

# **Kareeberg**

## **MUNICIPALITY**

[These financial statements have been audited]

### **FINANCIAL STATEMENTS**

**30 JUNE 2018**

# KAREEBERG LOCAL MUNICIPALITY

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# KAREEBERG LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 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.S. van Wyk*

#### MUNICIPAL MANAGER

*Mr F. Manuel (Since 1 December 2017)*

#### CHIEF FINANCIAL OFFICER

*Mr W. de Bruin (Since 5 March 2018)*

**[These financial statements have been audited]**

#### 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*

*Herman Van Heerden Ing, Southey Street, Douglas*

#### 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 E. Hoorn
2	Mr N.S. van Wyk
3	Mr G.P. van Louw
4	Mr B.J.E. Slambée
Proportional	Mr J.E.J. Hoorn
Proportional	Ms G. Saal
Proportional	Mr W.D. Horne

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2018, which are set out on pages 1 to 87 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 Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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 2019 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.

The annual financial statements were prepared on the going concern basis.

  
Mr F. Manuel (Since 1 December 2017)  
Municipal Manager

31 August 2018  
Date



# KAREEBERG LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Notes	2018 (Actual) R	2017 (Restated) R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>141 165 282</b>	<b>130 832 947</b>
Capital Replacement Reserve	2	11 347 812	11 347 812
Housing Development fund	2	45 545	43 061
Accumulated Surplus		129 771 925	119 442 074
<b>Non-Current Liabilities</b>		<b>33 743 045</b>	<b>32 414 978</b>
Employee benefits	3	9 305 009	9 013 570
Non-Current Provisions	4	24 438 036	23 401 408
<b>Current Liabilities</b>		<b>22 629 379</b>	<b>18 930 678</b>
Consumer Deposits	5	325 569	324 139
Current Employee benefits	6	2 293 589	1 869 676
Trade and Other Payables from exchange transactions	7	1 671 714	715 865
Unspent Transfers and Subsidies	8	18 338 507	16 020 997
<b>Total Net Assets and Liabilities</b>		<b>197 537 707</b>	<b>182 178 602</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>150 333 262</b>	<b>138 186 929</b>
Property, Plant and Equipment	10	131 629 958	119 831 065
Investment Property	11	15 425 146	15 438 087
Intangible Assets	12	1 534 735	643 882
Heritage Assets	13	14 900	14 900
Capitalised Restoration Cost	14	1 708 738	2 235 711
Long-Term Receivables	15	19 785	23 284
<b>Current Assets</b>		<b>47 204 444</b>	<b>43 991 673</b>
Inventory	16	527 836	527 836
Trade Receivables from exchange transactions	17	3 385 230	5 233 077
Other Receivables from non-exchange transactions	18	-	8 102
Operating Lease Asset	19	37 909	36 810
Current Portion of Long-term Receivables	15	4 773	4 586
Cash and Cash Equivalents	20	43 248 697	38 181 264
<b>Total Assets</b>		<b>197 537 707</b>	<b>182 178 602</b>

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 (Actual) R	2017 (Actual) R	Correction of Error - Note 34,02 R	2017 (Previously reported) R
<b>REVENUE</b>					
Revenue from Non-exchange Transactions		45 700 469	40 528 389	1 135 371	39 393 018
Taxation Revenue		4 430 162	4 185 230	(505 660)	4 690 890
Property taxes	21	4 430 162	4 185 230	(505 660)	4 690 890
Transfer Revenue		40 784 060	35 612 726	1 641 031	33 971 695
Government Grants and Subsidies - Capital	22	14 386 380	10 914 278	-	10 914 278
Government Grants and Subsidies - Operating	22	26 350 728	24 698 449	1 641 031	23 057 417
Contributed Property, Plant and Equipment		46 953	-	-	-
Other Revenue		486 246	730 434	-	730 434
Actuarial Gains	3	412 486	697 829	-	697 829
Third Party Payments		35 263	-	-	-
Licences and Permits		17 978	18 471	-	18 471
Fines		20 520	14 134	-	14 134
Revenue from Exchange Transactions		16 930 110	16 739 749	(9 517 907)	26 257 656
Property Rates - Penalties & Collection Charges		134 553	126 191	(63 891)	190 082
Service Charges	23	12 518 043	13 352 366	(7 812 985)	21 165 351
Rental of Facilities and Equipment		279 943	341 974	-	341 974
Interest Earned - external investments		3 716 281	2 573 398	-	2 573 398
Interest Earned - outstanding debtors		1 231	1 984	-	1 984
Agency Services		236 769	221 835	-	221 835
Other Revenue	24	43 289	122 002	(1 641 031)	1 763 033
<b>Total Revenue</b>		<b>62 630 578</b>	<b>57 268 139</b>	<b>(8 382 536)</b>	<b>65 650 674</b>
<b>EXPENDITURE</b>					
Employee related costs	26	19 370 993	16 766 578	-	16 766 578
Remuneration of Councillors	27	2 445 807	2 178 625	-	2 178 625
Debt Impairment	28	271 774	1 314 378	-	1 314 378
Collection Cost		-	-	-	-
Depreciation and Amortisation	29	3 478 527	3 415 819	-	3 415 819
Impairments	10	8 058	-	-	-
Actuarial losses	3	76 757	-	-	-
Finance Charges	30	2 281 877	2 266 958	-	2 266 958
Bulk Purchases	31	8 887 294	8 981 296	-	8 981 296
Contracted services		2 691 962	2 350 470	734 395	1 616 075
Grants and Subsidies	32	1 018 370	810 566	(8 382 536)	9 193 102
Stock Adjustments	31	1 601 689	1 355 094	-	1 355 094
General Expenses	33	10 177 286	8 524 215	(734 395)	9 258 610
<b>Total Expenditure</b>		<b>52 310 393</b>	<b>47 964 000</b>	<b>(8 382 536)</b>	<b>56 346 536</b>
<b>Operating Surplus for the Year</b>		<b>10 320 185</b>	<b>9 304 139</b>	<b>-</b>	<b>9 304 139</b>
Loss on disposal of Property, Plant and Equipment/Investment Property/Intangible Asset	10	(2 400)	(4 000)	-	(4 000)
Gain on disposal of Property, Plant & Equipment/Investment Property/Intangible Asset	10	13 277	-	-	-
Fair Value Adjustments	25	1 274	3 195	-	3 195
<b>NET SURPLUS FOR THE YEAR</b>		<b>10 332 336</b>	<b>9 303 333</b>	<b>-</b>	<b>9 303 333</b>

# KAREEBERG LOCAL MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
<b>Balance at 1 July 2016</b>	<b>40 546</b>	<b>11 347 812</b>	<b>110 141 253</b>	<b>121 529 611</b>
Net Surplus/(Deficit) for the year	-	-	9 303 333	9 303 333
Transfer to Housing Development Fund	2 515	-	(2 515)	-
Rounding	-	-	2	2
<b>Balance at 30 June 2017</b>	<b>43 061</b>	<b>11 347 812</b>	<b>119 442 074</b>	<b>130 832 947</b>
Net Surplus/(Deficit) for the year	-	-	10 332 336	10 332 336
Transfer to/from Housing Development Fund	2 484	-	(2 484)	-
Rounding	-	-	(1)	(1)
<b>Balance at 30 June 2018</b>	<b>45 545</b>	<b>11 347 812</b>	<b>129 771 925</b>	<b>141 165 282</b>

## KAREEBERG LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 (Actual) R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates		4 366 905	4 271 961
Service Charges		10 970 362	10 786 644
Other Revenue		3 874 270	725 392
Government - Operating		24 609 000	23 411 000
Government - Capital		19 079 000	26 669 000
Interest		3 605 728	2 456 396
<b>Payments</b>			
Suppliers and employees		(42 123 878)	(38 657 759)
Finance charges	30	(2 281 877)	(2 266 958)
Transfers and Grants	32	(1 018 370)	(810 566)
<b>Net Cash from Operating Activities</b>		<b>21 081 139</b>	<b>26 585 109</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(15 192 808)	(11 037 547)
Proceeds on Disposal of Fixed Assets		66 030	-
Purchase of Intangible Assets		(892 943)	(640 859)
(Increase)/Decrease in Heritage Assets		-	-
<b>Net Cash from Investing Activities</b>		<b>(16 019 721)</b>	<b>(11 678 406)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
(Increase)/Decrease in Long-term Receivables		4 586	17 110
Increase/(Decrease) in Consumer Deposits		1 430	3 800
Rounding		-	1
<b>Net Cash from Financing Activities</b>		<b>6 016</b>	<b>20 911</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>5 067 434</b>	<b>14 927 614</b>
Cash and Cash Equivalents at the beginning of the year		38 181 264	23 253 650
Cash and Cash Equivalents at the end of the year	36	43 248 697	38 181 264
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>5 067 434</b>	<b>14 927 614</b>

**KAREEBERG LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	Explanations for material variances
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	483 234	1 538 120	(1 054 886)	Increase in debtors.
Call investment deposits	42 765 463	48 728 212	(5 962 749)	RBIG not received.
Consumer debtors	1 486 327	2 894 188	(1 407 861)	More indigent debtors registered.
Other Receivables	1 936 812	29 515	1 907 297	2017 VAT claims not received
Current portion of long-term receivables	4 773	8 490	(3 717)	
Inventory	527 836	-	527 836	No installation of pre-paid water meters
<b>Total current assets</b>	<b>47 204 444</b>	<b>53 198 525</b>	<b>(5 994 081)</b>	
<b>Non current assets</b>				
Long-term receivables	19 785	30 816	(11 031)	
Investments	-	-	-	
Investment property	15 425 146	15 482 392	(57 246)	
Property, plant and equipment	133 338 696	161 917 289	(28 578 593)	RBIG and additional MIG funds not received.
Biological Assets	-	-	-	
Intangible Assets	1 534 735	3 700	1 531 035	mSCOA implementation of Sebata EMS V6 only budgeted in 2018/2019
Heritage Assets	14 900	-	14 900	
<b>Total non current assets</b>	<b>150 333 262</b>	<b>177 434 197</b>	<b>(27 100 935)</b>	
<b>TOTAL ASSETS</b>	<b>197 537 707</b>	<b>230 632 722</b>	<b>(33 095 015)</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	-	-	-	
Borrowing	-	-	-	
Consumer deposits	325 569	380 388	(54 819)	Less movement of consumers
Trade and other payables	20 010 222	7 221 964	12 788 258	RBIG funds received and not spent and retention on projects.
Provisions and Employee Benefits	2 293 589	1 659 144	634 445	Adjustment on Employee Benefits.
<b>Total current liabilities</b>	<b>22 629 379</b>	<b>9 261 496</b>	<b>13 367 883</b>	
<b>Non current liabilities</b>				
Borrowing	-	-	-	
Provisions and Employee Benefits	33 743 044	11 737 552	22 005 492	Adjustment on Landfill sites
<b>Total non current liabilities</b>	<b>33 743 044</b>	<b>11 737 552</b>	<b>22 005 492</b>	
<b>TOTAL LIABILITIES</b>	<b>56 372 423</b>	<b>20 999 048</b>	<b>35 373 375</b>	
<b>NET ASSETS</b>	<b>141 165 283</b>	<b>209 633 674</b>	<b>(68 468 391)</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	129 771 925	198 247 851	(68 475 926)	Nett effect of all above
Reserves	11 393 357	11 385 823	7 534	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>141 165 283</b>	<b>209 633 674</b>	<b>(68 468 391)</b>	



**KAREBERG LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

**ADJUSTMENTS TO APPROVED BUDGET**

	2018 R	2018 R	2018 R	
	(Approved Budget)	(Adjustments)	(Final Budget)	Explanations for material adjustments
<b>ASSETS</b>				
Current assets				
Cash	1 538 120	-	1 538 120	
Call investment deposits	48 728 212	-	48 728 212	
Consumer debtors	2 894 188	-	2 894 188	
Other Receivables	29 515	-	29 515	
Current portion of long-term receivables	8 490	-	8 490	
Inventory	-	-	-	
<b>Total current assets</b>	<b>53 198 525</b>	<b>-</b>	<b>53 198 525</b>	
<b>Non current assets</b>				
Long-term receivables	30 816	-	30 816	
Investments	-	-	-	
Investment property	15 482 392	-	15 482 392	
Property, plant and equipment	161 917 289	-	161 917 289	
Biological Assets	-	-	-	
Intangible Assets	3 700	-	3 700	
Heritage Assets	-	-	-	
<b>Total non current assets</b>	<b>177 434 197</b>	<b>-</b>	<b>177 434 197</b>	
<b>TOTAL ASSETS</b>	<b>230 632 722</b>	<b>-</b>	<b>230 632 722</b>	
<b>LIABILITIES</b>				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	-	-	-	
Consumer deposits	380 388	-	380 388	
Trade and other payables	7 221 964	-	7 221 964	
Provisions and Employee Benefits	1 659 144	-	1 659 144	
<b>Total current liabilities</b>	<b>9 261 496</b>	<b>-</b>	<b>9 261 496</b>	
<b>Non current liabilities</b>				
Borrowing	-	-	-	
Provisions and Employee Benefits	11 737 552	-	11 737 552	
<b>Total non current liabilities</b>	<b>11 737 552</b>	<b>-</b>	<b>11 737 552</b>	
<b>TOTAL LIABILITIES</b>	<b>20 999 048</b>	<b>-</b>	<b>20 999 048</b>	
<b>NET ASSETS</b>	<b>209 633 674</b>	<b>-</b>	<b>209 633 674</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	198 247 851	-	198 247 851	
Reserves	11 385 823	-	11 385 823	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>209 633 674</b>	<b>-</b>	<b>209 633 674</b>	

