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

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share	15,021,000	15,096,000
Executive & Council	4,413,719	7,338,719
Budget & Treasury	7,349,648	7,143,302
Waste Water Management	-	-
Water	-	-
Electricity	-	-
	29,784,367	29,578,021

22.01 Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent households. All registered indigents receive 10kl 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 R395 per month to R607 per month.(2015: R269 per month to R564 per month)

Grants received	15,021,000	15,096,000
Conditions met	(15,021,000)	(15,096,000)
Conditions still to be met	-	-

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

22.02 Municipal Infrastructure Grant (MIG)

Grants received	5,828,000	7,848,000
Conditions met	(553,263)	(905,378)
Conditions met - Capital	(5,174,737)	(6,942,624)
Conditions still to be met	-	-

The grant was used to upgrade infrastructure in the Kareeberg areas.

22.03 Local Government Financial Management Grant (FMG)

Grants received	1,800,000	1,800,000
Conditions met	(1,775,658)	(1,800,000)
Conditions met - Capital	(24,342)	-
Conditions still to be met	-	-

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

22.04 Municipal Systems Improvement Grant

Grants received	930,000	934,000
Conditions met	(905,386)	(934,000)
Conditions met - Capital	(24,614)	-
Conditions still to be met	-	-

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

22.05 Library Development Projects

Grants received	1,309,000	855,000
Conditions met	(1,176,880)	(715,207)
Conditions met - Capital	(132,120)	(139,793)
Conditions still to be met	-	-

The grant was used for the development of libraries in the Kareeberg area.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
22.05	Youth Development		
	Opening balance	93,632	93,632
	Grants received	-	-
	Conditions still to be met	93,632	93,632
	The grant will be used for youth development related issues in the Kareeberg area.		
22.07	Expanded Public Works Program		
	Opening balance	288,797	588,562
	Grants received	-	-
	Conditions met	(201,742)	(62,796)
	Conditions met - Capital	(87,055)	(235,970)
	Conditions still to be met	(0)	288,797
	The grant was used for infrastructure development in the Kareeberg area. (Camraron)		
22.08	Expanded Public Works Program (R1m)		
	Grants received	1,000,000	1,000,000
	Conditions met	(822,805)	(1,000,000)
	Conditions met - Capital	(177,195)	-
	Conditions still to be met	-	-
	The grant was used for labour (for example security services) in the Kareeberg area.		
22.09	Job Creation De Buif		
	Opening balance	38,458	36,695
	Interest received	2,565	1,763
	Conditions still to be met	41,023	38,458
	The grant will be used for job creation in the Kareeberg area. (Camraron)		
22.10	Land Development		
	Opening balance	60,384	57,698
	Interest received	4,024	2,686
	Conditions still to be met	64,408	60,384
	The grant will be used for a land development plan in the Kareeberg area.		
22.11	Civil Defence		
	Opening balance	18,986	18,381
	Interest received	760	604
	Conditions still to be met	19,745	18,986
	The grant will be used for civil defence in the Kareeberg area.		
22.12	CMIP Kwaggakolk (VAT)		
	Opening balance	609	111,429
	Interest received	39	1,766
	Conditions met	-	(112,588)
	Conditions still to be met	648	609
	The grant will be used for a water project in the Kareeberg area. (Vanwyksvlei)		
22.13	Sanitation - sewerage		
	Opening balance	1,135,046	1,258,137
	Conditions met	(113,233)	(123,091)
	Conditions met - Capital	-	-
	Conditions still to be met	1,021,813	1,135,046
	The grant will be used for a sanitation maintenance in the Kareeberg area.		
22.14	Electricity		
	Opening balance	34,647	33,082
	Interest received	2,310	1,564
	Conditions still to be met	36,957	34,647
	The grant will be used for electricity infrastructure development in the Kareeberg area. (Schietfontein)		
22.15	Water Service Plan		
	Opening balance	3,239	3,093
	Interest received	215	147
	Conditions still to be met	3,455	3,239
	The grant will be used for a water service plan in the Kareeberg area.		
22.16	CMIP - Saalpoort project 301		
	Opening balance	3,556	3,395
	Interest received	237	161
	Conditions still to be met	3,793	3,556
	The grant will be used for a bore hole water project in the Kareeberg area. (Camraron)		
22.17	Paving Projects		
	Opening balance	23,421	22,365
	Interest received	1,561	1,057
	Conditions still to be met	24,982	23,421
	The grant will be used for a extended public works program in the Kareeberg area.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)			
22.18	Lotto Camarvon		
	Opening balance	1,799	1,716
	Interest received	119	81
	Conditions still to be met	1,918	1,799
	The grant will be used for Lotto projects in the Kareeberg area. (Sport equipment)		
22.19	Lotto Vosburg		
	Opening balance	31,723	30,291
	Interest received	2,115	1,432
	Conditions still to be met	33,838	31,723
	The grant will be used for Lotto projects in the Kareeberg area. (Equipment)		
22.20	Transfer Fees Sub-Economic		
	Opening balance	133,356	127,024
	Interest received	8,994	6,332
	Conditions still to be met	142,349	133,356
	The grant will be used for transfer fees of sub-economic houses in the Kareeberg area.		
22.21	Cleaning Project Vosburg		
	Opening balance	25,324	24,181
	Interest received	1,689	1,143
	Conditions still to be met	27,013	25,324
	The grant will be used for a cleaning project in the Kareeberg area.		
22.22	VAT - Retention		
	Opening balance	11,752	11,221
	Interest received	783	530
	Conditions still to be met	12,535	11,752
	The grant will be used for maintenance in the Kareeberg area.		
22.23	Saalpoort pipe line - Department of Water Affairs and Forestry		
	Grants received	1,621,091	-
	Conditions met	(199,002)	-
	Conditions met - Capital	(1,422,089)	-
	Conditions still to be met	-	-
	The grant will be used for Infrastructure (pipeline Vanwyksvlei - Camarvon) in the Kareeberg area.		
22.24	Schietfontein tanks - Department of Water Affairs and Forestry		
	Grants received	90,211	-
	Conditions met	(90,211)	-
	Conditions still to be met	-	-
	The grant will be used for installation of water tanks at individual households in the Kareeberg area.		
22.25	Department of Water Affairs and Forestry: Donation		
	Grants received	47,424	-
	Conditions met - Capital	(47,424)	-
	Conditions still to be met	-	-
	The donation was for JoJo tanks in Van Wyksvlei.		
22.26	Department of Sport: Donation		
	Grants received	314,899	-
	Conditions met - Capital	(314,899)	-
	Conditions still to be met	-	-
	The donation was for gym equipment at the play grounds in Camarvon.		
22.27	Total Grants		
	Opening balance	1,804,727	2,420,906
	Interest received	25,412	19,265
	Grants received	30,961,625	27,533,080
	Conditions met	(23,959,180)	(20,749,056)
	Conditions met - Capital	(7,404,475)	(7,319,387)
	Conditions still to be met	1,628,110	1,904,727
23	SERVICE CHARGES	2016 R	2015 R
	Electricity	8,818,988	7,617,894
	Service Charges	8,818,988	7,617,894
	Water	4,535,391	4,318,992
	Service Charges	4,535,391	4,318,992
	Refuse removal	3,601,057	3,414,462
	Service Charges	3,601,057	3,414,462
	Sewerage and Sanitation Charges	2,802,900	2,598,446
	Service Charges	2,802,900	2,598,446
	Total Service Charges	19,758,336	17,949,794