**KAREEBERG LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

REVENUE BY SOURCE	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	Explanations for material variances
Property rates	4 430 162	5 006 305	(576 143)	Adjustment for Equitable Share
Property rates - penalties & collection charges	134 553	-	134 553	Budget under other receivables
Service charges	12 518 043	21 028 607	(8 510 564)	Adjustment for Equitable Share
Rental of facilities and equipment	279 943	362 419	(82 476)	Commonage not all leased
Interest earned - external investments	3 716 281	445 000	3 271 281	More unspent grants invested
Interest earned - outstanding debtors	1 231	3 300	(2 069)	Redemption of LT loans
Dividends received	-	-	-	
Fines	20 520	12 230	8 290	More income received
Licences and permits	17 978	7 420	10 558	Higher sales
Agency services	236 769	237 000	(231)	
Government Grants and Subsidies - Operating	26 350 728	24 718 997	1 631 731	
Other revenue	539 264	37 332 351	(36 793 087)	Adjustment for depreciation, capital grants and VAT income.
Gains on disposal of PPE	13 277	-	13 277	
<b>Total Operating Revenue</b>	<b>48 258 750</b>	<b>89 153 629</b>	<b>(40 894 879)</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	19 370 993	20 852 250	(1 481 257)	Vacancies
Remuneration of councillors	2 445 807	2 490 137	(44 330)	
Debt impairment	271 774	2 393 527	(2 121 753)	Higher payment rate
Depreciation & asset impairment	3 478 527	3 681 354	(202 827)	Remaining useful life assessment
Finance charges	2 281 877	144 742	2 137 135	Adjustment on Landfill sites
Bulk purchases	10 488 982	10 912 085	(423 103)	Less purchases
Other materials	-	1 146 048	(1 146 048)	Moved to other expenditure for actual
Contracted services	2 691 962	2 393 619	298 343	Budgeted under general expenditure.
Grants and subsidies paid	1 018 370	10 094 544	(9 076 174)	Adjustment for Equitable Share
Other expenditure	10 262 101	6 950 234	3 311 867	Moved from repairs and maintenance for actual
Loss on disposal of PPE	2 400	-	2 400	
<b>Total Operating Expenditure</b>	<b>52 312 793</b>	<b>61 058 540</b>	<b>(8 745 747)</b>	
<b>Operating Surplus/(Deficit) for the year</b>	<b>(4 054 043)</b>	<b>28 095 089</b>	<b>(32 149 132)</b>	
Government Grants and Subsidies - Capital	14 386 380	44 095 000	(29 708 620)	RBIG funds not spent
<b>Net Surplus for the year</b>	<b>10 332 336</b>	<b>72 190 089</b>	<b>(61 857 753)</b>	

**KAREEBERG LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

**ADJUSTMENTS TO APPROVED BUDGET**

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)	Reasons for material adjustments
<b>REVENUE BY SOURCE</b>				
Property rates	5 006 305	-	5 006 305	
Property rates - penalties & collection charges	-	-	-	
Service charges	21 527 543	(498 936)	21 028 607	
Rental of facilities and equipment	374 970	(12 551)	362 419	
Interest earned - external investments	1 735 802	(1 290 802)	445 000	Expected less grant income.
Interest earned - outstanding debtors	3 300	-	3 300	
Dividends received	-	-	-	
Fines	12 230	-	12 230	
Licences and permits	7 420	-	7 420	
Agency services	237 000	-	237 000	
Government Grants and Subsidies - Operating	24 718 997	-	24 718 997	
Other revenue	12 347 815	24 984 536	37 332 351	Adjustment for depreciation, capital grants and VAT income.
Gains on disposal of PPE	-	-	-	
<b>Total Operating Revenue</b>	<b>65 971 382</b>	<b>23 182 247</b>	<b>89 153 629</b>	

**EXPENDITURE BY TYPE**

Employee related costs	21 001 756	(149 506)	20 852 250	
Remuneration of councillors	2 490 137	-	2 490 137	
Debt impairment	2 393 527	-	2 393 527	
Depreciation & asset impairment	3 681 354	-	3 681 354	
Finance charges	144 742	-	144 742	
Bulk purchases	10 912 085	-	10 912 085	
Other materials	1 446 048	(300 000)	1 146 048	
Contracted services	2 393 619	-	2 393 619	
Grants and subsidies paid	10 094 544	-	10 094 544	
Other expenditure	10 363 552	(3 413 318)	6 950 234	Adjustment of Allocations
Loss on disposal of PPE	-	-	-	
<b>Total Operating Expenditure</b>	<b>64 921 364</b>	<b>(3 862 824)</b>	<b>61 058 540</b>	
<b>Operating Surplus for the year</b>	<b>1 050 018</b>	<b>27 045 071</b>	<b>28 095 089</b>	
Government Grants and Subsidies - Capital	43 095 000	1 000 000	44 095 000	
<b>Net Surplus for the year</b>	<b>44 145 018</b>	<b>28 045 071</b>	<b>72 190 089</b>	

**KAREEBERG LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	Explanations for material variances
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts				
Property Rates	4 366 905	3 674 513	692 392	Increase in tariff
Service Charges	10 970 362	20 451 166	(9 480 804)	Adjustment on equitable share
Other Revenue	3 874 270	12 679 077	(8 804 807)	Less grant VAT income.
Government - Operating	24 609 000	24 718 997	(109 997)	
Government - Capital	19 079 000	44 095 000	(25 016 000)	Less RBIG grant expenditure
Interest	3 605 728	1 565 521	2 040 207	More unspent grants invested
Dividends	-	-	-	
Payments				
Suppliers and Employees	(42 123 878)	(47 310 444)	5 186 566	Vacancies and less spending due to cash flow.
Finance charges	(2 281 877)	(144 742)	(2 137 135)	Adjustment on Landfill sites
Transfers and Grants	(1 018 370)	(10 094 545)	9 076 175	Adjustment for Equitable Share
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>21 081 139</b>	<b>49 634 543</b>	<b>(28 553 404)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts				
Proceeds on disposal of Assets	66 030	-	66 030	Sale of game
Decrease/(increase) in non-current receivables	4 586	8 490	(3 904)	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(16 085 751)	(44 095 000)	28 009 249	Less RBIG spending
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(16 015 135)</b>	<b>(44 086 510)</b>	<b>28 071 375</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	1 430	10 000	(8 570)	
Payments				
Repayment of borrowing	-	-	-	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>1 430</b>	<b>10 000</b>	<b>(8 570)</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>5 067 433</b>	<b>5 558 033</b>	<b>(490 599)</b>	
Cash and Cash Equivalents at the beginning of the year	38 181 264	25 282 302	12 898 962	
Cash and Cash Equivalents at the end of the year	43 248 697	30 840 335	12 408 362	Nett effect of all above

**KAREBERG LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

**ADJUSTMENTS TO APPROVED BUDGET**

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)	Reasons for material adjustments
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts				
Property rates, penalties & collection charges	3 674 513	-	3 674 513	
Service charges	20 451 166	-	20 451 166	
Other revenue	12 679 077	-	12 679 077	
Government - operating	24 718 997	-	24 718 997	
Government - capital	43 095 000	1 000 000	44 095 000	Adjustment of allocation
Interest	1 565 521	-	1 565 521	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(47 310 444)	-	(47 310 444)	
Finance charges	(144 742)	-	(144 742)	
Transfers and Grants	(10 094 545)	-	(10 094 545)	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>48 634 543</b>	<b>1 000 000</b>	<b>49 634 543</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
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	(43 095 000)	(1 000 000)	(44 095 000)	
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(43 086 510)</b>	<b>(1 000 000)</b>	<b>(44 086 510)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	10 000	-	10 000	
Payments				
Repayment of borrowing	-	-	-	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>10 000</b>	<b>-</b>	<b>10 000</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>5 558 033</b>	<b>-</b>	<b>5 558 033</b>	
Cash and Cash Equivalents at the beginning of the year	25 282 302	-	25 282 302	
Cash and Cash Equivalents at the end of the year	30 840 335	-	30 840 335	



**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 annual 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 Property, Plant and Equipment, Investment Property and Intangible Assets 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. No foreign exchange transactions are included in the statements.

**1.3. GOING CONCERN ASSUMPTION**

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

**1.4. COMPARATIVE INFORMATION**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5. 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 operating 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 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

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

Standard	Description	Effective Date
<b>GRAP 20</b> (Original – June 2011)	<p><b><u>Related Party Disclosure</u></b></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 some of the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<b>1 April 2019</b>
<b>GRAP 32</b> (Original – Aug 2013)	<p><b><u>Service Concession Arrangements: Grantor</u></b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<b>1 April 2019</b>
<b>GRAP 108</b> (Original – Sept 2013)	<p><b><u>Statutory Receivables</u></b></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>	<b>1 April 2019</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Standard	Description	Effective Date
GRAP 109	<p><b><u>Accounting by Principles and Agents</u></b></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>	1 April 2019
GRAP 110	<p><b><u>Living and non-living resources</u></b></p> <p>The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2020
IGRAP17	<p><b><u>Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</u></b></p> <p>The Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through 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.

**1.10. 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.

#### **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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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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.

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.

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. 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. Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 56 and 57 employees, is recognised as it accrues to Section 56 and 57 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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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 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. Where a split for land and building valuation cost is not available on the valuation received, management assumed that the building is calculated at 80% and the land at 20% of the valuation value.

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 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 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:

##### **Land and Buildings**

Land  
Buildings

##### **Years**

Indefinite  
10-57



<b><u>Infrastructure</u></b>	<b><u>Years</u></b>
Roads and Streets	11-81
Electricity Mains	13-51
Water Mains and Purification	10-81
Sewerage Mains & Purification	14-81
Refuse Mains	29-61
<b><u>Community</u></b>	<b><u>Years</u></b>
Recreation Grounds	11-102
Civil Buildings	<b>30-57</b>
Cemetery	30-80
Museum	30-57
Parks	30-52
Public Conveniences/Bathhouses	23-52
Libraries	30-57
Clinics and Hospitals	30-61
<b><u>Other</u></b>	<b><u>Years</u></b>
Motor Vehicles	6-26
Office equipment	3-43
Furniture and fittings	2-43
Refuse Truck	10-17
Plant and Equipment	2-43
Fire Engines	21-33
Computer Equipment	5-33

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

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.

#### **1.14.4 De-recognition**

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

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

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. 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 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, its 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 impairment losses. The cost of an intangible asset is amortised over the



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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	4-15

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

**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 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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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. 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	29-30

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

#### **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.

**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.

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.

(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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

- 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.

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 kilolitre of 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, finished goods, housing stock, land, materials and supplies, water and work-in-progress, 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.

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 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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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.

### 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

### 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:
  - (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, the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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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.

Revenue from Grant VAT income is recognised when expenditure occurred.

**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.



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 some residential property a fixed monthly tariff is levied and in the case of other properties 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.

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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

**1.23. 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:

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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- (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.

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 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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

**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 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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:

- 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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**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

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 (limited to 48 days). 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.



**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.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
2	<b>NET ASSET RESERVES</b>		
	RESERVES	11 393 357	11 390 873
	Capital Replacement Reserve	11 347 812	11 347 812
	Housing Development fund	45 545	43 061
	<b>Total Net Asset Reserves</b>	<b>11 393 357</b>	<b>11 390 873</b>
2,1	The Capital Replacement Reserve is used to finance future capital expenditure from own funds.		
2,2	The Housing Development Fund was established in terms of section 15 (5) and 16 of the Housing Act, Act 107 of 1997. The proceeds in this fund are utilised for housing development projects approved by the MEC. Any surplus/(deficit) on the Housing Department in the Statement of Financial Performance is transferred to the Housing Development Fund.		
3	<b>EMPLOYEE BENEFITS</b>		
	Post Retirement Benefits - Refer to Note 3.1	8 527 442	8 322 723
	Long Service Awards - Refer to Note 3.2	777 567	690 847
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>9 305 009</b>	<b>9 013 570</b>
	<u>Post Retirement Benefits</u>		
	Balance 1 July	8 691 004	8 526 462
	Contribution for the year	1 066 994	1 081 955
	Expenditure for the year	(380 164)	(344 519)
	Actuarial Loss/(Gain)	(412 486)	(572 894)
	<b>Total post retirement benefits 30 June</b>	<b>8 965 348</b>	<b>8 691 004</b>
	<u>Less:</u> Transfer of Current Portion - Note 6	(437 906)	(368 281)
	<b>Balance 30 June</b>	<b>8 527 442</b>	<b>8 322 723</b>
	<u>Long Service Awards</u>		
	Balance 1 July	760 640	913 273
	Contribution for the year	117 772	136 816
	Expenditure for the year	(80 144)	(164 514)
	Actuarial Loss/(Gain)	76 757	(124 935)
	<b>Total long service awards 30 June</b>	<b>875 025</b>	<b>760 640</b>
	<u>Less:</u> Transfer of Current Portion - Note 6	(97 458)	(69 793)
	<b>Balance 30 June</b>	<b>777 567</b>	<b>690 847</b>
	<b>TOTAL NON-CURRENT EMPLOYEE BENEFITS</b>		
	Balance 1 July	9 451 644	9 439 735
	Contribution for the year	1 184 766	1 218 771
	Expenditure for the year	(460 308)	(509 033)
	Actuarial Loss/(Gain)	(335 729)	(697 829)
	<b>Total employee benefits 30 June</b>	<b>9 840 373</b>	<b>9 451 644</b>
	<u>Less:</u> Transfer of Current Portion - Note 6	(535 364)	(438 074)
	<b>Balance 30 June</b>	<b>9 305 009</b>	<b>9 013 570</b>
3,1	<b>Post Retirement Benefits</b>	<b>2018 R</b>	<b>2017 R</b>
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	In-service (employee) members	9	10
	Continuation members (e.g. Retirees, widows, orphans)	9	8
	<b>Total Members</b>	<b>18</b>	<b>18</b>
	The liability in respect of past service has been estimated to be as follows:		
	In-service (employee) members	3 839 598	4 175 686
	Continuation (retiree and widow) members	5 125 750	4 515 318
	<b>Total Liability</b>	<b>8 965 348</b>	<b>8 691 004</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

3

## EMPLOYEE BENEFITS (CONTINUE)

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

	2016 R	2015 R	2014 R
In-service members	5 413 393	4 570 000	7 016 441
Continuation members	3 113 069	3 202 000	602 893
<b>Total Liability</b>	<b>8 526 462</b>	<b>7 772 000</b>	<b>7 619 334</b>

Experience adjustments were calculated as follows:

	2018 Rm	2017 Rm
Liabilities: (Gain) / loss	0,173	0,153
Assets: Gain / (loss)	-	-

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

	2016 Rm	2015 Rm	2014 Rm
Liabilities: (Gain) / loss	0,332	0,287	(0,036)
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 2018 is estimated at R8 965 348. The Current-service Cost for the year ending 30 June 2018 is estimated at R295 288. It is estimated to be R223 621 for the ensuing year.

Key actuarial assumptions used:

	2018 %	2017 %
<b>i) Rate of interest</b>		
Discount rate	9,41%	9,07%
Health Care Cost Inflation Rate	7,28%	7,51%
Net Effective Discount Rate	1,99%	1,45%

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 9.41% per annum has been used. The corresponding index-linked yield at this term is 2.96%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 28 June 2018.

**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**

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early, ill-health and early retirement.

**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

The three-year Salary and Wage Collective Agreement ends on 30 June 2018.

	2018 R	2017 R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	8 965 348	8 691 004
<b>Total Liability</b>	<b>8 965 348</b>	<b>8 691 004</b>

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

Present value of fund obligation at the beginning of the year	8 691 004	8 526 462
Total expenses	686 830	737 436
Current service cost	295 288	314 812
Interest Cost	771 706	767 143
Benefits Paid	(380 164)	(344 519)
Actuarial (gains)/losses	(412 486)	(572 894)
Present value of fund obligation at the end of the year	8 965 348	8 691 004
<b>Less: Transfer of Current Portion - Note 6</b>	<b>(437 906)</b>	<b>(368 281)</b>
<b>Balance 30 June</b>	<b>8 527 442</b>	<b>8 322 723</b>



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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## EMPLOYEE BENEFITS (CONTINUE)

## Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service members liability (Rm)	Retired members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		3,840	5,126	8,965	
Health care inflation	1%	4,389	5,635	10,024	12%
Health care inflation	-1%	3,378	4,684	8,062	-10%
Discount Rate	1%	3,390	4,696	8,086	-10%
Discount Rate	-1%	4,383	5,629	10,012	12%
Post-retirement mortality	-1 year	3,971	5,316	9,287	4%
Average retirement age	-1 year	4,216	5,126	9,342	4%
Continuation of membership at retirement	-10%	3,456	5,126	8,581	-4%

## Sensitivity Analysis on Current-service and Interest Costs for year ending 30 June 2019

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		223 600	823 500	1 047 100	
Health care inflation	1%	260 400	923 000	1 183 400	13%
Health care inflation	-1%	193 400	738 600	932 000	-11%
Discount Rate	1%	196 000	819 500	1 015 500	-3%
Discount Rate	-1%	257 600	823 900	1 081 500	3%
Post-retirement mortality	-1 year	231 200	853 700	1 084 900	4%
Average retirement age	-1 year	186 700	858 900	1 045 600	0%
Continuation of membership at retirement	-10%	201 300	787 300	988 600	-6%

3,2

## Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 65 employees were eligible for Long Service Bonuses.

The Current-service Cost for the year ending 30 June 2018 is R 58 809. The Current-service Cost for the ensuing year has been estimated to be R 73 424.

Key actuarial assumptions used:

## i) Rate of interest

	2018 %	2017 %
Discount rate	8,45%	8,12%
General Salary Inflation (long-term)	6,12%	6,04%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2,20%	1,96%
	2018 Rm	2017 Rm

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 8.45% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.45% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.70%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 28 June 2018.

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	88 534	(89 998)
Assets: Gain / (loss)	-	-

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

	2016 Rm	2015 Rm	2014 Rm
Liabilities: (Gain) / loss	(67 443)	(27 192)	69 081
Assets: Gain / (loss)	-	-	-

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

	2018 R	2017 R
Present value of fund obligations	875 025	760 640
<b>Net liability/(asset)</b>	<b>875 025</b>	<b>760 640</b>

## Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	760 640	913 273
Total expenses	37 628	(27 698)
Current service cost	58 809	67 366
Interest Cost	58 963	69 450
Benefits Paid	(80 144)	(164 514)
Actuarial losses/(gains)	76 757	(124 935)
Present value of fund obligation at the end of the year	875 025	760 640
<b>Less: Transfer of Current Portion - Note 6</b>	<b>(97 458)</b>	<b>(69 793)</b>
<b>Balance 30 June</b>	<b>777 567</b>	<b>690 847</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

## 3 EMPLOYEE BENEFITS (CONTINUE)

## Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		0,875	
General salary inflation	1%	0,917	5%
General salary inflation	-1%	0,837	-4%
Discount Rate	1%	0,833	-5%
Discount Rate	-1%	0,921	5%
Average retirement age	-2 yrs	0,697	-20%
Average retirement age	2 yrs	1,002	14%
Withdrawal rates	-50%	0,956	9%

## Sensitivity Analysis on Current-service and Interest Costs for year ending 30 June 2019

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		73 400	69 900	143 300	
General salary inflation	1%	79 000	73 400	152 400	6%
General salary inflation	-1%	68 400	66 700	135 100	-6%
Discount Rate	1%	68 900	74 300	143 200	0%
Discount Rate	-1%	78 600	65 100	143 700	0%
Average retirement age	-2 yrs	63 300	54 900	118 200	-18%
Average retirement age	2 yrs	84 000	80 600	164 600	15%
Withdrawal rates	-50%	89 100	76 800	165 900	16%

## 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 Consolidated retirement fund for local government 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 FUND (CONSOLIDATED RETIREMENT FUND FOR LOCAL GOVERNMENT)

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2017 revealed that the fund is in a sound financial position with a funding level of 100.00% (30 June 2016 - 99.90%).

CAPE JOINT PENSION FUND (LA RETIREMENT FUND)

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2017 revealed that the fund is in a sound financial position with a funding level of 153.10% (30 June 2016 - 101.70%).

Contributions paid recognised in the Statement of Financial Performance

2018 R	2017 R
1 508 756	1 274 995

## 4 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

Total Non-current Provisions

2018 R	2017 R
24 438 036	23 401 408
<b>24 438 036</b>	<b>23 401 408</b>

Landfill Sites

Balance 1 July

Increase in Estimate

Unwinding of discounted interest

Total provision 30 June

Less: Transfer of Current Portion to Current Provisions

Balance 30 June

23 401 408	22 005 620
(414 580)	(34 578)
1 451 208	1 430 365
<b>24 438 036</b>	<b>23 401 408</b>
<b>24 438 036</b>	<b>23 401 408</b>

Location

Estimated decommission date

Cost of rehabilitation

Cost of rehabilitation

Camarvon  
Vanwyksvlei  
Vosburg

2036  
2084  
2029

2018 R

2017 R

13 840 069  
5 453 358  
5 144 609

13 022 847  
5 342 528  
5 036 033

**24 438 036**

**23 401 408**

2016 %

2017 %

2018 %

Discount Rate used

6,02%

6,21%

5,56%

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%.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

5	CONSUMER DEPOSITS	2018 R	2017 R
	Water & Electricity	325 569	324 139
	<b>Total Consumer Deposits</b>	<b>325 569</b>	<b>324 139</b>

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

6	CURRENT EMPLOYEE BENEFITS		
	Current Portion of Post Retirement Benefits - Note 3	437 906	368 281
	Current Portion of Long-Service Provisions - Note 3	97 458	69 793
	Provision for Performance Bonuses	271 172	204 272
	Provision for Annual Bonuses	283 650	222 815
	Provision for Staff Leave	1 203 402	1 004 515
	<b>Total Current Employee Benefits</b>	<b>2 293 589</b>	<b>1 869 676</b>

The movement in current employee benefits are reconciled as follows:

Current Portion of Post Retirement Benefits - Note 3

Balance at beginning of year	368 281	255 060
Transfer from non-current	449 789	457 740
Expenditure incurred	(380 164)	(344 519)
Balance at end of year	<b>437 906</b>	<b>368 281</b>

Current Portion of Long-Service Provisions - Note 3

Balance at beginning of year	69 793	185 290
Transfer from non-current	107 809	49 017
Expenditure incurred	(80 144)	(164 514)
Balance at end of year	<b>97 458</b>	<b>69 793</b>

Provision for Performance Bonuses

Balance at beginning of year	204 272	283 709
Contribution to current portion	253 107	150 122
Expenditure incurred	(186 207)	(229 559)
Balance at end of year	<b>271 172</b>	<b>204 272</b>

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.

Provision for Staff Leave

Balance at beginning of year	1 004 515	1 144 773
Contribution to current portion	495 252	509 909
Expenditure incurred	(296 364)	(650 167)
Balance at end of year	<b>1 203 402</b>	<b>1 004 515</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave up to 48 days, at reporting date. This provision will be realised as employees take leave.

Provision for Annual Bonuses

Balance at beginning of year	222 815	247 843
Contribution to current portion	60 835	(25 028)
Balance at end of year	<b>283 650</b>	<b>222 815</b>

Annual bonuses are being paid to Municipal personnel after one full year's service. There is no possibility of reimbursement.

7	TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS	2018 R	2017 R
	Trade Payables	1 547 241	592 865
	Payments received in advance	124 474	120 550
	Other Payables	-	2 450
	<b>Total Trade Payables</b>	<b>1 671 714</b>	<b>715 865</b>

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.



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

8	UNSPENT TRANSFERS AND SUBSIDIES	2018	2017
		R	R
	Unspent Grants	18 338 507	16 020 997
	National and Provincial Government Grants	18 338 507	16 020 997
	<b>Total Conditional Grants and Receipts</b>	<b>18 338 507</b>	<b>16 020 997</b>

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	2018	2017
		R	R
	VAT Payable	-	-
	Less: Contribution to provision for impairment of trade receivables from exchange transactions	-	-
		-	-

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

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

10 PROPERTY, PLANT AND EQUIPMENT

10.1 30 JUNE 2018

Reconciliation of Carrying Value		Cost		Accumulated Impairments		Accumulated Depreciation		Carrying Value	
		Opening Balance R	Additions R	Disposals/Revaluation/ Transfers R	Closing Balance R	Opening Balance R	Closing Balance R	Disposals R	Closing Balance R
<b>Land and Buildings</b>									
Land		24 788 148	-	-	24 788 148	405	405	-	556 552
Buildings		22 218 460	-	-	22 218 460	-	-	-	-
		2 569 688	-	-	2 569 688	405	405	-	556 552
		96 444 382	14 342 994	-	110 787 376	-	-	-	17 709 304
<b>Infrastructure</b>									
Electricity		5 199 366	13 621	7 327	5 220 314	-	-	-	942 412
Road Transport		48 171 512	2 369 377	-	50 540 889	-	-	-	8 887 923
Sanitation		16 385 176	3 987 957	2 145 112	22 518 245	-	-	-	3 976 726
Solid Waste Disposal		488 000	-	-	488 000	-	-	-	103 361
Stormwater		7 034 333	1 503 901	-	8 538 234	-	-	-	584 157
Water Supply		9 833 186	3 791 909	-	13 625 095	-	-	-	3 214 726
WIP		9 332 810	2 676 229	-2 152 439	9 856 600	-	-	-	9 856 600
		13 081 426	281 178	-	13 362 604	11 383	11 383	-	1 486 784
<b>Community Assets</b>									
Recreation Grounds		10 119 940	-	-	10 119 940	10 248	10 248	-	1 014 236
Civil Buildings		122 360	-	-	122 360	-	-	-	23 908
Cemetery		453 000	46 508	947 315	1 446 823	-	-	-	166 145
Museum		360 000	-	-	360 000	-	-	-	70 268
Clinic		360 800	-	-	360 800	-	-	-	66 524
Libraries		604 000	234 670	-	838 670	-	-	-	117 916
Parks & Gardens		29 279	-	-	29 279	-	-	-	6 327
Public Conveniences/Bathhouses		84 731	-	-	84 731	1 135	1 135	-	21 459
WIP		947 315	-	(947 315)	-	-	-	-	-
		6 703 497	615 588	84 891	7 234 195	10 342	10 342	3 184	4 776 598
<b>Other Assets</b>									
Motor Vehicles		2 846 388	350 000	-	3 196 388	-	-	-	2 337 442
Plant & Equipment		1 509 929	103 379	3 184	1 610 124	-	-	3 184	965 721
Office Equipment		451 564	56 325	-	507 889	-	-	-	315 767
Furniture & Fittings		801 862	3 565	-	805 427	-	-	-	519 910
Fire Engines		2 648	-	-	2 648	-	-	-	2 135
Computer Equipment		520 014	92 826	-	612 840	-	-	-	273 810
Refuse Tankers		392 736	-	-	392 736	-	-	-	30 924
Game		178 356	9 494	81 707	108 143	-	-	-	361 812
		141 017 453	15 239 761	84 891	156 172 322	22 129	22 129	3 184	24 529 238
						13 126	13 126		131 629 958