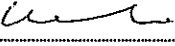
KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
24 OTHER REVENUE		
Application Specific Registrations	2,056	1,866
Building Fees	750	650
Photocopies	4,594	4,325
Grave Fees	12,560	8,630
Searching Fees	2,835	2,630
Scrap metal sale	-	19,474
Encroachment	920	917
Cement block Sales	2,590	1,820
Pond Fees	50	620
Refuse Bags Sold	2,073	2,246
Connection Fees	160	160
Gain due to additions on Biological assets	42,222	46,600
Valuation Certificates	410	460
Grant VAT Income	1,216,964	1,576,011
Electricity caravan park	141	573
Income iGRAP 2 - Rehabilitation Costs	-	689,921
Reversal of impairment (Revenue)	39,761	4,067
Total Other Income	1,328,105	2,360,990
25 FAIR VALUE ADJUSTMENTS		
Unamortised Discount - Interest - LT Receivables	2,478	2,995
	2,478	2,995
26 EMPLOYEE RELATED COSTS		
Other Allowances	-	900
Salaries & Wages	13,557,467	13,180,454
Leave Reserve Fund	422,928	245,757
Personnel Contributions	2,040,338	1,993,053
Skill Development Levy	152,216	155,149
Bargaining Council	5,960	6,061
Pension Gratification	444	444
UIF	98,546	96,629
Performance Bonuses	420,683	164,820
Annual Bonuses	2,869	14,169
Contribution to Employee Benefits - Long Service Awards - Note 3	76,000	62,896
Contribution to Employee Benefits - Post Retirement Medical - Note 3	214,000	342,612
	17,101,451	16,252,966
<u>Less:</u> Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	17,101,451	16,252,966
KEY MANAGEMENT PERSONNEL		
Municipal Manager is appointed on a 4 1/2-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		
<i>Remuneration of the Municipal Manager: Mr W. de Bruin</i>		
Salary and Performance Bonus	1,040,070	880,200
UIF	1,785	1,785
Bargaining Council	87	81
Total	1,041,942	882,066
<i>Remuneration of the Chief Finance Officer: Mr. P.B. Rossouw</i>		
Salary and Bonus, Performance Bonus	844,980	674,392
Travel Allowance	156,972	146,700
Pension	107,235	102,455
Medical	45,746	41,796
UIF	1,785	1,785
Bargaining Council	87	81
Cell phone (VAT Included)	18,000	18,000
Total	1,174,807	985,209
<i>Remuneration of Chief Operations Manager: Mr. A.P.F. van Schalkwyk</i>		
Salary and Bonus, Performance Bonus	815,744	763,139
Travel Allowance	156,972	146,700
Pension	112,443	107,432
Medical	46,452	43,416
UIF	1,785	1,785
Bargaining Council	87	81
Cell phone (VAT Included)	24,000	24,000
Total	1,157,483	1,086,554
<i>Remuneration of Head : Corporate Services: Mr. N.J. van Zyl</i>		
Salary and Bonus, Performance Bonus	778,658	658,887
Travel Allowance	156,972	146,700
Pension	107,235	97,870
Medical	36,997	34,992
UIF	1,785	1,785
Bargaining Council	87	81
Cell phone (VAT Included)	18,000	18,000
Total	1,099,935	958,315

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
27	REMUNERATION OF COUNCILLORS		
	Mayor Mr N.I. Titus	709 765	672 763
	Councillor Mr J.E.J. Hoon	213 839	201 829
	Councillor Mr J. Horne	213 839	201 829
	Councillor Mr D.P. Jason	213 839	201 829
	Councillor Ms D. Olifant	213 839	201 829
	Councillor Ms E.L. Riley	213 839	201 829
	Councillor Mr P. Viviers	213 839	201 829
	Councillors' Cell phones	135 858	136 374
	Total Councillors' Remuneration	2 129 257	2 020 110
	<i>In-kind Benefits</i>		
	The Mayor is fulltime. He is provided with an office at the cost of the Council.		
	<i>Certification by the Municipal Manager</i>		
	I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with Government Notice 39548, dated 21/12/2015.		
			
	Signed: Municipal Manager		
28	DEBT IMPAIRMENT		
	Long term Receivables - Note 15	-	-
	Receivables from exchange transactions - Note 17	228 859	-
	Receivables from non-exchange transactions - Note 16	-	-
	Debt impairment recognised in statement of financial performance	228 859	-
29	DEPRECIATION AND AMORTISATION		
	Property, plant and equipment	3 249 884	2 989 237
	Intangible assets	6 443	8 813
	Investment property carried at cost	12 384	12 330
	Capitalised Restoration Cost	135 933	157 501
	Total	3 405 623	3 165 861
30	FINANCE CHARGES		
	Post Retirement Charges	710 000	728 386
	Landfill sites	1 279 338	144 742
	Total finance charges	1 989 338	873 128
31	BULK PURCHASES		
	Electricity bulk purchases	9 515 667	8 532 727
	Electricity distribution losses	(888 553)	(413 583)
	Total Bulk Purchases	8 627 114	8 119 144
32	GRANTS AND SUBSIDIES		
	Indigent Subsidies	8 975 621	8 018 446
	Total Grants and Subsidies	8 975 621	8 018 446
33	GENERAL EXPENSES		
	Advertisement, printing & stationary	270 219	203 582
	Animal Feeds	59 422	122 213
	Audit Costs	1 788 788	2 240 071
	Bank charges	136 966	134 287
	Compensation Insurance	318 049	135 409
	Chemicals	79 995	210 281
	Cleaning supplies	74 057	62 334
	Consultation Fees	1 601 752	850 655
	Electricity Eskom	310 662	291 619
	Fuel & Oil	591 735	772 995
	Insurance	134 640	178 954
	Legal costs	43 800	24 843
	Membership for associations	500 000	500 000
	Other General Expenses	628 547	481 226
	Refuse bag purchases	38 367	135 000
	Street Lighting	323 602	281 657
	Subsistence and Travelling	631 640	949 802
	Telephone & Postage	416 195	362 761
	Uniforms	149 802	34 386
	General Expenses	8 298 426	7 972 046

Other General Expenses include administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial Performance. This include items such as vehicle licenses, cleaning materials, valuation costs, refreshments, water services fees and workmen compensation.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