## KAREEBERG MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

## 10 PROPERTY, PLANT AND EQUIPMENT

10.2 30 JUNE 2017

Reconciliation of Carrying Value	Cost			Accumulated Impairments			Accumulated Depreciation			Carrying Value					
	Opening Balance R	Additions R	Disposals/Revaluation/ Transfers R	Closing Balance R	Opening Balance R	Additions/ Disposal R	Closing Balance R	Opening Balance R	Depreciation Charge R	Disposals R	Closing Balance R	Opening Balance R	Depreciation Charge R	Disposals R	Closing Balance R
Land and Buildings	24 763 604	24 544	-	24 788 148	405	-	405	427 248	63 478	-	490 727	24 297 016	-	-	24 297 016
Land	22 218 460	-	-	22 218 460	-	-	-	-	-	-	-	22 218 460	-	-	22 218 460
Buildings	2 545 144	24 544	-	2 569 688	405	-	405	427 248	63 478	-	490 727	2 078 556	-	-	2 078 556
Infrastructure	87 351 428	9 587 110	494 157	96 444 382	-	-	-	13 081 646	2 523 524	494 157	15 111 013	81 333 369	-	-	81 333 369
Electricity	4 333 414	866 398	20 446	5 199 366	-	-	-	718 263	112 510	20 446	810 327	4 389 039	-	-	4 389 039
Road Transport	46 516 138	2 117 548	462 174	48 171 512	-	-	-	6 412 077	1 476 317	462 174	7 426 220	40 745 292	-	-	40 745 292
Sanitation	16 385 176	-	-	16 385 176	-	-	-	3 045 838	465 171	-	3 511 009	12 874 167	-	-	12 874 167
Solid Waste Disposal	488 000	-	-	488 000	-	-	-	75 723	13 767	-	89 491	398 509	-	-	398 509
Stormwater	5 642 299	1 403 571	11 537	7 034 333	-	-	-	329 121	129 670	11 537	447 255	6 587 079	-	-	6 587 079
Water Supply	9 833 186	-	-	9 833 186	-	-	-	2 500 623	326 090	-	2 826 713	7 006 473	-	-	7 006 473
WIP	4 153 216	5 179 594	-	9 332 810	-	-	-	-	-	-	-	9 332 810	-	-	9 332 810
Community Assets	12 038 880	1 042 546	-	13 081 426	11 383	-	11 383	724 330	372 718	-	1 097 048	11 972 995	-	-	11 972 995
Recreation Grounds	9 077 394	1 042 546	-	10 119 940	10 248	-	10 248	337 794	329 808	-	667 603	9 442 090	-	-	9 442 090
Civil Buildings	122 360	-	-	122 360	-	-	-	19 546	2 172	-	21 718	100 642	-	-	100 642
Cemetery	453 000	-	-	453 000	-	-	-	135 900	15 100	-	151 000	302 000	-	-	302 000
Museum	360 000	-	-	360 000	-	-	-	57 447	6 383	-	63 830	296 170	-	-	296 170
Clinic	360 800	-	-	360 800	-	-	-	54 467	6 052	-	60 518	300 282	-	-	300 282
Libraries	604 000	-	-	604 000	-	-	-	96 383	10 709	-	107 092	496 908	-	-	496 908
Parks & Gardens	29 279	-	-	29 279	-	-	-	5 178	575	-	5 753	23 526	-	-	23 526
Public Conveniences/Bathhouses	84 731	-	-	84 731	1 135	-	1 135	17 615	1 919	-	19 534	64 062	-	-	64 062
WIP	947 315	-	-	947 315	-	-	-	-	-	-	-	947 315	-	-	947 315
Other Assets	6 448 061	383 348	127 911	6 703 497	10 342	-	10 342	4 256 085	333 298	123 911	4 465 471	2 227 685	-	-	2 227 685
Motor Vehicles	2 654 178	192 211	-	2 846 388	-	-	-	2 091 171	115 756	-	2 206 926	639 462	-	-	639 462
Plant & Equipment	1 452 954	56 975	-	1 509 929	-	-	-	798 499	82 944	-	881 443	628 486	-	-	628 486
Office Equipment	428 032	23 532	-	451 564	-	-	-	281 387	15 055	-	296 442	155 122	-	-	155 122
Furniture & Fittings	800 764	3 589	2 491	801 862	-	-	-	470 814	25 431	2 491	493 754	308 108	-	-	308 108
Fire Engines	2 648	-	-	2 648	-	-	-	2 026	57	-	2 083	566	-	-	566
Computer Equipment	566 057	75 378	121 420	520 014	-	-	-	268 929	85 809	121 420	233 318	286 696	-	-	286 696
Refuse Tankers	392 736	-	-	392 736	-	-	-	343 258	8 246	-	351 504	41 232	-	-	41 232
Game	150 692	31 664	4 000	178 356	10 342	-	10 342	-	-	-	-	158 014	-	-	158 014
Balance previously reported	151 260	31 664	4 000	178 924	10 910	-	10 910	-	-	-	-	168 014	-	-	168 014
Correction of Error - Note 34.01	(566)	-	-	(566)	(568)	-	(568)	-	-	-	-	-	-	-	-
	130 601 974	11 037 547	622 068	141 017 453	22 129	-	22 129	18 489 309	3 293 018	618 068	21 164 259	119 831 065	-	-	119 831 065



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

10	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	2018	2017
		R	R
10,03	Property, Plant and Equipment which is in the process of being constructed or developed:		
	Infrastructure Assets	9 856 600	9 332 810
	Roads	124 746	105 775
	Electricity	870 638	-
	Water Supply	8 861 216	7 074 596
	Sanitation	-	2 152 439
	Community Assets	-	947 315
	<b>Total</b>	<b>9 856 600</b>	<b>10 280 125</b>
10,04	Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:		
	Infrastructure Assets	8 842 116	-
	Water Supply	8 842 116	-
	Community Assets	-	947 315
	<b>Total</b>	<b>8 842 116</b>	<b>947 315</b>
	No funding was allocated for 2016/2017 in the MIG (Municipal Infrastructure Grant) for the completion of the cemeteries project. Tender awarding problems in 2017/2018 for the completion of the Bulk Water Supply: Vanwyksvlei/Carnarvon.		
10,05	Property, Plant and Equipment where construction or development has been halted:		
	Infrastructure Assets	8 842 116	-
	Water Supply	8 842 116	-
	<b>Total</b>	<b>8 842 116</b>	<b>-</b>
	Tender awarding problems in 2017/2018 for the completion of the Bulk Water Supply: Vanwyksvlei/Carnarvon.		
10,06	Expenditure incurred to repair and maintain Property, Plant and Equipment:		
	Other materials	1 065 984	902 122
	Contracted Services	589 393	351 638
	<b>Total Repairs and Maintenance</b>	<b>1 655 377</b>	<b>1 253 761</b>
10,07	Assets pledged as security:		
	No assets are pledged as security.		
10,08	Third party payments received for losses incurred:		
	Payments received (Excluding VAT)	35 263	-
	Carrying value of assets written off/lost	(9 537)	-
	<b>Surplus/Deficit</b>	<b>25 726</b>	<b>-</b>
10,09	Impairment losses of Property, Plant and Equipment		
	Impairment losses on Property, Plant and Equipment recognised in Statement of Financial Performance are as follows:		
	None	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>
10,10	Reversal of Impairment losses of Property, Plant and Equipment		
	Reversal of Impairment losses on Property, Plant and Equipment recognised in statement of financial performance are as follows:		
	Other	(9 003)	-
	<b>Total</b>	<b>(9 003)</b>	<b>-</b>
10,11	Effect of changes in accounting estimates		
	The effect of a change in accounting estimate will have on the current period and subsequent periods:		
		2018	2019
		R	R
	Effect on Property, plant and equipment	(217 036)	(106 024)
10,12	Details of Valuation		2020
			R
	The effective date of the valuations was 1 July 2012. Valuations were performed by an independent valuer, HCB Valuers. The valuer are not connected to the municipality. Land and Buildings are revalued independently every 5 years.		(103 464)

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

10	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	2018	2017
		R	R
10,13	Contractual commitments for acquisition of Property, Plant and Equipment:		
	Approved and contracted for:	10 447 874	3 399 436
	Infrastructure	10 447 874	3 399 436
	Community	-	-
	<b>Total</b>	<b>10 447 874</b>	<b>3 399 436</b>
	This expenditure will be financed from:		
	Government Grants	10 447 874	3 399 436
	<b>Total</b>	<b>10 447 874</b>	<b>3 399 436</b>
11	INVESTMENT PROPERTY		
	Net Carrying amount at 1 July	15 438 087	15 451 029
	Cost	15 562 100	15 562 100
	Accumulated Depreciation	(124 013)	(111 071)
	Depreciation for the year	(12 941)	(12 941)
	Net Carrying amount at 30 June	15 425 146	15 438 087
	Cost	15 562 100	15 562 100
	Accumulated Depreciation	(136 954)	(124 013)
	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	20 114 700	20 114 700
	Fair value was determined by valuation roll.		
11,01	Revenue from Investment Property		
	Revenue derived from the rental of Investment Property	241 444	304 532
11,02	Operating Expenditure incurred on properties:		
		Repairs and Maintenance	Other Operating Expenditure
	Revenue Generating	3 888	48 234
	Improved Property	-	-
	Unimproved Property	3 888	48 234
	Non-revenue Generating	-	-
	Improved Property	-	-
	Unimproved Property	-	-
	<b>Total Operating Expenditure</b>	<b>3 888</b>	<b>48 234</b>
11,03	Investment Property which is in the process of being constructed or developed:	2018 R	2017 R
	Revenue Generating	-	-
	Improved Property	-	-
	Unimproved Property	-	-
	Non-revenue Generating	-	-
	Improved Property	-	-
	Unimproved Property	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>
11,04	Investment Property that is taking a significantly longer period of time to complete than expected:		
	Revenue Generating	-	-
	Improved Property	-	-
	Unimproved Property	-	-
	Non-revenue Generating	-	-
	Improved Property	-	-
	Unimproved Property	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>
	No reason required		

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

11	INVESTMENT PROPERTY (CONTINUED)	2018		2017	
		R		R	
11,05	Investment Property where construction or development has been halted:				
	Revenue Generating	-	-	-	-
	Improved Property	-	-	-	-
	Unimproved Property	-	-	-	-
	Non-revenue Generating	-	-	-	-
	Improved Property	-	-	-	-
	Unimproved Property	-	-	-	-
	<b>Total</b>	-	-	-	-
	No reason required				
12	INTANGIBLE ASSETS	2018		2017	
		R		R	
	Computer Software				
	Net Carrying amount at 1 July	643 882	15 086		
	Cost	668 446	204 662		
	Accumulated Amortisation	(24 564)	(189 577)		
	Acquisitions	892 943	640 859		
	Disposals	-	(177 075)		
	Amortisation	(2 090)	(12 062)		
	Disposal Amortisation	-	177 075		
	Net Carrying amount at 30 June	1 534 735	643 882		
	Cost	1 561 389	668 446		
	Accumulated Amortisation	(26 654)	(24 564)		
12,01	Material Intangible Assets included in the carrying value:				
		Carrying Value			
	Description	Remaining Amortisation Period	2018 R	2017 R	
	VIP Salary System	4	168	211	
	Sebata V6 EMS	15	1 520 430	640 859	
	MS Office	1-5	14 136	2 813	
	No intangible asset were assessed having an indefinite useful life.				
	There are no internally generated intangible assets at reporting date.				
	There are no intangible assets whose title is restricted.				
	There are no intangible assets pledged as security for liabilities				
	There are no contractual commitments for the acquisition of intangible assets.				
12,02	Research and Development Costs:	2018		2017	
		R		R	
	Research Expenditure	-	-	-	-
	Development Expenditure	-	-	-	-
	<b>Total Research and Development Expenditure</b>	-	-	-	-
12,03	Intangible Assets which is in the process of being constructed or developed:				
	Servitudes	-	-	-	-
	Computer Software	1 520 430	640 859		
	Licences and Rights	-	-		
	<b>Total</b>	1 520 430	640 859		
12,04	Intangible Assets that is taking a significantly longer period of time to complete than expected:				
	Servitudes	-	-	-	-
	Computer Software	1 520 430	-		
	Licences and Rights	-	-		
	<b>Total</b>	1 520 430	-		
	No reason required				
12,05	Intangible Assets where construction or development has been halted:				
	Servitudes	-	-	-	-
	Computer Software	-	-	-	-
	Licences and Rights	-	-	-	-
	<b>Total</b>	-	-	-	-
	No reason required				



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

13	HERITAGE ASSETS	2018 R	2017 R
	Net Carrying amount at 1 July	14 900	14 900
	Transfers to Property, Plant and equipment	-	-
	Net Carrying amount at 30 June	14 900	14 900
	Cost	14 900	14 900
	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.		
13,01	Third party payments received for losses and impairments incurred:		
	Payments received (Excluding VAT)	-	-
	Carrying value of assets written off/lost/impairment	-	-
	Surplus/Deficit	-	-
13,02	Expenditure incurred to repair and maintain Heritage Assets:		
	Employee related costs	-	-
	Other materials	-	-
	Contracted Services	-	-
	Other Expenditure	-	-
	Total Repairs and Maintenance	-	-
13,03	Heritage Assets which is in the process of being constructed or developed:		
	Monuments	-	-
	Historic Buildings	-	-
	Works of Art	-	-
	Conservation Areas	-	-
	Other Heritage	-	-
	Total	-	-
13,04	Heritage Assets that is taking a significantly longer period of time to complete than expected:		
	Monuments	-	-
	Historic Buildings	-	-
	Works of Art	-	-
	Conservation Areas	-	-
	Other Heritage	-	-
	Total	-	-
	No reason required		
13,05	Heritage Assets where construction or development has been halted:		
	Monuments	-	-
	Historic Buildings	-	-
	Works of Art	-	-
	Conservation Areas	-	-
	Other Heritage	-	-
	Total	-	-
	No reason required		

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

14	<b>CAPITALISED RESTORATION COST</b>	<b>2018 R</b>	<b>2017 R</b>
	<b>Net Carrying amount at 1 July</b>	<b>2 235 711</b>	<b>2 335 738</b>
	Cost	5 039 101	5 073 679
	Accumulated Depreciation	(2 519 560)	(2 421 763)
	Accumulated Impairments	(283 829)	(316 179)
	Acquisitions	(414 580)	(34 578)
	Depreciation for the year	(95 332)	(97 798)
	Impairment	(17 062)	32 349
	<b>Net Carrying amount at 30 June</b>	<b>1 708 738</b>	<b>2 235 711</b>
	Cost	4 624 522	5 039 101
	Accumulated Depreciation	(2 614 893)	(2 519 560)
	Accumulated Impairments	(300 891)	(283 829)
	Restoration cost financed by way of a provision - Refer to note 4 for further details		
15	<b>LONG TERM RECEIVABLES</b>	<b>2018 R</b>	<b>2017 R</b>
	Officials' Housing Loans - At amortised cost	28 289	32 875
	<b>Less:</b> Unamortised Discount on Loans	(3 731)	(5 005)
	Balance 1 July	(5 005)	(8 200)
	Adjustment for the period	1 274	3 195
		<b>24 558</b>	<b>27 869</b>
	<b>Less:</b> Current portion transferred to current receivables	(4 773)	(4 586)
	Officials Housing Loans - At amortised cost	(4 773)	(4 586)
		<b>19 785</b>	<b>23 284</b>
	<b>Less:</b> Provision for Impairment of Long Term Receivables	-	-
	<b>Total Long Term Receivables</b>	<b>19 785</b>	<b>23 284</b>
	<b>STAFF HOUSING LOANS</b>		
	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.		
16	<b>INVENTORY</b>	<b>2018 R</b>	<b>2017 R</b>
	Consumable Stores - Stationery and materials - At cost	527 836	527 836
	<b>Total Inventory</b>	<b>527 836</b>	<b>527 836</b>
	Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
	Consumable stores materials surpluses identified during the annual stores counts.	-	-
	No inventory assets were pledged as security for liabilities.		

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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## RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2018 R	2017 R
<b>Service Receivables</b>		
Water	1 164 952	1 076 065
Electricity	1 276 760	1 513 494
Refuse	910 387	773 978
Sewerage	115 190	137 004
Payments received in advance	124 474	120 550
<b>Total Service Receivables</b>	<b>3 591 762</b>	<b>3 621 092</b>
Less: Provision for Impairment	(2 105 435)	(2 143 565)
<b>Net Service Receivables</b>	<b>1 486 327</b>	<b>1 477 527</b>
<b>Other Receivables</b>		
Sundry Receivables	1 707 365	3 553 148
Rentals	493 967	340 474
VAT	684 504	702 045
<b>Total Other Receivables</b>	<b>2 885 836</b>	<b>4 595 667</b>
Less: Provision for Impairment	(493 967)	(340 474)
Less: Contribution to provision for VAT impairment of trade receivables from exchange transactions	(492 966)	(499 643)
<b>Net Other Receivables</b>	<b>1 898 903</b>	<b>3 755 550</b>
<b>Total Net Receivables from Exchange Transactions</b>	<b>3 385 230</b>	<b>5 233 077</b>
<b>Ageing of Receivables from Exchange Transactions</b>		
<b>(Electricity): Ageing</b>		
Current (0 - 30 days)	516 594	722 421
31 - 60 Days	122 074	281 451
61 - 90 Days	73 171	67 106
+ 90 Days	564 920	442 516
<b>Total</b>	<b>1 276 760</b>	<b>1 513 494</b>
<b>(Water): Ageing</b>		
Current (0 - 30 days)	43 693	125 499
31 - 60 Days	146 052	272 032
61 - 90 Days	94 477	67 877
+ 90 Days	880 730	610 657
<b>Total</b>	<b>1 164 952</b>	<b>1 076 065</b>
<b>(Refuse): Ageing</b>		
Current (0 - 30 days)	70 845	120 464
31 - 60 Days	133 185	172 202
61 - 90 Days	84 011	43 019
+ 90 Days	622 345	438 293
<b>Total</b>	<b>910 387</b>	<b>773 978</b>
<b>(Sewerage): Ageing</b>		
Current (0 - 30 days)	(340 948)	(280 130)
31 - 60 Days	76 713	99 082
61 - 90 Days	57 907	25 317
+ 90 Days	321 519	292 735
<b>Total</b>	<b>115 190</b>	<b>137 004</b>
<b>(Sundry Receivables): Ageing</b>		
Current (0 - 30 days)	1 083 264	2 469 199
31 - 60 Days	545 425	-
61 - 90 Days	4 823	-
+ 90 Days	73 853	1 083 949
<b>Total</b>	<b>1 707 365</b>	<b>3 553 148</b>
<b>(VAT): Ageing</b>		
Current (0 - 30 days)	191 538	202 402
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	492 966	499 643
<b>Total</b>	<b>684 504</b>	<b>702 045</b>
<b>(Rentals): Ageing</b>		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	493 967	340 474
<b>Total</b>	<b>493 967</b>	<b>340 474</b>



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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## RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

	2018 R	2017 R
<b>Service Receivables</b>		
Rates	1 943 535	1 795 225
<b>Total Service Receivables</b>	<b>1 943 535</b>	<b>1 795 225</b>
Less: Provision for Impairment	(1 943 535)	(1 787 123)
<b>Net Service Receivables</b>	<b>-</b>	<b>8 102</b>
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>-</b>	<b>8 102</b>

## Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)	16 049	8 102
31 - 60 Days	23 375	-
61 - 90 Days	14 065	-
+ 90 Days	1 890 046	1 787 123
<b>Total</b>	<b>1 943 535</b>	<b>1 795 225</b>

Summary of Receivables by Customer Classification

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
<b>2018</b>				
Total Receivables	6 045 286	215 296	2 160 551	8 421 133
Less: Provision for Impairment	(4 542 937)	-	-	(4 542 937)
Less: Provision for Impairment (VAT)	(492 966)	-	-	(492 966)
<b>Total Recoverable debtors by customer classification</b>	<b>1 009 383</b>	<b>215 296</b>	<b>2 160 551</b>	<b>3 385 230</b>

Summary of Receivables by Customer Classification

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
<b>2017</b>				
Total Receivables	5 752 133	180 934	4 078 917	10 011 984
Less: Provision for Impairment	(4 271 163)	-	-	(4 271 163)
Less: Provision for Impairment (VAT)	(499 643)	-	-	(499 643)
<b>Total Recoverable debtors by customer classification</b>	<b>981 328</b>	<b>180 934</b>	<b>4 078 917</b>	<b>5 241 179</b>

Receivables Impaired

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
<b>2018</b>			
Total	2 599 402	1 943 535	4 542 937
<b>2017</b>			
Total	2 484 039	1 787 123	4 271 163

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

	2018 R	2017 R
Balance at beginning of the year	4 770 806	3 335 924
Contributions to provision	271 774	1 314 378
VAT contribution to Impairment provision	(6 677)	120 504
Impairment written off against provision	-	-
<b>Balance at end of year</b>	<b>5 035 903</b>	<b>4 770 806</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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## OPERATING LEASE ARRANGEMENTS

## The Municipality as Lessor

## Balance on 1 July

Operating Lease Asset for the current year

## Balance on 30 June

2018  
R2017  
R36 810  
1 09940 405  
(3 595)

37 909

36 810

The municipality is leasing a piece of land to MTN 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 at Vanwyksvlei 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 at Vosburg 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 at Vosburg 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 (Jagpan and Dubbelevlei) 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. (Terminated)

2018  
R2017  
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

298 148

418 352

2 to 5 Years

469 223

764 708

More than 5 Years

86

2 750

## Total Operating Lease Arrangements

767 458

1 185 810

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

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

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 2022.

The lease is in respect of land (Jagpan and Dubbelevlei) being leased by emerging farmers until 2021.

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

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

The municipality did not receive any contingent rent during the year

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## CASH AND CASH EQUIVALENTS

## Assets

Call Investments Deposits

Primary Bank Account (Cash book)

## Total Cash and Cash Equivalents - Assets

2018  
R2017  
R

42 765 463

37 705 925

483 234

475 339

43 248 697

38 181 264

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 R18 338 507 are held to fund the Unspent Conditional Grants (2017: R16 020 997).

Kareeberg Municipality do not have a bank overdraft facility.

2018  
R2017  
R

The municipality has the following bank accounts:

## Current Accounts

Camarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):

483 234

475 339

483 234

475 339

**Camarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):**

Cash book balance at beginning of year

475 339

649 026

Cash book balance at end of year

483 234

475 339

Bank statement balance at beginning of year

960 494

1 723 800

Bank statement balance at end of year

1 589 711

960 494

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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## CASH AND CASH EQUIVALENTS (CONTINUED)

			2018 R	2018 R	2017 R
<b>Call Investment Deposits</b>					
Call investment deposits consist out of the following accounts:			Bank Certificates (excl. accruals)		
Account no.	Place of investment	Name of fund			
08-870-5536-003	STANDARD BANK	Capital Replacement Reserve	11 347 812	11 347 812	11 347 812
20-7477-9380	ABSA	Housing Fund	45 545	45 545	43 061
20-7477-9380	ABSA	Job creation - De Bult	46 081	46 081	43 568
20-7477-9380	ABSA	Land development	19 786	19 786	18 706
20-7477-9380	ABSA	Land development (Vanwyksvlei)	18 051	18 051	17 068
20-7477-9380	ABSA	Land development (Vosburg)	34 508	34 508	32 626
08-870-543-9	STANDARD BANK	Civil Defence	20 944	20 944	20 665
92-8617-3395	ABSA	RBIG - Vanwyksvlei Pipeline	12 971 167	12 971 167	11 641 880
03-7881-142-979-6	Nedbank	DWA Drought Relief	4 626 000	4 626 000	-
20-7477-9380	ABSA	CMIP Kwaggakolk(VAT)	725	725	686
08-870-5536-002	STANDARD BANK	Sanitation Interest/VAT	184 441	184 441	847 207
20-7477-9380	ABSA	Electricity	41 513	41 513	39 249
20-7477-9380	ABSA	Water Services Plan	3 879	3 879	3 667
20-7477-9380	ABSA	CMIP-Saaiport project 301	4 258	4 258	4 026
20-7477-9380	ABSA	EPWP - Paving/ Cleaning	28 062	28 062	26 532
20-7477-9380	ABSA	Lotto Carnarvon	2 153	2 153	2 036
20-7477-9380	ABSA	Lotto Vosburg	38 010	38 010	35 937
20-7477-9380	ABSA	Transfer Fees Sub-Economic Housing	160 258	160 872	151 512
20-7477-9380	ABSA	VB Cleaning Project	30 344	30 344	28 689
20-7477-9380	ABSA	VAT - retention	14 080	14 080	13 312
92-8617-3395	ABSA	Municipal Infrastructure Grant	-	-	3 000 000
92-1221-8064	ABSA	Youth Development	93 632	93 632	93 632
92-1221-8064	ABSA	Leave Fund	2 438 721	2 633 250	2 192 243
92-8504-7305	ABSA	Retension	1 547 241	1 547 241	592 865
92-1221-8064	ABSA	Provision for Employee benefits	2 000 000	2 000 000	2 000 000
92-1221-8064	ABSA	Reserves	-	-	352 116
08-871-0777	STANDARD BANK	General Account	7 047 637	6 853 109	5 156 831
			<b>42 764 849</b>	<b>42 765 463</b>	<b>37 705 925</b>

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## PROPERTY RATES

Actual

## Rateable Land and Buildings

Residential, Commercial Property  
 Residential, Commercial Property  
 Less: Equitable Share  
 State - National / Provincial Services

Less: ReductionsLess: Rebates

## Total Assessment Rates

Valuations - 30 June 2018:

## Rateable Land and Buildings

Residential & Commercial Property  
 State - National / Provincial Services

## Total Assessment Rates

Valuations - 30 June 2018:

Residential  
 State  
 State: Agriculture  
 Agriculture  
 Municipal  
 Schietfontein  
 Churches  
 Infrastructure  
 Public Benefit Organisations  
 Commonage  
 Commonage (rentals)  
 Infrastructure farms  
 Sport clubs

## Total Property Valuations

2018  
R

2017  
R

6 961 991

13 690 991

6 389 988

12 926 707

7 019 669

13 432 367

(629 681)

(505 660)

572 004

764 284

(547 629)

(515 931)

(1 984 200)

(8 989 830)

**4 430 162**

**4 185 230**

1 949 328 825

1 949 328 825

1 901 791 125

1 902 589 625

47 537 700

46 739 200

**1 949 328 825**

**1 949 328 825**

## Valuation

232 728 900

21 711 300

25 826 400

1 448 399 800

19 931 925

93 000

11 829 800

345 800

2 348 000

178 000

13 290 900

171 683 500

961 500

**1 949 328 825**

Assessment Rates are levied on the values of immovable properties. A Supplementary roll was performed during 2016/17. The tariffs applicable are proclaimed by PK 2138 dated 25 September 2017.

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.



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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## GOVERNMENT GRANTS AND SUBSIDIES

	2018 R	2017 R
<b>Unconditional Grants</b>	<b>20 397 000</b>	<b>18 919 000</b>
Equitable Share - Refer to Note 22,01	20 397 000	18 919 000
<b>Conditional Grants</b>	<b>20 340 108</b>	<b>16 693 726</b>
Department of Water Affairs and Forestry (WSIG)	4 000 000	-
Department of Energy (DOE)	1 000 000	1 000 000
Sanitation - sewerage	4 395	174 606
Library Development Projects	1 312 000	1 667 000
Municipal Finance Management Grant	1 900 000	1 825 000
Municipal Infrastructure Grant	9 095 000	7 669 000
Expanded Public Works Program (PWPG)	1 000 000	1 000 000
Department of Water Affairs and Forestry (RBIG)	2 028 712	3 358 120
<b>Total Government Grants and Subsidies</b>	<b>40 737 108</b>	<b>35 612 726</b>
Government Grants and Subsidies - Capital	14 386 380	10 914 278
Government Grants and Subsidies - Operating	26 350 728	24 698 449
	<b>40 737 108</b>	<b>35 612 726</b>

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

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

Equitable share	20 397 000	18 919 000
Executive & Council	18 153 241	15 052 695
	<b>38 550 241</b>	<b>33 971 695</b>

## 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 R323 per month to R687 per month. (2017: R304 per month to R651 per month)

Grants received	8 755 000	18 919 000
Transfer In	11 642 000	-
Conditions met	(20 397 000)	(18 919 000)
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	6 095 000	7 669 000
Conditions met	(963 404)	(871 461)
Conditions met - Capital	(5 131 596)	(6 797 539)
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	1 900 000	1 825 000
Conditions met	(1 900 000)	(1 825 000)
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 Library Development Projects

Grants received	1 312 000	1 667 000
Conditions met	(1 074 879)	(1 410 997)
Conditions met - Capital	(237 121)	(256 003)
Conditions still to be met	-	-

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

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
<b>22</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)</b>		
<b>22,05</b>	<b>Youth Development</b>		
	Opening balance	93 632	93 632
	Conditions still to be met	93 632	93 632
	The grant will be used for youth development related issues in the Kareeberg area.		
<b>22,06</b>	<b>Expanded Public Works Program (R1m)</b>		
	Grants received	1 000 000	1 000 000
	Conditions met	(1 000 000)	(975 456)
	Conditions met - Capital	-	(24 544)
	Conditions still to be met	-	-
	The grant was used for labour (for example security services) in the Kareeberg area.		
<b>22,07</b>	<b>Job Creation De Bult</b>		
	Opening balance	43 568	41 023
	Interest received	2 514	2 545
	Conditions still to be met	46 081	43 568
	The grant will be used for job creation in the Kareeberg area. (Carnarvon)		
<b>22,08</b>	<b>Land Development</b>		
	Opening balance	68 400	64 409
	Interest received	3 944	3 992
	Conditions still to be met	72 345	68 400
	The grant will be used for a land development plan in the Kareeberg area.		
<b>22,09</b>	<b>Civil Defence</b>		
	Opening balance	20 665	19 745
	Interest received	279	920
	Conditions still to be met	20 944	20 665
	The grant will be used for civil defence in the Kareeberg area.		
<b>22,10</b>	<b>CMIP Kwaggakolk (VAT)</b>		
	Opening balance	686	648
	Interest received	39	38
	Conditions still to be met	725	686
	The grant will be used for a water project in the Kareeberg area. (Vanwyksvlei)		
<b>22,11</b>	<b>Sanitation - sewerage</b>		
	Opening balance	847 207	1 021 813
	Conditions met	(662 766)	(170 531)
	Conditions met - Capital	-	(4 075)
	Conditions still to be met	184 441	847 207
	The grant will be used for a sanitation VAT/maintenance in the Kareeberg area.		
<b>22,12</b>	<b>Electricity Schietfontein</b>		
	Opening balance	39 249	36 957
	Interest received	2 264	2 292
	Conditions still to be met	41 513	39 249
	The grant will be used for electricity infrastructure development in the Kareeberg area. (Schietfontein)		
<b>22,13</b>	<b>Water Service Plan</b>		
	Opening balance	3 667	3 455
	Interest received	212	212
	Conditions still to be met	3 879	3 667
	The grant will be used for a water service plan in the Kareeberg area.		