34	CORRECTION OF ERROR IN TERMS OF GRAP 3	2015 R
34.01	Property, Plant and Equipment	
	Balance previously reported	106,050,426
	First time recognition of Property, Plant and Equipment - Note 34.07 and 10	(226,200)
	Total	105,824,226
34.02	Non-Current Provisions	
	Balance previously reported	2,304,550
	Incorrect amount of Landfill site provision contribution against accumulated surplus as at 30 June 2014 - Note 34.07 and 4	(1,862,488)
	Incorrect amount of Landfill site provision contribution against Capitalised Restoration Cost as at 30 June 2014 - Note 34.03 and 4	(900,996)
	Incorrect amount on calculation of Landfill site provision increase against finance charges during 2014/15 - Note 34.08 and 4	(144,742)
	Correct amount of Landfill site provision contribution against accumulated surplus as at 30 June 2014 - Note 34.07 and 4	14,571,592
	Correct amount of Landfill site provision contribution against Capitalised Restoration Cost as at 30 June 2014 - Note 34.03 and 4	5,067,577
	Correct amount on calculation of Landfill site provision increase against finance charges during 2014/15 - Note 34.08 and 4	1,081,012
	Incorrect amount on calculation of acquisitions on Capitalised Restoration Cost during 2014/15 - Note 34.08 and 34.03 and 4	603,668
	Correct amount on calculation of Landfill site provision Increase in Estimate during 2014/15 - Note 34.03 and 4	(154,159)
	Total	21,566,021
34.03	Capitalised Restoration Cost	
	Balance previously reported	786,745
	Incorrect amount of Landfill site provision contribution against Capitalised Restoration Cost as at 30 June 2014 - Note 34.02 and 14	(900,996)
	Incorrect amount on calculation of accumulated depreciation on Capitalised Restoration Cost as at 30 June 2014 - Note 34.07 and 14	123,838
	Incorrect amount on calculation of accumulated impairment on Capitalised Restoration Cost as at 30 June 2014 - Note 34.07 and 14	58,266
	Incorrect amount on calculation of acquisitions on Capitalised Restoration Cost during 2014/15 - Note 34.08 and 34.02 and 14	(86,253)
	Incorrect amount on calculation of depreciation on Capitalised Restoration Cost during 2014/15 - Note 34.08 and 14	20,487
	Incorrect amount on calculation of impairment on Capitalised Restoration Cost during 2014/15 - Note 34.08 and 14	(4,087)
	Correct amount of Landfill site provision contribution against Capitalised Restoration Cost as at 30 June 2014 - Note 34.02 and 14	6,067,577
	Correct amount on calculation of accumulated depreciation on Capitalised Restoration Cost as at 30 June 2014 - Note 34.07 and 14	(2,142,235)
	Correct amount on calculation of accumulated impairment on Capitalised Restoration Cost as at 30 June 2014 - Note 34.07 and 14	(385,486)
	Correct amount on calculation of additions on Capitalised Restoration Cost during 2014/15 - Note 34.02 and 14	(154,159)
	Correct amount on calculation of depreciation on Capitalised Restoration Cost during 2014/15 - Note 34.08 and 14	(142,595)
	Correct amount on calculation of impairment on Capitalised Restoration Cost during 2014/15 - Note 34.08 and 14	30,526
	Total	3,272,628
34.04	Investment Property	
	Balance previously reported	15,482,392
	Correction on calculation of Investment Property cost till 30 June 2014 - Note 34.07 and 11	(19,000)
	Total	15,463,392
34.05	Inventory	
	Balance previously reported	-
	First time recognition of inventory - Note 34.08 and 16	527,836
	Total	527,836
34.06	Operating Lease Asset	
	Balance previously reported	35,132
	Operating Lease Asset previously year not recognised correctly - Note 34.07 and 19	2,046
	Operating Lease Asset previously year not recognised correctly - Note 34.08 and 19	491
	Total	37,669
34.07	Accumulated Surplus/(Deficit)	
	Balance previously reported	118,816,293
	Correction on calculation of Investment Property cost till 30 June 2014 - Note 34.04 and 11	(19,000)
	First time recognition of Property, Plant and Equipment - Note 34.01 and 10	(226,200)
	Operating Lease Asset previously year not recognised correctly - Note 34.06 and 19	2,046
	Incorrect amount of Landfill site provision contribution against accumulated surplus as at 30 June 2014 - Note 34.02 and 4	1,862,488
	Correct amount of Landfill site provision contribution against accumulated surplus as at 30 June 2014 - Note 34.02 and 4	(14,571,592)
	Incorrect amount on calculation of accumulated depreciation on Capitalised Restoration Cost as at 30 June 2014 - Note 34.03 and 14	123,838
	Incorrect amount on calculation of accumulated impairment on Capitalised Restoration Cost as at 30 June 2014 - Note 34.03 and 14	58,266
	Correct amount on calculation of accumulated depreciation on Capitalised Restoration Cost as at 30 June 2014 - Note 34.03 and 14	(2,142,235)
	Correct amount on calculation of accumulated impairment on Capitalised Restoration Cost as at 30 June 2014 - Note 34.03 and 14	(385,486)
	Total	103,617,419

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

34	CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUE)		2015 R
34.08	Statement of Financial Performance		
	Balance previously reported		7,790,659
	Operating Lease Asset previously year not recognised correctly - Note 34.06 and 19		491
	First time recognition of Inventory (Repairs and Maintenance) - Note 34.05 and 16		527,836
	Incorrect amount on calculation of Landfill site provision increase against finance charges during 2014/15 - Note 34.02 and 4		144,742
	Correct amount on calculation of Landfill site provision increase against finance charges during 2014/15 - Note 34.02 and 4		(1,081,012)
	Incorrect amount on calculation of acquisitions on Capitalised Restoration Cost during 2014/15 - Note 34.03 and 34.02 and 14		(689,821)
	Incorrect amount on calculation of depreciation on Capitalised Restoration Cost during 2014/15 - Note 34.03 and 14		20,487
	Incorrect amount on calculation of impairment on Capitalised Restoration Cost during 2014/15 - Note 34.03 and 14		(4,087)
	Correct amount on calculation of depreciation on Capitalised Restoration Cost during 2014/15 - Note 34.03 and 14		(142,595)
	Correct amount on calculation of impairment on Capitalised Restoration Cost during 2014/15 - Note 34.03 and 14		30,526
	Total		6,597,126
		2016 R	2015 R
35	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus for the year	4,470,763	6,597,126
	<u>Adjustments for:</u>		
	Depreciation	3,399,180	3,159,089
	Amortisation of Intangible Assets	6,443	6,813
	Contribution to Capitalised Restoration Cost	799,958	123,633
	(Gain)/Loss on disposal of property, plant and equipment	1,809	41,936
	Impairments	10,248	-
	Contribution from/to employee benefits - non-current	1,000,000	1,133,896
	Contribution from/to employee benefits - non-current - expenditure incurred	(495,894)	(306,156)
	Contribution from/to employee benefits - non-current - actuarial losses	(90,235)	93,808
	Contribution from/to employee benefits - non-current - actuarial gains	144,664	(665,727)
	Contribution to employee benefits - current	846,480	424,766
	Contribution to employee benefits - current - expenditure incurred	(626,715)	(408,034)
	Contribution to provisions - non-current - Rehabilitation of Landfill-sites	(639,739)	(154,159)
	Contribution to provisions - non-current - Unwinding of discounted interest	1,279,338	1,081,012
	Contribution to provisions - bad debt	228,859	-
	Contribution to provisions - VAT Impairment	1,134	134,306
	Unamortised discount - Interest - Revenue	(2,478)	(2,995)
	Contributed PPE	(362,323)	-
	Bad debt written off	-	(471,620)
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(376,618)	(516,178)
	Operating lease income accrued	(2,736)	(6,108)
	Operating Surplus/(Deficit) before changes in working capital	9,392,337	10,265,385
	Changes in working capital	(1,426,840)	(482,058)
	Increase/(Decrease) in Payables from exchange transactions	(422,274)	197,245
	(Increase)/Decrease in Inventory	-	(527,836)
	(Increase)/Decrease in Trade Receivables from exchange transactions	(1,012,047)	(657,941)
	(Increase)/Decrease in Other Receivables from non-exchange transactions	7,480	506,475
	Cash generated/(absorbed) by operations	7,965,496	9,783,329
36	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 20	22,664,624	22,125,577
	Bank - Note 20	649,026	250,859
	Total cash and cash equivalents	23,253,650	22,376,445
37	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents - Note 36	23,253,650	22,376,445
	Less:	23,253,650	22,376,445
	Unspent Conditional Grants - Note 6	1,528,110	1,904,727
	Cash Portion of Housing Development Fund - Note 2	40,546	38,010
	Net cash resources available for internal distribution	21,684,994	20,433,707
	Allocated to:		
	Capital Replacement Reserve	(11,347,812)	(11,347,812)
	Relaxation	(328,727)	(738,380)
	Provision for Employee benefits	(4,000,000)	(4,000,000)
	Reserves	(352,116)	(352,116)
	Staff Leave, Performance Management Bonus, Long Service	(2,589,598)	(2,565,560)
	Resources available for working capital requirements	3,066,742	1,429,830