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2018 R	2017 R
22,14	<b>CMIP - Saaipoot project 301</b>		
	Opening balance	4 026	3 793
	Interest received	231	234
	Conditions still to be met	4 258	4 026
	The grant will be used for a bore hole water project in the Kareeberg area. (Carnarvon)		
22,15	<b>Paving Projects</b>		
	Opening balance	26 532	24 982
	Interest received	1 531	1 549
	Conditions still to be met	28 062	26 532
	The grant will be used for a extended public works program in the Kareeberg area.		
22,16	<b>Lotto Carnarvon</b>		
	Opening balance	2 036	1 918
	Interest received	117	118
	Conditions still to be met	2 153	2 036
	The grant will be used for Lotto projects in the Kareeberg area. (Sport equipment)		
22,17	<b>Lotto Vosburg</b>		
	Opening balance	35 937	33 838
	Interest received	2 073	2 098
	Conditions still to be met	38 010	35 937
	The grant will be used for Lotto projects in the Kareeberg area. (Equipment)		
22,18	<b>Transfer Fees Sub-Economic</b>		
	Opening balance	151 512	142 349
	Interest received	9 360	9 162
	Conditions still to be met	160 872	151 512
	The grant will be used for transfer fees of sub-economic houses in the Kareeberg area.		
22,19	<b>Cleaning Project Vosburg</b>		
	Opening balance	28 689	27 013
	Interest received	1 655	1 676
	Conditions still to be met	30 344	28 689
	The grant will be used for a cleaning project in the Kareeberg area.		
22,20	<b>VAT - Retention</b>		
	Opening balance	13 312	12 535
	Interest received	768	777
	Conditions still to be met	14 080	13 312
	The grant will be used for maintenance in the Kareeberg area.		
22,21	<b>Municipal Infrastructure Grant Additional</b>		
	Opening balance	3 000 000	-
	Grants received	-	3 000 000
	Conditions met	(191 262)	-
	Conditions met - Capital	(2 808 738)	-
	Conditions still to be met	-	3 000 000
	The grant will be used to upgrade infrastructure in the Kareeberg areas.		
22,22	<b>Electricity</b>		
	Grants received	1 000 000	1 000 000
	Conditions met	(129 362)	(113 602)
	Conditions met - Capital	(870 638)	(886 398)
	Conditions still to be met	-	-
	The grant was used for electricity infrastructure development in the Kareeberg area.		
22,23	<b>RBIG (Department of Water Affairs and Forestry)</b>		
	Opening balance	11 641 880	-
	Grants received	15 000 000	15 000 000
	Transfer out	(11 642 000)	-
	Conditions met	(261 192)	(412 401)
	Conditions met - Capital	(1 767 520)	(2 945 719)
	Conditions still to be met	12 971 167	11 641 880
	The grant will be used for water infrastructure development in the Kareeberg area.		



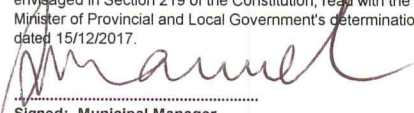
## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2018	2017
		R	R
22,24	DWA (Department of Water Affairs) Refurbishment		
	Grants received	4 000 000	-
	Conditions met	(429 234)	-
	Conditions met - Capital	(3 570 766)	-
	Conditions still to be met	-	-
	The grant will be used for water infrastructure development in the Kareeberg area.		
22,25	DWA (Department of Water Affairs) Drought Relief		
	Grants received	4 626 000	-
	Conditions still to be met	4 626 000	-
	The grant will be used for drought relief (water infrastructure) in the Kareeberg area.		
22,26	Total Grants		
	Opening balance	16 020 997	1 528 110
	Interest received	24 988	25 614
	Grants received	43 688 000	50 080 000
	Transfer in	11 642 000	-
	Transfer out	(11 642 000)	-
	Conditions met	(27 009 099)	(24 698 449)
	Conditions met - Capital	(14 386 380)	(10 914 278)
	Conditions still to be met	18 338 507	16 020 997
23	SERVICE CHARGES	2018	2017
		R	R
	Electricity	8 929 769	9 207 407
	Service Charges	9 317 227	9 595 910
	Less: Equitable Share	(387 458)	(388 503)
	Water	1 952 032	2 085 691
	Service Charges	4 646 555	4 715 168
	Less: Equitable Share	(2 694 522)	(2 629 477)
	Refuse removal	1 299 498	1 468 063
	Service Charges	3 926 973	3 819 245
	Less: Equitable Share	(2 627 475)	(2 351 182)
	Sewerage and Sanitation Charges	336 743	591 205
	Service Charges	3 125 942	3 035 028
	Less: Equitable Share	(2 789 199)	(2 443 822)
	Other Service Charges	-	-
	Total Service Charges	12 518 043	13 352 366
24	OTHER REVENUE	2018	2017
		R	R
	Application Specific Registrations	2 392	2 480
	Adjustment bonus provision	-	25 028
	Building Fees	200	500
	Photocopies	3 986	6 234
	Grave Fees	13 395	12 565
	Searching Fees	6 295	3 220
	Sale of sand	-	60
	Encroachment	744	921
	Cement block Sales	2 450	2 590
	Pond Fees	800	680
	Refuse Bags Sold	2 077	2 519
	Connection Fees	220	240
	Gain due to additions on Biological assets	9 494	31 664
	Valuation Certificates	480	760
	Grant VAT income	-	1 641 031
	Correction of error: Reclassification to Other Revenue: Grant VAT income on Non-exchange Transactions	-	(1 641 031)
	Electricity caravan park	756	192
	Reversal of impairment (Revenue)	-	32 349
	Total Other Income	43 289	122 002

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
25	<b>FAIR VALUE ADJUSTMENTS</b>		
	Unamortised Discount - Interest - LT Receivables	1 274	3 195
		<b>1 274</b>	<b>3 195</b>
26	<b>EMPLOYEE RELATED COSTS</b>		
	Salaries & Wages	15 814 670	13 613 529
	Leave Reserve Fund	495 252	509 909
	Personnel Contributions	2 129 774	1 885 575
	Skill Development Levy	144 062	120 078
	Bargaining Council	6 394	5 407
	Pension Gratification	444	444
	UIF	112 359	99 336
	Performance Bonuses	253 107	150 122
	Annual Bonuses	60 835	-
	Contribution to Employee Benefits - Long Service Awards - Note 3	58 809	67 366
	Contribution to Employee Benefits - Post Retirement Medical - Note 3	295 288	314 812
		<b>19 370 993</b>	<b>16 766 577</b>
	<u>Less:</u> Employee Costs allocated elsewhere	-	-
	<b>Total Employee Related Costs</b>	<b>19 370 993</b>	<b>16 766 577</b>
	<b>KEY MANAGEMENT PERSONNEL</b>		
	Municipal Manager is appointed on a 5 year fixed contract. There are no post-employment or termination benefits payable to him at the end of the contract period.		
	<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
	<i>Remuneration of the Municipal Manager: Mr W. de Bruin (Till 30 November 2017)</i>		
	Salary and Performance Bonus	472 802	1 293 389
	UIF	744	1 785
	Bargaining Council	41	92
	<b>Total</b>	<b>473 587</b>	<b>1 295 265</b>
	<i>Remuneration of the Municipal Manager: Mr F. Manuel (Since 1 December 2017)</i>		
	Salary and Bonus, Performance Bonus	562 837	-
	Travel Allowance	105 695	-
	UIF	1 041	-
	Bargaining Council	58	-
	Cell phone (VAT Included)	28 000	-
	<b>Total</b>	<b>697 631</b>	<b>-</b>
	<i>Remuneration of the Chief Finance Officer: Mr P.B. Rossouw (Retired 30 September 2016)</i>		
	Salary and Bonus, Performance Bonus	-	352 925
	Travel Allowance	-	41 598
	Medical	-	11 613
	UIF	-	446
	Bargaining Council	-	23
	Cell phone (VAT Included)	-	4 500
	<b>Total</b>	<b>-</b>	<b>411 106</b>
	<i>Remuneration of the Chief Financial Offices: Mr W. de Bruin (Since 5 March 2018)</i>		
	Salary and Bonus, Performance Bonus	202 260	-
	Travel Allowance	20 000	-
	Rural	23 917	-
	UIF	595	-
	Bargaining Council	33	-
	Cell phone (VAT Included)	7 742	-
	<b>Total</b>	<b>254 547</b>	<b>-</b>
	<i>Remuneration of Chief Operations Manager: Mr. A.P.F. van Schalkwyk</i>		
	Salary and Bonus, Performance Bonus	969 752	849 462
	Travel Allowance	178 638	166 392
	Pension	134 173	122 048
	Medical	47 307	46 452
	UIF	1 785	1 785
	Bargaining Council	99	92
	Cell phone (VAT Included)	24 000	24 000
	<b>Total</b>	<b>1 355 754</b>	<b>1 210 231</b>
	<i>Remuneration of Head : Technical Services: : Mr. J.H. Adams (Since 1 October 2017 till 30 April 2018)</i>		
	Salary and Bonus, Performance Bonus	338 498	-
	Travel Allowance	70 000	-
	Rural	40 840	-
	UIF	1 041	-
	Bargaining Council	58	-
	Cell phone (VAT Included)	10 500	-
	<b>Total</b>	<b>460 937</b>	<b>-</b>
	<i>Remuneration of Head : Corporate Services: Mr. N.J. van Zyl</i>		
	Salary and Bonus, Performance Bonus	857 666	865 494
	Travel Allowance	178 638	166 392
	Pension	127 961	116 397
	Medical	41 854	39 488
	UIF	1 785	1 785
	Bargaining Council	99	92
	Cell phone (VAT Included)	18 000	18 000
	<b>Total</b>	<b>1 226 002</b>	<b>1 207 648</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

27	REMUNERATION OF COUNCILLORS	2018 R	2017 R
	Mayor Mr N.I. Titus	-	78 227
	Mayor Mr N.S. van Wyk	745 253	621 450
	Councillor Mr J.E.J. Hoon	235 846	222 496
	Councillor Mr J. Horne	-	24 522
	Councillor Mr D.P. Jason	-	24 522
	Councillor Ms D. Olifant	-	24 522
	Councillor Ms E.L. Riley	-	24 522
	Councillor Mr P. Viviers	-	24 522
	Councillor Ms G. Saal	235 846	198 572
	Councillor Mr B.J.E. Slambie	235 846	198 572
	Councillor Mr E. Hoon	235 846	198 572
	Councillor Mr G.P. van Louw	235 846	198 572
	Councillor Mr W.D. Horne	235 846	198 572
	Councillors' Cell phones	285 478	140 982
	<b>Total Councillors' Remuneration</b>	<b>2 445 807</b>	<b>2 178 625</b>
	<b>In-kind Benefits</b>		
	The Mayor is fulltime. He is provided with an office at the cost of the Council.		
	<b>Certification by the Municipal Manager</b>		
	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 41335, dated 15/12/2017.		
			
	Signed: Municipal Manager		
28	<b>DEBT IMPAIRMENT</b>		
	Receivables from exchange transactions - Note 17	115 362	1 314 378
	Receivables from non-exchange transactions - Note 18	156 412	-
	<b>Debt impairment recognised in statement of financial performance</b>	<b>271 774</b>	<b>1 314 378</b>
29	<b>DEPRECIATION AND AMORTISATION</b>		
	Property, plant and equipment	3 368 163	3 293 018
	Intangible assets	2 090	12 062
	Investment property carried at cost	12 941	12 941
	Capitalised Restoration Cost	95 332	97 798
	<b>Total</b>	<b>3 478 527</b>	<b>3 415 819</b>
30	<b>FINANCE CHARGES</b>		
	Post Retirement Charges	830 669	836 593
	Landfill sites	1 451 208	1 430 365
	<b>Total finance charges</b>	<b>2 281 877</b>	<b>2 266 958</b>
31	<b>BULK PURCHASES</b>		
	Electricity bulk purchases	10 488 982	10 336 390
	Electricity distribution losses	(1 601 689)	(1 355 094)
	<b>Total Bulk Purchases</b>	<b>8 887 294</b>	<b>8 981 296</b>
32	<b>GRANTS AND SUBSIDIES</b>		
	Indigent Subsidies	1 018 370	810 566
	Indigent Subsidies	10 216 646	9 193 102
	Less: Equitable Share Property Rates	(629 681)	(505 660)
	Less: Equitable Share Property Rates - Penalties & Collection Charges	(69 942)	(63 891)
	Less: Equitable Share Service Charges	(8 498 653)	(7 812 985)
	<b>Total Grants and Subsidies</b>	<b>1 018 370</b>	<b>810 566</b>
33	<b>GENERAL EXPENSES</b>		
	Advertisement, printing & stationary	296 810	344 045
	Animal Feeds	287 230	192 962
	Audit Costs	2 784 003	2 216 549
	Bank charges	218 949	138 463
	Compensation insurance	150 878	93 624
	Chemicals	7 659	15 256
	Cleaning supplies	128 943	98 869
	Consultation Fees	-	1 086 034
	Correction of error: Reclassification of Consultation Fees to Contracted services	-	(1 086 034)
	Electricity Eskom	403 988	297 614
	Fuel & Oil	751 880	647 888
	Insurance	169 837	175 629
	Legal costs	99 163	111 467
	Membership for associations	500 000	500 000
	Other General Expenses	630 118	536 809
	Refuse bag purchases	76 500	115 101
	Other materials	1 065 984	902 122
	Maintenance Assets	589 393	-
	Correction of error: Reclassification of Maintenance Assets from Contracted services	-	351 638
	Street Lighting	331 854	352 416
	Subsistence and Travelling	1 234 778	957 763
	Telephone & Postage	396 142	407 775
	Uniforms	53 177	68 224
	<b>General Expenses</b>	<b>10 177 286</b>	<b>8 524 215</b>

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.