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

30

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

30.01 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	-
Unauthorised expenditure current year - capital	8,885	2,402,587
Unauthorised expenditure current year - operating	-	396,078
Written off supported by council	(8,885)	(2,795,665)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 R (Unauthorised)
Unauthorised expenditure current year - operating				
Executive & Council	20,097,428	23,510,586	(3,413,158)	-
Budget & Treasury	8,720,315	9,092,394	(372,079)	-
Corporate Services	2,399,286	2,735,507	(337,221)	-
Planning & Development	-	-	-	-
Health	38,009	48,966	(10,957)	-
Community & Social Services	797,626	1,374,882	(577,356)	-
Housing	-	-	-	-
Public Safety	74,336	74,842	(506)	-
Sport & Recreation	623,192	724,864	(101,772)	-
Environmental Protection	-	-	-	-
Waste Management	3,055,736	3,449,785	(394,049)	-
Waste Water Management	3,344,206	3,344,414	(208)	-
Road Transport	3,128,936	3,382,043	(253,107)	-
Water	1,597,573	1,679,523	(81,950)	-
Electricity	9,955,105	10,352,736	(397,631)	-
	53,831,747	59,771,842	(5,940,095)	-

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 R (Unauthorised)
Unauthorised expenditure current year - capital				
Executive & Council	-	-	-	-
Budget & Treasury	237,968	265,944	(27,976)	-
Corporate Services	-	-	-	-
Planning & Development	-	-	-	-
Health	-	-	-	-
Community & Social Services	322,744	355,656	(32,912)	-
Housing	-	-	-	-
Public Safety	-	-	-	-
Sport & Recreation	3,933,700	4,256,732	(323,032)	-
Environmental Protection	-	-	-	-
Waste Management	-	-	-	-
Waste Water Management	8,885	-	8,885	8,885
Road Transport	1,445,533	1,599,787	(154,254)	-
Water	1,469,512	3,907,000	(2,437,488)	-
Electricity	-	-	-	-
	7,418,340	10,385,119	(2,966,779)	8,885

30.02 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Written off supported by council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

30.03 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	-
Irregular expenditure - prior year identified in current year	-	-
Irregular expenditure current year	-	-
Written off supported by council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings
None	None

30.04 Material Losses

Electricity distribution losses		
Units purchased (Kwh)	8,491,512	8,337,899
- Units lost during distribution (Kwh)	792,920	404,140
- Percentage lost during distribution	9.34%	4.85%

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

39.01 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Council subscriptions	500,000	500,000
Amount paid - current year	(500,000)	(500,000)
Balance unpaid (included in creditors)	-	-

2016
R

2015
R

39.02 Audit fees - [MFMA 125 (1)(b)] (excl. VAT)

Current year audit fee	1,788,788	2,240,071
External Audit - Auditor-General	1,788,788	2,240,071
Amount paid - current year	(1,788,788)	(2,240,071)
Balance unpaid (included in creditors)	-	-

39.03 VAT - [MFMA 125 (1)(b)]

Opening balance	(940,353)	(629,098)
Amounts received - current year	3,120,861	2,800,344
Amounts claimed - current year (payable)	(3,509,593)	(3,740,897)
Amounts received - previous year	-	629,098
Closing balance	(1,329,085)	(940,353)

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

39.04 PAYE, SDL and UIF - [MFMA 125 (1)(b)]

Current year payroll deductions and Council Contributions	2,832,506	2,479,610
Amount paid - current year	(2,832,506)	(2,479,610)
Balance unpaid (included in creditors)	-	-

39.05 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

Current year payroll deductions and Council Contributions	(3,618,543)	3,419,186
Amount paid - current year	3,618,543	(3,419,186)
L.A. Health	451,704	(424,068)
Munimed	-	-
Cape Pension Fund	442,442	(451,106)
Hosmed	634,391	(618,564)
Cape Joint Retirement Fund	1,739,966	(1,529,353)
SAMWU Provident Fund	350,039	(396,095)

Balance unpaid (included in creditors)

39.06 Councilor's arrear consumer accounts - [MFMA 125 (1)(b)]

The following Councilors had arrear accounts for more than 90 days as at 30 June 2016:

	2016 R Outstanding more than 90 days	2015 R Outstanding more than 90 days
None	-	-
Total Councilor Arrear Consumer Accounts	-	-

39.07 Quotations awarded - Section 47 - Supply Chain Management

None

39.08 Deviations - Section 36(2) - Supply Chain Management

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Sole provider	39,808	267,393	-	-
Emergency cases	44,601	-	-	-
Availability	103,927	-	-	-
Limited Quotations	62,327	-	-	-
Advertising Period	-	233,217	-	-
Not Three Quotations received (Advertisement)	108,378	670,762	1,381,908	-
Not cheapest quotation accepted	46,360	-	-	-
Direct appointment without tender	-	-	1,530,132	-
Additional work by appointed contractor	7,358	-	725,564	-
Rotation of repair work	16,463	-	-	-
Deviation on tender	10,898	187,587	-	-
Direct Leasing	4,275	-	-	-
Regulation 32	-	-	313,307	-
Donation in terms of Section 2, Asset Selling Policy	4,040	-	-	-
Donation - without policy	8,000	-	-	-
Service provider	335,687	360,505	273,600	-
	780,122	1,719,463	4,224,511	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

40

CAPITAL COMMITMENTS**Commitments in respect of capital expenditure:****Approved and contracted for:**

Infrastructure
Community

Total

2016
R

2015
R

116,452

7,061,228

-

7,061,228

116,452

-

116,452

7,061,228

2016
R

2015
R

116,452

7,061,228

116,452

7,061,228

2016
R

2015
R

This expenditure will be financed from:

Government Grants

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.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% Increase in interest rates

2016
R

2015
R

116,268

111,882

0.5% Decrease in interest rates

(116,268)

(111,882)

(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.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 17 and 18 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

41 FINANCIAL RISK MANAGEMENT (CONTINUE)

Balances past due not impaired:

	2016 %	2016 R	2015 %	2015 R
<u>Non-Exchange Receivables</u>				
Rates	0.00%	-	0.00%	-
<u>Exchange Receivables</u>				
Electricity	0.00%	-	0.00%	-
Water	0.00%	-	0.00%	-
Refuse	0.00%	-	0.00%	-
Sewerage	0.00%	-	0.00%	-
Other	0.00%	-	0.00%	-
	0.00%	0	0.00%	0

No 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 17 & 18 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:

	2016 %	2016 R	2015 %	2015 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	1,859,069	100.00%	1,881,766
<u>Exchange Receivables</u>				
Electricity	15.37%	168,726	7.78%	67,377
Water	32.21%	353,598	23.71%	205,347
Refuse	11.29%	123,509	5.80%	50,243
Sewerage	17.89%	194,152	24.76%	214,490
Other	23.44%	257,331	37.95%	328,735
	100.00%	1,097,716	100%	865,192

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

	2016 %	2016 R	2015 %	2015 R
Industrial	8.24%	243,553	18.09%	493,400
Residential	91.76%	2,713,232	81.91%	2,234,525
	100.00%	2,956,785	100%	2,727,925
	2016 %	2016 R	2015 %	2015 R

Bad debts written off per debtor class:

<u>Non-Exchange Receivables</u>				
Rates	100.00%	-	0.00%	128,067
<u>Exchange Receivables</u>				
Services	100.00%	-	100.00%	343,553
Other	100.00%	-	0.00%	-
	100.00%	-	100.00%	343,553

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 entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

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

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

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

	2016 R	2015 R
Long term receivables	41,784	48,034
Trade receivables and other receivables	3,235,427	2,460,853
Cash and Cash Equivalents	23,253,650	22,376,445
	<u>26,530,861</u>	<u>24,885,332</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

41 FINANCIAL RISK MANAGEMENT (CONTINUE)

2016
R2015
R

(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
2016				
Provisions - Landfill Sites	-	-	-	440,911,294
Capital repayments	-	-	-	22,005,620
Interest	-	-	-	418,905,674
Trade and Other Payables	506,649	-	-	-
Consumer Deposits	320,339	-	-	-
Unspent conditional government grants and receipts	1,528,110	-	-	-
	<u>2,355,097</u>	<u>-</u>	<u>-</u>	<u>440,911,294</u>
2015				
Provisions - Landfill Sites	-	-	-	220,877,315
Capital repayments	-	-	-	21,566,021
Interest	-	-	-	199,311,294
Trade and Other Payables	928,922	-	-	-
Consumer Deposits	308,159	-	-	-
Unspent conditional government grants and receipts	1,904,727	-	-	-
	<u>3,141,809</u>	<u>-</u>	<u>-</u>	<u>220,877,315</u>

42 FINANCIAL INSTRUMENTS

2016
R2015
R

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

42.1	Financial Assets	Classification		
	Long-term Receivables			
	Staff Loans	Financial instruments at amortised cost	42,400	49,984
	Consumer Debtors			
	Trade receivables from exchange transactions	Financial instruments at amortised cost	2,658,849	1,954,525
	Other receivables from exchange transactions	Financial instruments at amortised cost	2,049,418	1,741,695
	Current Portion of Long-term Receivables			
	Staff Loans	Financial instruments at amortised cost	7,585	8,727
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	22,604,624	22,125,577
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	649,026	250,869
			<u>28,011,901</u>	<u>26,131,377</u>
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		<u>28,011,901</u>	<u>26,131,377</u>

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

			2016 R	2015 R
42	FINANCIAL INSTRUMENTS (CONTINUE)			
42.2	Financial Liability	Classification		
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	328,727	738,390
	Payments received in advance	Financial instruments at amortised cost	176,695	189,306
	Unspent Conditional Grants and Receipts			
	Other Spheres of Government	Financial instruments at amortised cost	1,526,110	1,904,727
			2,033,532	2,832,423
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		2,033,532	2,832,423
43	EVENTS AFTER THE REPORTING DATE			
	The municipality has no events after reporting date during the financial year ended 30 June 2016			
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 ASSET/LIABILITIES			
	None			
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 July 2015 - 30 June 2016	Service Charges - Levied 1 July 2015 - 30 June 2016	Other - Levied 1 July 2015 - 30 June 2016
	Year ended 30 June 2016			Outstanding Balances 30 June 2016
	Councillors	9,139	27,101	-
	Municipal Manager and Section 56 Employees	15,251	59,303	81,158
				2,675
				267,111
	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 15 to the Annual Financial Statements.			
47.3	Compensation of key management personnel			
	The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.			
47.4	Other related party transactions			
		2016 R	2015 R	
	The following purchases were made during the year where Councillors or Management have an interest:			
	<u>Councillor/Staff Member</u>			
	Municipal Manager member of emerging farmers union who rent Camarvon commonage	81,158	85,366	

48

FINANCIAL SUSTAINABILITY

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current ratio increased to 6.05:1 from 5.02:1 in the prior year.

The municipality have budgeted for a surplus of R8 585 119 for the 2015/2016 financial year. The municipality is also budgeting for positive surplus during 2016/2017 and 2017/2018 amounting to R5 454 000 and R5 044 000 respectively.

The average debtors' payment days increased to 97 days from 89 days.

Other Indicators

No outflow of resources due the contingent liability disclosed in note 46

49

STATUTORY RECEIVABLES

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Receivables from non-exchange transactions

Property Rates	4,015	6,797
Total Statutory Receivables	4,015	6,797

APPENDIX A - Audited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
MUNICIPAL VOTES CLASSIFICATION

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
10 450	(193 067)	(182 617)	Cemetery	15 150	(225 845)	(210 695)
2 920	(837 061)	(834 142)	Library	1 795	(551 475)	(549 679)
-	(33 132)	(33 132)	Museum	-	(20 306)	(20 306)
-	(1 841 246)	(1 841 246)	Corporate Services	-	(2 399 286)	(2 399 286)
7 617 994	(184 977)	7 433 017	Electricity Administration	8 819 088	(155 864)	8 663 224
-	(9 144 494)	(9 144 494)	Electricity Generation	-	(10 224 748)	(10 224 748)
-	(491 258)	(491 258)	Electricity Distribution	-	(524 876)	(524 876)
25 693 534	(18 558 951)	7 134 583	General Expenditure of Council	24 623 744	(20 097 428)	4 526 316
5 500	(1 245)	4 255	Official Housing	6 000	(1 221)	4 779
9 685 401	-	9 685 401	Property Rates	11 788 014	-	11 788 014
343 641	(83 575)	260 065	Commonage	211 084	(78 911)	132 174
24 694	(238 940)	(214 246)	Municipal Buildings	94 099	(292 638)	(198 539)
2 656 761	(8 757 320)	(6 100 559)	Municipal Manager/Treasurer	1 747 261	(9 946 678)	(8 199 418)
-	(30 356)	(30 356)	Clinic	-	(38 009)	(38 009)
-	(52 309)	(52 309)	Air Port	300	(53 683)	(53 383)
-	(33)	(33)	Abattoir	-	(18)	(18)
-	(17 369)	(17 369)	Fire Department	-	(19 093)	(19 093)
-	(4 099)	(4 099)	Civil Protection	-	(601)	(601)
620	(35 111)	(34 491)	Pound	50	(54 643)	(54 593)
650	(2 294 959)	(2 294 309)	Public Works	750	(2 429 834)	(2 429 084)
-	(1 015 743)	(1 015 743)	Streets & Pavements	-	(1 146 487)	(1 146 487)
5 400	(187 405)	(182 005)	Licensing & Traffic	7 800	(157 527)	(149 727)
46 600	(225 627)	(179 027)	Nature Reserve	42 222	(67 883)	(25 661)
-	(411 961)	(411 961)	Parks & Open areas	330	(517 395)	(517 065)
-	(50 525)	(50 525)	Swimming Pool	-	(9 471)	(9 471)
8 723	(15 388)	(6 665)	Caravan Park	3 341	(28 443)	(25 102)
3 416 709	(2 947 658)	469 050	Refuse	3 603 130	(3 055 736)	547 394
3 288 367	(3 190 741)	97 626	Sewerage & Cleansing	2 802 900	(3 423 835)	(620 935)
-	(248 574)	(248 574)	Water Distribution	-	(579 371)	(579 371)
4 319 052	(982 572)	3 336 479	Water Provision	4 535 451	(1 065 915)	3 469 536
57 127 015	(52 075 697)	5 051 318	Sub Total	58 302 510	(57 167 217)	1 135 293
-	2 739 340	2 739 340	Less Inter-Departmental Charges	-	3 335 469	3 335 469
57 127 015	(49 336 356)	7 790 659	Total	58 302 510	(53 831 747)	4 470 763

APPENDIX B - Audited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
25 693 534	(18 558 951)	7 134 583	Executive & Council	24 623 744	(20 097 428)	4 526 316
12 715 997	(9 133 422)	3 582 575	Budget & Treasury	13 846 758	(10 373 149)	3 473 609
-	(1 841 246)	(1 841 246)	Corporate Services	-	(2 399 286)	(2 399 286)
-	(30 356)	(30 356)	Health	-	(38 009)	(38 009)
13 370	(1 063 260)	(1 049 890)	Community & Social Services	16 945	(797 626)	(780 680)
620	(56 578)	(55 958)	Public Safety	50	(74 336)	(74 286)
55 323	(703 500)	(648 177)	Sport & Recreation	45 893	(623 192)	(577 299)
3 416 709	(2 947 658)	469 050	Waste Management	3 603 130	(3 055 736)	547 394
3 288 367	(3 190 741)	97 626	Waste Water Management	2 802 900	(3 423 835)	(620 935)
6 050	(3 498 107)	(3 492 057)	Road Transport	8 550	(3 733 848)	(3 725 298)
4 319 052	(1 231 147)	3 087 905	Water	4 535 451	(1 645 286)	2 890 165
7 617 994	(9 820 729)	(2 202 735)	Electricity	8 819 088	(10 905 488)	(2 086 399)
57 127 015	(52 075 697)	5 051 318	Sub Total	58 302 510	(57 167 217)	1 135 293
-	2 739 340	2 739 340	Less Inter-Departmental Charges	-	3 335 469	3 335 469
57 127 015	(49 336 356)	7 790 659	Total	58 302 510	(53 831 747)	4 470 763

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

Grant Description	Balance 30 June 2015	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2016
	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS						
Job Creation De Bult	38 458	2 565	-	-	-	41 023
Land Development	60 384	4 024	-	-	-	64 409
Civil Defence	18 986	760	-	-	-	19 745
CMIP Kwaggakolk (VAT)	609	39	-	-	-	648
Municipal Systems Improvement Grant	-	-	930 000	905 386	24 614	-
Sanitation - sewerage	1 135 046	-	-	113 233	-	1 021 813
Electricity	34 647	2 310	-	-	-	36 957
Water Service Plan	3 239	215	-	-	-	3 455
CMIP - Saaiport project 301	3 556	237	-	-	-	3 793
Library Development Projects	-	-	1 309 000	1 176 880	132 120	-
Paving Projects	23 421	1 561	-	-	-	24 982
Lotto Carnarvon	1 799	119	-	-	-	1 918
Lotto Vosburg	31 723	2 115	-	-	-	33 838
Municipal Finance Management Grant	-	-	1 800 000	1 775 658	24 342	-
Transfer Fees Sub-Economic	133 356	8 994	-	-	-	142 349
Cleaning Project Vosburg	25 324	1 689	-	-	-	27 013
VAT - Retention	11 752	783	-	-	-	12 535
Municipal Infrastructure Grant	-	-	5 828 000	653 263	5 174 737	-
Saaiport pipe line - Department of Water Affairs and Forestry	-	-	1 621 091	199 002	1 422 088	-
Schietfontein tanks - Department of Water Affairs and Forestry	-	-	90 211	90 211	-	-
Department of Water Affairs and Forestry Donation	-	-	47 424	-	47 424	-
Department of Sport Donation	-	-	314 899	-	314 899	-
Youth Development	93 632	-	-	-	-	93 632
Expanded Public Works Program (PWPG)	-	-	1 000 000	822 805	177 195	-
Expanded Public Works Program (EPWP Incentive)	288 797	-	-	201 742	87 055	-
Total	1 904 727	25 412	12 940 625	5 938 180	7 404 475	1 528 110

APPENDIX D - Audited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description R thousand	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Revenue - Standard								
<i>Governance and administration</i>	45 691	3 073	46 764	38 471	(10 294)	156,7%	84,2%	37 747
Executive and council	26 108	2 769	30 897	24 624	(6 274)	79,7%	87,6%	25 604
Budget and treasury office	17 583	284	17 867	13 847	(4 020)	77,5%	78,0%	12 053
Corporate services	-	-	-	-	-	-	-	-
<i>Community and public safety</i>	25	-	25	63	38	254,0%	254,0%	69
Community and social services	7	-	7	17	10	254,0%	254,0%	13
Sport and recreation	17	-	17	46	29	263,8%	263,8%	55
Public safety	1	-	1	0	(1)	7,1%	7,1%	1
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	2	-	2	9	7	427,5%	427,5%	6
Planning and development	-	-	-	-	-	-	-	-
Road transport	2	-	2	9	7	427,5%	427,5%	6
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	19 566	-	19 566	19 761	194	101,0%	101,0%	18 542
Electricity	8 591	-	8 591	8 819	228	102,7%	102,7%	7 618
Water	4 523	-	4 523	4 535	13	100,3%	100,3%	4 319
Waste water management	2 696	-	2 696	2 803	107	104,0%	104,0%	3 288
Waste management	3 757	-	3 757	3 603	(154)	95,9%	95,9%	3 417
Other	-	-	-	-	-	-	-	-
Total Revenue - Standard	65 284	3 073	68 357	58 303	(10 054)	85,3%	89,3%	56 464
Expenditure - Standard								
<i>Governance and administration</i>	35 327	12	35 339	32 130	(3 209)	90,9%	91,0%	29 413
Executive and council	23 078	432	23 511	19 526	(3 985)	83,1%	84,6%	16 035
Budget and treasury office	9 512	(420)	9 092	10 226	1 134	112,5%	107,5%	9 555
Corporate services	2 737	-	2 737	2 378	(358)	86,9%	88,9%	1 823
<i>Community and public safety</i>	2 224	-	2 224	1 281	(943)	57,6%	57,6%	1 628
Community and social services	1 375	-	1 375	670	(705)	48,7%	48,7%	937
Sport and recreation	725	-	725	536	(189)	74,0%	74,0%	636
Public safety	75	-	75	71	(4)	94,4%	94,4%	51
Housing	-	-	-	-	-	-	-	-
Health	49	-	49	4	(45)	7,6%	7,6%	4
<i>Economic and environmental services</i>	3 382	-	3 382	3 204	(178)	94,7%	94,7%	3 069
Planning and development	-	-	-	-	-	-	-	-
Road transport	3 382	-	3 382	3 204	(178)	94,7%	94,7%	3 069
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	18 222	604	18 826	17 216	(1 610)	91,4%	94,5%	15 756
Electricity	10 353	-	10 353	10 185	(168)	98,4%	98,4%	9 146
Water	1 396	284	1 680	1 039	(640)	61,9%	74,5%	934
Waste water management	3 344	-	3 344	3 140	(204)	93,9%	93,9%	2 930
Waste management	3 130	320	3 450	2 952	(598)	82,7%	91,1%	2 746
Other	-	-	-	-	-	-	-	-
Total Expenditure - Standard	59 156	616	59 772	53 832	(5 940)	90,1%	91,0%	48 867
Surplus(Deficit) for the year	6 128	2 457	8 585	4 471	(4 114)	52,1%	73,0%	6 597

APPENDIX D - Audited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

Description R thousand	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Revenue by Vote								
Executive and council	26 108	2 789	30 897	24 624	(6 274)	79,7%	87,6%	25 694
Budget and treasury office	17 583	284	17 867	13 847	(4 020)	77,5%	78,8%	12 053
Corporate services	-	-	-	-	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Community and social services	7	-	7	17	10	254,8%	254,8%	13
Housing	-	-	-	-	-	-	-	-
Public safety	1	-	1	0	(1)	7,1%	7,1%	1
Sport and recreation	17	-	17	46	28	263,8%	263,8%	55
Environmental protection	-	-	-	-	-	-	-	-
Solid waste management	3 757	-	3 757	3 603	(154)	95,9%	95,9%	3 417
Waste water management	2 696	-	2 696	2 803	107	104,0%	104,0%	3 288
Road transport	2	-	2	9	7	427,5%	427,5%	6
Water	4 523	-	4 523	4 535	13	100,3%	100,3%	4 319
Electricity	8 591	-	8 591	8 819	228	102,7%	102,7%	7 618
Total Revenue by Vote	65 284	3 073	68 357	58 303	(10 054)	85,3%	89,3%	56 464
Expenditure by Vote to be appropriated								
Executive and council	23 078	432	23 511	19 526	(3 985)	83,1%	84,6%	18 035
Budget and treasury office	9 512	(420)	9 092	10 226	1 134	112,5%	107,5%	9 555
Corporate services	2 737	-	2 737	2 378	(358)	86,9%	86,9%	1 823
Planning and development	-	-	-	-	-	-	-	-
Health	49	-	49	4	(45)	7,6%	7,6%	4
Community and social services	1 375	-	1 375	670	(705)	48,7%	48,7%	937
Housing	-	-	-	-	-	-	-	-
Public safety	75	-	75	71	(4)	94,4%	94,4%	51
Sport and recreation	725	-	725	536	(189)	74,0%	74,0%	638
Environmental protection	-	-	-	-	-	-	-	-
Solid waste management	3 130	320	3 450	2 852	(598)	82,7%	91,1%	2 746
Waste water management	3 344	-	3 344	3 140	(204)	93,9%	93,9%	2 930
Road transport	3 382	-	3 382	3 204	(178)	94,7%	94,7%	3 069
Water	1 396	284	1 680	1 039	(640)	61,9%	74,5%	934
Electricity	10 353	-	10 353	10 185	(168)	98,4%	98,4%	9 146
Total Expenditure by Vote	58 156	616	58 772	53 832	(5 940)	90,1%	91,0%	48 867
Surplus/(Deficit) for the year	6 128	2 457	8 585	4 471	(4 114)	52,1%	73,0%	6 597

APPENDIX D - Audited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)

Description R thousand	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Revenue By Source								
Property rates	4 353	-	4 353	4 430	85	102,0%	102,0%	4 195
Property rates - penalties & collection charges	190	-	190	195	5	102,7%	102,7%	221
Service charges - electricity revenue	8 590	-	8 590	8 819	229	102,7%	102,7%	7 618
Service charges - water revenue	4 522	-	4 522	4 535	13	100,3%	100,3%	4 319
Service charges - sanitation revenue	2 696	-	2 696	2 803	107	104,0%	104,0%	3 414
Service charges - refuse revenue	3 756	-	3 756	3 601	(155)	95,9%	95,9%	2 598
Service charges - other	-	-	-	-	-	-	-	-
Rental of facilities and equipment	339	-	339	327	(12)	96,4%	96,4%	385
Interest earned - external investments	1 297	-	1 297	1 608	511	139,4%	139,4%	1 593
Interest earned - outstanding debtors	3	-	3	2	(1)	67,3%	67,3%	3
Dividends received	-	-	-	-	-	-	-	-
Fines	12	-	12	15	3	121,8%	121,8%	7
Licences and permits	7	-	7	12	5	163,1%	163,1%	6
Agency services	103	-	103	178	75	172,7%	172,7%	147
Transfers recognised - operational	23 060	432	23 492	22 742	(750)	96,8%	96,8%	19 552
Other revenue	8 426	284	8 710	1 421	(7 289)	16,3%	16,9%	2 367
Gains on disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	57 356	716	58 072	50 898	(7 174)	87,6%	88,7%	46 438
Expenditure By Type								
Employee related costs	16 881	2 682	19 563	17 101	(2 462)	87,4%	101,3%	16 253
Remuneration of councillors	2 062	-	2 062	2 128	67	103,2%	103,2%	2 020
Debt impairment	2 437	-	2 437	229	(2 208)	9,4%	9,4%	-
Depreciation & asset impairment	4 323	-	4 323	3 406	(917)	78,8%	78,8%	3 166
Finance charges	831	-	831	1 989	1 158	239,4%	239,4%	1 809
Bulk purchases	9 698	-	9 698	9 516	(182)	98,1%	98,1%	8 533
Other materials	469	1 207	1 676	930	(746)	55,5%	198,2%	352
Contracted services	516	800	1 316	1 100	(15)	98,6%	213,3%	1 687
Transfers and grants	9 303	(317)	8 986	8 976	(10)	99,9%	96,5%	8 018
Other expenditure	12 633	(3 556)	9 077	8 454	(624)	93,1%	66,9%	8 065
Loss on disposal of PPE	2	-	2	2	(0)	90,4%	90,4%	42
Total Expenditure	59 156	616	59 772	53 832	(5 940)	90,1%	91,0%	49 867
Surplus/(Deficit)	(1 800)	100	(1 700)	(2 934)	(1 234)	172,6%	163,0%	(3 429)
Transfers recognised - capital	7 928	2 357	10 285	7 042	(3 243)	68,5%	88,8%	10 026
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	362	362	100,0%	100,0%	-
Surplus/(Deficit) for the year	6 128	2 457	8 585	4 471	(4 114)	52,1%	73,0%	6 597

APPENDIX D - Audited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i to M/FIAA 628)	Final adjustments Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	
R thousand								Restated Audited Outcome
Capital expenditure - Vote								
Multi-year expenditure								
Executive and council	-	-	-	-	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-
Corporate services	-	-	-	-	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
Solid waste management	-	-	-	-	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-
Road transport	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-
Capital multi-year expenditure	-	-	-	-	-	-	-	-
Single-year expenditure								
Executive and council	-	-	-	-	-	-	-	-
Budget and treasury office	-	266	266	238	(28)	89,5%	100,0%	12
Corporate services	-	-	-	-	-	-	-	1
Planning and development	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Community and social services	-	356	356	323	(33)	90,7%	100,0%	809
Housing	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Sport and recreation	1 228	3 029	4 257	3 934	(323)	92,4%	320,3%	1 359
Environmental protection	-	-	-	-	-	-	-	-
Solid waste management	1 000	(1 000)	-	-	-	-	-	-
Waste water management	3 700	(3 700)	-	9	9	100,0%	0,2%	16
Road transport	2 000	(400)	1 600	1 446	(154)	90,4%	72,3%	5 051
Water	-	3 907	3 907	1 470	(2 437)	37,6%	100,0%	2 715
Electricity	-	-	-	-	-	-	-	-
Capital single-year expenditure	7 928	2 457	10 385	7 418	(2 967)	71%	94%	10 042
Total Capital Expenditure - Vote	7 928	2 457	10 385	7 418	(2 967)	71%	94%	10 042
Capital Expenditure - Standard								
Governance and administration	-	266	266	235	(31)	88,3%	#DIV/0!	13
Executive and council	-	-	-	-	-	-	-	1
Budget and treasury office	-	266	266	235	(31)	88,3%	100,0%	12
Corporate services	-	-	-	-	-	-	-	-
Community and public safety	1 228	3 384	4 612	4 066	(547)	88,2%	331,1%	2 248
Community and social services	-	371	371	132	(239)	35,6%	100,0%	869
Sport and recreation	1 228	3 014	4 242	3 934	(308)	92,7%	320,3%	1 359
Public safety	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Economic and environmental services	2 000	(400)	1 600	1 446	(154)	90,4%	72,3%	5 051
Planning and development	-	-	-	-	-	-	-	-
Road transport	2 000	(400)	1 600	1 446	(154)	90,4%	72,3%	5 051
Environmental protection	-	-	-	-	-	-	-	-
Trading services	4 700	(793)	3 907	1 478	(2 429)	37,8%	31,5%	2 730
Electricity	-	-	-	-	-	-	-	-
Water	-	3 907	3 907	1 470	(2 437)	37,6%	100,0%	2 715
Waste water management	3 700	(3 700)	-	9	9	100,0%	0,2%	16
Waste management	1 000	(1 000)	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	7 928	2 457	10 385	7 225	(3 161)	70%	91%	10 042
Funded by:								
National Government	7 928	1 568	9 496	7 042	(2 454)	71,0%	88,8%	10 026
Provincial Government	-	132	132	-	(132)	-	-	-
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	237	237	376	139	158,7%	100,0%	16
Transfers recognised - capital	7 928	2 937	10 255	7 418	(2 837)	72%	94%	10 042
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	-	100	100	-	(100)	-	-	-
Total Capital Funding	7 928	2 457	10 385	7 418	(2 967)	71%	94%	10 042

APPENDIX D - Audited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
CASH FLOWS

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties & collection charges	3 178	-	3 178	4 508	1 331	141,9%	141,9%	4 629
Service charges	18 586	-	18 586	18 050	(536)	97,1%	97,1%	16 638
Other revenues	8 796	829	9 625	1 646	(7 979)	17,1%	18,7%	2 450
Government - operating	23 060	(113)	22 947	23 150	203	100,9%	100,4%	19 685
Government - capital	7 928	2 357	10 285	7 449	(2 836)	72,4%	94,0%	10 934
Interest	1 171	-	1 171	1 753	582	149,7%	149,7%	1 557
Dividends	-	-	-	-	-	-	-	-
Payments								
Suppliers and employees	(42 262)	(933)	(43 195)	(37 626)	5 569	87,1%	89,0%	(36 182)
Finance charges	(831)	-	(831)	(1 989)	(1 158)	239,4%	239,4%	(1 609)
Transfers and Grants	(9 303)	317	(8 986)	(8 976)	10	99,9%	96,5%	(8 018)
NET CASH FROM/(USED) OPERATING ACTIVITIES	10 323	2 457	12 780	7 065	(4 815)	62,3%	77,2%	9 783
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	-	-	-	4	4	100,0%	100,0%	44
Decrease (increase) in non-current debtors	8	-	8	9	0	102,0%	102,0%	10
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
Payments								
Capital assets	(7 928)	(2 457)	(10 385)	(7 113)	3 272	68,5%	89,7%	(10 088)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(7 920)	(2 457)	(10 377)	(7 100)	3 275	68,4%	89,7%	(10 034)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	10	-	10	12	2	121,8%	121,8%	15
Payments								
Repayment of borrowing	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	10	-	10	12	2	121,8%	121,8%	15
NET INCREASE/ (DECREASE) IN CASH HELD	2 413	-	2 413	877	(1 536)	36,3%	36,3%	(236)
Cash/cash equivalents at the year begin:	22 669	-	22 669	22 376	(492)	97,8%	97,8%	22 612
Cash/cash equivalents at the year end:	25 282	-	25 282	23 254	(2 028)	92,0%	92,0%	22 376