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

34	CORRECTION OF ERROR IN TERMS OF GRAP 3		2017 R
34,01	Property, Plant and Equipment		
	Balance previously reported		119 831 065
	Correction of Error effect on Impairment of Game for 2015/2016 - Note 34,01 and 10		568
	Correction of Error effect on cost of Game for 2015/2016 - Note 34,01 and 10		(568)
	Total		119 831 065
34,02	Statement of Financial Performance		
	Balance previously reported		9 303 333
	Correction of error: Reclassification of Equitable Share Service Charges and Rates to Revenue - Note 34,02 and 32		(8 382 536)
	Correction of error: Reclassification of Equitable Share Service Charges and Rates from grants and subsidies - Note 34,02 and 32		8 382 536
	Correction of error: Reclassification of Other Revenue: Grant VAT income to Government Grant and subsidies operating -Non-exchange Transactions - Note 34,02 and 24		1 641 031
	Correction of error: Reclassification of Other Revenue: Grant VAT income from Exchange Transactions - Note 34,02 and 24		(1 641 031)
	Correction of error: Reclassification of Asset Maintenance from Contracted services - Note 34,02 and 33		(351 638)
	Correction of error: Reclassification of Asset Maintenance to General Expenditure - Note 34,02 and 33		351 638
	Correction of error: Reclassification of Consultation Fees to Contracted services - Note 34,02 and 33		1 086 034
	Correction of error: Reclassification of Consultation Fees from General Expenditure - Note 34,02 and 33		(1 086 034)
	Total		9 303 333
	Correction of Error in note 34,01 to 34,02 was resulted due to a re-classification of the line items in Statement of Financial Performance.		
35	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2018 R	2017 R
	Surplus for the year	10 332 336	9 303 333
	Adjustments for:		
	Depreciation	3 476 437	3 403 757
	Amortisation of Intangible Assets	2 090	12 062
	Contribution to Capitalised Restoration Cost	414 580	34 578
	(Gain)/Loss on disposal of property, plant and equipment	15 677	4 000
	Impairments	8 058	(32 349)
	Contribution from/to employee benefits - non-current	1 184 766	1 218 771
	Contribution from/to employee benefits - non-current - expenditure incurred	(460 308)	(509 033)
	Contribution from/to employee benefits - non-current - actuarial gains	76 757	(124 935)
	Contribution from/to employee benefits - non-current - actuarial gains	(412 486)	(572 894)
	Contribution to employee benefits – current	809 193	635 004
	Contribution to employee benefits – current - expenditure incurred	(482 571)	(879 727)
	Contribution to provisions – non-current - Rehabilitation of Landfill-sites	(414 580)	(34 578)
	Contribution to provisions – non-current - Unwinding of discounted interest	1 451 208	1 430 365
	Contribution to provisions – bad debt	271 774	1 314 378
	Contribution to provisions – VAT Impairment	(6 677)	120 504
	Unamortised discount - Interest - Revenue	(1 274)	(3 195)
	Contributed PPE	(46 953)	-
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	2 317 510	14 492 888
	Operating lease income accrued	(1 099)	3 595
	Operating Surplus/(Deficit) before changes in working capital	18 534 439	29 816 526
	Changes in working capital	2 546 700	(3 231 417)
	Increase/(Decrease) in Payables from exchange transactions	955 849	209 217
	(Increase)/Decrease in Trade Receivables from exchange transactions	1 739 161	(3 508 492)
	(Increase)/Decrease in Other Receivables from non-exchange transactions	(148 310)	67 859
	Cash generated/(absorbed) by operations	21 081 139	26 585 109
36	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 20	42 765 463	37 705 925
	Bank - Note 20	483 234	475 339
	Total cash and cash equivalents	43 248 697	38 181 264

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

37	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		2018	2017
			R	R
	Cash and Cash Equivalents - Note 36		43 248 697	38 181 264
			43 248 697	38 181 264
	Less:		18 384 053	16 064 059
	Unspent Conditional Grants - Note 8		18 338 507	16 020 997
	Cash Portion of Housing Development Fund - Note 2		45 545	43 061
	Net cash resources available for internal distribution		24 864 645	22 117 205
	Allocated to:			
	Capital Replacement Reserve		(11 347 812)	(11 347 812)
	Retention		(1 547 241)	(592 865)
	Provision for Employee benefits		(2 000 000)	(2 000 000)
	Reserves		-	(352 116)
	Staff Leave, Performance Management Bonus, Long Service		(2 633 250)	(2 192 243)
	Resources available for working capital requirements		7 336 343	5 632 170
38	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			
38,01	Unauthorised expenditure			
	Reconciliation of unauthorised expenditure:			
	Unauthorised expenditure current year - capital		2 961 043	935 567
	Unauthorised expenditure current year - operating		1 396 362	-
	Written off supported by council		(4 357 405)	(935 567)
	Unauthorised expenditure awaiting authorisation		-	-
	Incident	Disciplinary steps/criminal proceedings		
		None		
		2018	2018	2018
		R	R	R
	Unauthorised expenditure current year - operating	(Actual)	(Budget)	(Variance)
				(Unauthorised)
	Executive & Council	10 745 436	18 378 492	(7 633 056)
	Budget & Treasury	10 637 487	10 867 317	(229 830)
	Corporate Services	3 105 745	3 114 045	(8 300)
	Health	17 133	53 909	(36 776)
	Community & Social Services	1 938 316	2 973 571	(1 035 255)
	Public Safety	47 105	54 245	(7 140)
	Sport & Recreation	543 102	543 904	(802)
	Waste Management	3 622 811	3 631 038	(8 227)
	Waste Water Management	4 305 138	4 317 429	(12 291)
	Road Transport	4 807 010	3 410 648	1 396 362
	Water	1 813 788	1 816 230	(2 442)
	Electricity	10 729 723	11 897 713	(1 167 990)
		52 312 793	61 058 541	(8 745 748)
	Unauthorised expenditure current year - capital	(Actual)	(Budget)	(Variance)
				(Unauthorised)
	Executive & Council	81 547	-	81 547
	Budget & Treasury	68 083	-	68 083
	Community & Social Services	284 527	320 000	(35 473)
	Public Safety	350 000	-	350 000
	Sport & Recreation	-	251 386	(251 386)
	Waste Water Management	3 992 806	4 000 000	(7 194)
	Road Transport	3 985 026	1 523 614	2 461 412
	Water	5 578 925	19 000 000	(13 421 075)
	Electricity	889 352	1 000 000	(110 648)
		15 230 267	26 095 000	(10 864 733)
38,02	Fruitless and wasteful expenditure			
	Reconciliation of fruitless and wasteful expenditure:			
	Fruitless and wasteful expenditure current year		-	16 320
	Written off supported by council		-	(16 320)
	Fruitless and wasteful expenditure awaiting condonement		-	-
	Incident	Disciplinary steps/criminal proceedings		
	EPWP Wages	None	-	16 320
			-	16 320
38,03	Irregular expenditure			
	Reconciliation of irregular expenditure:			
	Irregular expenditure current year		476 038	775 443
	Written off supported by council		(476 038)	(775 443)
	Irregular expenditure awaiting condonement		-	-
	Incident	Disciplinary steps/criminal proceedings		
	Legal Fees	None	-	46 139
	Sebata V6 EMS appointment	None	-	729 304
	Salary and accomodation of Mr J.H. Adams	None	476 038	-
			476 038	775 443
38.03.01	Details of irregular under investigation			
	Sebata V6 EMS appointment on the RT-25 Transversal tender from National Treasury is under investigation to confirm whether the award will result in irregular expenditure or not.			
38,04	Material Losses			
	Electricity distribution losses			
	Units purchased (Kwh)		8 346 033	8 549 243
	- Units lost during distribution (Kwh)		1 274 456	1 120 800
	- Percentage lost during distribution		15,27%	13,11%

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

39	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2018 R	2017 R		
39,01	<b><u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u></b>				
	Council subscriptions	500 000	500 000		
	Amount paid - current year	(500 000)	(500 000)		
	<b>Balance unpaid (included in creditors)</b>	-	-		
39,02	<b><u>Audit fees - [MFMA 125 (1)(b)] (excl. VAT)</u></b>				
	Current year audit fee	2 784 003	2 216 549		
	External Audit - Auditor-General	2 784 003	2 216 549		
	Amount paid - current year	(2 784 003)	(2 216 549)		
	<b>Balance unpaid (included in creditors)</b>	-	-		
39,03	<b><u>VAT - [MFMA 125 (1)(b)]</u></b>				
	Opening balance	(3 500 257)	(1 329 085)		
	Amounts received - current year	3 607 703	1 854 285		
	Amounts claimed - current year (payable)	(5 093 832)	(4 296 136)		
	Amounts received - previous year	3 500 257	270 678		
	<b>Closing balance</b>	<b>(1 486 129)</b>	<b>(3 500 257)</b>		
	VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.				
39,04	<b><u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u></b>				
	Current year payroll deductions and Council Contributions	3 132 120	2 872 794		
	Amount paid - current year	(3 132 120)	(2 872 794)		
	<b>Balance unpaid (included in creditors)</b>	-	-		
39,05	<b><u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u></b>				
	Current year payroll deductions and Council Contributions	(4 180 537)	(3 518 513)		
	Amount paid - current year	4 180 537	3 518 513		
	L.A. Health	500 113	483 604		
	LA retirement fund	259 903	242 184		
	Hosmed	784 800	707 573		
	Consolidated retirement fund for local government	2 320 374	1 767 509		
	Day1 Health	6 951	-		
	Municipal workers retirement fund	308 396	317 643		
	<b>Balance unpaid (included in creditors)</b>	-	-		
39,06	<b><u>Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</u></b>				
	The following Councillors had arrear accounts for more than 90 days as at 30 June 2018:				
		<b>Outstanding more than 90 days</b>	<b>Outstanding more than 90 days</b>		
	None	-	-		
	<b>Total Councillor Arrear Consumer Accounts</b>	-	-		
39,07	<b><u>Quotations awarded - Section 45 - Supply Chain Management</u></b>	<b>2018 R</b>	<b>2017 R</b>		
	JPC Bester en Seuns Motorhawe BK (Besters Auto) declared that his wife is in the employment of the state as a teacher.	73 154	-		
39,08	<b><u>Deviations - Section 36(2) - Supply Chain Management</u></b>				
		<b>Less than R30,000</b>	<b>Between R30,001 and R200,000</b>	<b>Between R200,001 and R2,000,000</b>	<b>More than R2,000,001</b>
	Emergency cases	94 405	292 777	-	-
	Availability	382 344	239 213	-	-
	Limited Quotations	96 258	-	-	-
	Deviation on tender/Not cheapest awarded	85 118	-	-	-
	Donation - according to policy	29 694	-	-	-
	Service provider	216 513	442 874	-	-
		904 331	974 864	-	-

Refer to Appendix E for detail on Deviations according to Section 36(2) - Supply Chain Management



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

40

## CAPITAL COMMITMENTS

## Commitments in respect of capital expenditure:

Approved and contracted for:

Intangible Assets  
Infrastructure2018  
R2017  
R

12 967 720

4 552 541

2 519 846

1 153 105

10 447 874

3 399 436

## Total

12 967 720

4 552 541

This expenditure will be financed from:

Government Grants  
Own Resources

10 447 874

3 399 436

2 519 846

1 153 105

12 967 720

4 552 541

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  
0,5% Decrease in interest rates216 243  
(216 243)190 906  
(190 906)

## (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 2018

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## FINANCIAL RISK MANAGEMENT (CONTINUE)

Balances past due not impaired:

	2018 %	2018 R	2017 %	2017 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:

	2018 %	2018 R	2017 %	2017 R
<u>Non-Exchange Receivables</u>				
Rates	100,00%	1 943 535	100,00%	1 787 123
<u>Exchange Receivables</u>				
Electricity	17,42%	452 847	22,03%	547 156
Water	32,48%	844 168	30,31%	753 013
Refuse	19,92%	517 911	19,91%	494 464
Sewerage	11,18%	290 509	14,05%	348 932
Other	19,00%	493 967	13,71%	340 474
	100,00%	2 599 402	100,00%	2 484 039

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

	2018 %	2018 R	2017 %	2017 R
Industrial	6,39%	290 344	2,78%	118 947
Residential	93,61%	4 252 593	97,22%	4 152 216
	100,00%	4 542 937	100%	4 271 163
	2018 %	2018 R	2017 %	2017 R

Bad debts written off per debtor class:

<u>Non-Exchange Receivables</u>				
Rates	0,00%	-	0,00%	-
<u>Exchange Receivables</u>				
Services	0,00%	-	0,00%	-
Other	0,00%	-	0,00%	-
	0,00%	-	0,00%	-

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, Nedbank 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:

	2018 R	2017 R
Long term receivables	24 558	27 869
Trade receivables and other receivables	3 385 230	5 241 179
Cash and Cash Equivalents	43 248 697	38 181 264
	46 658 485	43 450 312

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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## FINANCIAL RISK MANAGEMENT (CONTINUE)

2018  
R2017  
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
<b>2018</b>				
Provisions - Landfill Sites	-	-	-	239 903 972
Capital repayments	-	-	-	24 438 036
Interest	-	-	-	215 465 936
Trade and Other Payables	1 671 714	-	-	-
Consumer Deposits	325 569	-	-	-
Unspent conditional government grants and receipts	18 338 507	-	-	-
	<u>20 335 791</u>	<u>-</u>	<u>-</u>	<u>239 903 972</u>
<b>2017</b>				
Provisions - Landfill Sites	-	-	-	372 044 152
Capital repayments	-	-	-	23 401 408
Interest	-	-	-	348 642 745
Trade and Other Payables	715 865	-	-	-
Consumer Deposits	324 139	-	-	-
Unspent conditional government grants and receipts	16 020 997	-	-	-
	<u>17 061 002</u>	<u>-</u>	<u>-</u>	<u>372 044 152</u>

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## FINANCIAL INSTRUMENTS

2018  
R2017  
R

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

<b>42,1</b>	<b>Financial Assets</b>	<b>Classification</b>		
	<b>Long-term Receivables</b>			
	Staff Loans	Financial instruments at amortised cost	23 516	28 289
	<b>Consumer Debtors</b>			
	Trade receivables from exchange transactions	Financial instruments at amortised cost	3 591 762	3 621 092
	Other receivables from exchange transactions	Financial instruments at amortised cost	2 885 836	4 595 667
	<b>Current Portion of Long-term Receivables</b>			
	Staff Loans	Financial instruments at amortised cost	4 773	4 586
	<b>Short-term Investment Deposits</b>			
	Call Deposits	Financial instruments at amortised cost	42 765 463	37 705 925
	<b>Bank Balances and Cash</b>			
	Bank Balances	Financial instruments at amortised cost	483 234	475 339
			<u>49 754 584</u>	<u>46 430 897</u>
	<b>SUMMARY OF FINANCIAL ASSETS</b>			
	Financial instruments at amortised cost		<u>49 754 584</u>	<u>46 430 897</u>



KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

42	FINANCIAL INSTRUMENTS (CONTINUE)		2018 R	2017 R
42,2	<b>Financial Liability</b>	<b>Classification</b>		
	<b>Payables from exchange transactions</b>			
	Trade creditors	Financial instruments at amortised cost	1 547 241	592 865
	Payments received in advance	Financial instruments at amortised cost	124 474	120 550
	<b>Unspent Conditional Grants and Receipts</b>			
	Other Spheres of Government	Financial instruments at amortised cost	18 338 507	16 020 997
			<b>20 010 222</b>	<b>16 734 413</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>			
	Financial instruments at amortised cost		<b>20 010 222</b>	<b>16 734 413</b>
43	<b>EVENTS AFTER THE REPORTING DATE</b>			
	A fraudulent payment was made during July 2018 which amounted to R701 492 and is currently under investigation.			
44	<b>IN-KIND DONATIONS AND ASSISTANCE</b>			
	The municipality did not receive any in-kind donations or assistance during the year under review.			
45	<b>PRIVATE PUBLIC PARTNERSHIPS</b>			
	Council has not entered into any private public partnerships during the financial year.			
46	<b>CONTINGENT ASSET/LIABILITIES</b>			
	Raubex was awarded the tender for the construction of Vanwysvlei bulk water scheme by Kareeberg municipality. This tender was cancelled by Kareeberg municipality, and now Raubex is claiming R12,3 million for loss of profit, direct and indirect damages as a result of the cancellation of the tender.			
47	<b>RELATED PARTIES</b>			
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.			
47,1	<b>Related Party Transactions</b>			
		<b>Rates - Levied 1 July 2017 - 30 June 2018</b>	<b>Service Charges - Levied 1 July 2017 - 30 June 2018</b>	<b>Other - Levied 1 July 2017 - 30 June 2018</b>
	<b>Year ended 30 June 2018</b>			<b>Outstanding Balances 30 June 2018</b>
	<b>Councillors</b>	<b>2 956</b>	<b>37 262</b>	<b>9 466</b>
	<b>Municipal Manager and Section 56 Employees</b>	<b>13 267</b>	<b>37 585</b>	<b>-</b>
				<b>24 202</b>
				<b>350 313</b>
	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	<b>Related Party Loans</b>			
	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	<b>Compensation of key management personnel</b>			
	The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.			
47,4	<b>Other related party transactions</b>			
			<b>2018</b>	<b>2017</b>
	The following purchases were made during the year where Councillors or Management have an interest:		<b>R</b>	<b>R</b>
	<u>Councillor/Staff Member</u>			
	Chief Financial Officer member of emerging farmers union who rent Carnarvon commonage		-	95 749

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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## FINANCIAL SUSTAINABILITY

2018  
R2017  
R

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 decreased to 2,09:1 from 2,32:1 in the prior year.

The municipality have budgeted for a surplus of R72 190 000 for the 2017/2018 financial year. The municipality is also budgeting for positive surplus during 2018/2019 and 2019/2020 amounting to R71 164 000 and R42 738 000 respectively.

The average debtors' payment days increased to 177 days from 203 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

-

8 102

Total Statutory Receivables

-

8 102

**APPENDIX A - Audited**  
**KAREEBERG LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**  
**MUNICIPAL VOTES CLASSIFICATION**

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
15 155	(219 225)	(204 070)	Cemetery	15 845	(197 402)	(181 557)
1 774	(1 800 549)	(1 798 775)	Library	2 380	(1 715 674)	(1 713 295)
-	(24 322)	(24 322)	Museum	-	(25 239)	(25 239)
-	(2 513 664)	(2 513 664)	Corporate Services	-	(3 105 745)	(3 105 745)
10 798 412	(174 277)	10 624 135	Electricity Administration	8 929 949	(172 171)	8 757 778
-	(11 117 026)	(11 117 026)	Electricity Generation	-	(10 531 175)	(10 531 175)
-	(577 685)	(577 685)	Electricity Distribution	-	(813 874)	(813 874)
19 112 656	(18 728 381)	384 275	General Expenditure of Council	42 335 770	(10 745 436)	31 590 334
6 000	(450)	5 550	Official Housing	8 400	(205)	8 195
12 320 616	-	12 320 616	Property Rates	4 430 162	-	4 430 162
246 807	(68 218)	178 589	Commonage	207 295	(10 578)	196 717
81 746	(293 136)	(211 390)	Municipal Buildings	51 590	(215 519)	(163 929)
3 484 331	(11 345 715)	(7 861 384)	Municipal Manager/Treasurer	3 038 961	(10 389 518)	(7 350 557)
-	(47 125)	(47 125)	Clinic	-	(17 133)	(17 133)
329	(59 613)	(59 283)	Air Port	350	(21 627)	(21 277)
-	(26)	(26)	Abattoir	-	(40)	(40)
-	(6 507)	(6 507)	Fire Department	-	(14 605)	(14 605)
-	(758)	(758)	Civil Protection	-	(750)	(750)
680	(13 425)	(12 745)	Pound	800	(31 749)	(30 949)
500	(2 586 799)	(2 586 299)	Public Works	200	(3 409 185)	(3 408 985)
-	(1 202 297)	(1 202 297)	Streets & Pavements	-	(1 163 935)	(1 163 935)
4 260	(170 562)	(166 302)	Licensing & Traffic	4 500	(233 890)	(229 390)
31 664	(225 773)	(194 109)	Nature Reserve	22 771	(268 947)	(246 176)
320	(512 938)	(512 618)	Parks & Open areas	659	(252 134)	(251 475)
-	(9 720)	(9 720)	Swimming Pool	-	(7 752)	(7 752)
5 942	(8 507)	(2 565)	Caravan Park	5 106	(14 270)	(9 164)
6 438 267	(3 379 146)	3 059 121	Refuse	1 301 576	(3 622 811)	(2 321 235)
5 743 947	(3 601 134)	2 142 813	Sewerage & Cleansing	336 743	(4 368 779)	(4 032 036)
-	(295 401)	(295 401)	Water Distribution	-	(961 647)	(961 647)
7 360 464	(904 888)	6 455 576	Water Provision	1 952 072	(896 248)	1 055 824
65 653 869	(59 887 266)	5 766 603	Sub Total	62 645 130	(53 208 037)	9 437 092
-	3 536 730	3 536 730	Less Inter-Departmental Charges	-	895 244	895 244
65 653 869	(56 350 536)	9 303 333	<b>Total</b>	62 645 130	(52 312 793)	10 332 336



**APPENDIX B - Audited**  
**KAREEBERG LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2017 Actual Income R	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R		2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R
19 112 656	(18 728 381)	384 275	Executive & Council	42 335 770	(10 745 436)	31 590 334
16 139 829	(11 767 158)	4 372 671	Budget & Treasury	7 736 759	(10 637 487)	(2 900 728)
-	(2 513 664)	(2 513 664)	Corporate Services	-	(3 105 745)	(3 105 745)
-	(47 125)	(47 125)	Health	-	(17 133)	(17 133)
16 929	(2 044 095)	(2 027 167)	Community & Social Services	18 225	(1 938 316)	(1 920 091)
680	(20 690)	(20 010)	Public Safety	800	(47 105)	(46 305)
37 926	(756 938)	(719 012)	Sport & Recreation	28 536	(543 102)	(514 566)
6 438 267	(3 379 146)	3 059 121	Waste Management	1 301 576	(3 622 811)	(2 321 235)
5 743 947	(3 601 134)	2 142 813	Waste Water Management	336 743	(4 368 779)	(4 032 036)
4 760	(3 959 658)	(3 954 898)	Road Transport	4 700	(4 807 010)	(4 802 310)
7 360 464	(1 200 289)	6 160 175	Water	1 952 072	(1 857 895)	94 178
10 798 412	(11 868 988)	(1 070 576)	Electricity	8 929 949	(11 517 220)	(2 587 271)
65 653 869	(59 887 266)	5 766 603	Sub Total	62 645 130	(53 208 037)	9 437 092
-	3 536 730	3 536 730	Less Inter-Departmental Charges	-	895 244	895 244
65 653 869	(56 350 536)	9 303 333	<b>Total</b>	62 645 130	(52 312 793)	10 332 336

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 2017	Interest on Investments	Other Income	Transfer due to NT's request to return grant	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2018
	R	R	R		R	R	R
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>							
Job Creation De Bult	43 568	2 514	-	-	-	-	46 081
Land Development	68 400	3 944	-	-	-	-	72 345
Civil Defence	20 665	279	-	-	-	-	20 944
CMIP Kwaggakolk (VAT)	886	39	-	-	-	-	725
Sanitation - sewerage	847 207	-	-	-	662 766	-	184 441
Electricity Schietfontein	39 249	2 264	-	-	-	-	41 513
Water Service Plan	3 667	212	-	-	-	-	3 879
CMIP - Saaipoort project 301	4 026	231	-	-	-	-	4 258
Library Development Projects	-	-	1 312 000	-	1 074 879	237 121	-
Paving Projects	26 532	1 531	-	-	-	-	28 062
Lotto Carnarvon	2 036	117	-	-	-	-	2 153
Lotto Vosburg	35 937	2 073	-	-	-	-	38 010
Municipal Finance Management Grant	-	-	1 900 000	-	1 900 000	-	-
Transfer Fees Sub-Economic	151 512	9 360	-	-	-	-	160 872
Cleaning Project Vosburg	28 689	1 655	-	-	-	-	30 344
VAT - Retention	13 312	768	-	-	-	-	14 080
Municipal Infrastructure Grant Additional	3 000 000	-	-	-	191 262	2 808 738	-
Municipal Infrastructure Grant	-	-	6 095 000	-	963 404	5 131 596	-
Youth Development	93 632	-	-	-	-	-	93 632
Expanded Public Works Program (PWPG)	-	-	1 000 000	-	1 000 000	-	-
Electricity	-	-	1 000 000	-	129 362	870 638	-
DWA (Department of Water Affairs) Refurbishment	-	-	4 000 000	-	429 234	3 570 766	-
DWA (Department of Water Affairs) Drought Relief	-	-	4 626 000	-	-	-	-
RBIG (Department of Water Affairs and Forestry)	11 641 880	-	15 000 000	11 642 000	261 192	1 767 520	4 626 000
<b>Total</b>	<b>16 020 997</b>	<b>24 988</b>	<b>34 933 000</b>	<b>11 642 000</b>	<b>6 612 099</b>	<b>14 386 380</b>	<b>18 338 507</b>

**APPENDIX D - Audited**  
**KAREEBERG LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

Description	2017/2018							2016/2017
	Original Budget	Budget Adjustments (i.t.o. 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								
<b>Revenue - Standard</b>								
<i>Governance and administration</i>	50 703	(12 696)	38 007	50 073	12 066	-299,3%	98,8%	35 252
Executive and council	25 497	(10 601)	14 895	42 336	27 440	284,2%	166,0%	19 113
Budget and treasury office	25 207	(2 095)	23 111	7 737	(15 374)	33,5%	30,7%	16 140
Corporate services	-	-	-	-	-	-	-	-
<i>Community and public safety</i>	1 447	817	2 264	48	(2 216)	2,1%	3,3%	56
Community and social services	1 429	320	1 749	18	(1 731)	1,0%	1,3%	17
Sport and recreation	17	497	514	29	(486)	5,5%	165,9%	38
Public safety	1	-	1	1	0	113,5%	113,5%	1
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	2	3 278	3 280	5	(3 275)	0,1%	235,0%	5
Planning and development	-	-	-	-	-	-	-	-
Road transport	2	3 278	3 280	5	(3 275)	0,1%	235,0%	5
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	56 915	32 784	89 698	12 520	(77 178)	14,0%	22,0%	30 341
Electricity	10 258	1 972	12 231	8 930	(3 301)	73,0%	87,1%	10 798
Water	39 411	21 441	60 852	1 952	(58 900)	3,2%	5,0%	7 360
Waste water management	2 976	6 709	9 684	337	(9 348)	3,5%	11,3%	5 744
Waste management	4 270	2 662	6 931	1 302	(5 630)	18,8%	30,5%	6 438
Other	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	<b>109 066</b>	<b>24 182</b>	<b>133 249</b>	<b>62 645</b>	<b>(70 604)</b>	<b>47,0%</b>	<b>57,4%</b>	<b>65 654</b>
<b>Expenditure - Standard</b>								
<i>Governance and administration</i>	34 562	(2 203)	32 360	24 489	(7 871)	75,7%	70,9%	32 130
Executive and council	21 313	(2 935)	18 378	10 745	(7 633)	58,5%	50,4%	18 023
Budget and treasury office	10 123	744	10 867	10 637	(230)	97,9%	105,1%	11 615
Corporate services	3 126	(12)	3 114	3 106	(8)	99,7%	99,3%	2 492
<i>Community and public safety</i>	3 803	(177)	3 626	2 546	(1 080)	70,2%	66,9%	2 507
Community and social services	2 538	435	2 974	1 938	(1 035)	65,2%	76,4%	1 815
Sport and recreation	1 106	(562)	544	543	(1)	99,9%	49,1%	669
Public safety	104	(50)	54	47	(7)	86,8%	45,2%	17
Housing	-	-	-	-	-	-	-	-
Health	54	(0)	54	17	(37)	31,8%	31,5%	6
<i>Economic and environmental services</i>	4 883	(1 473)	3 411	4 807	1 396	140,9%	98,4%	3 349
Planning and development	-	-	-	-	-	-	-	-
Road transport	4 883	(1 473)	3 411	4 807	1 396	140,9%	98,4%	3 349
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	21 673	(11)	21 662	20 471	(1 191)	94,5%	94,5%	18 364
Electricity	11 772	126	11 898	10 730	(1 168)	90,2%	91,1%	11 073
Water	1 813	3	1 816	1 814	(2)	99,9%	100,0%	871
Waste water management	4 462	(145)	4 317	4 305	(12)	99,7%	96,5%	3 270
Waste management	3 625	6	3 631	3 623	(8)	99,8%	99,9%	3 151
Other	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>64 921</b>	<b>(3 863)</b>	<b>61 059</b>	<b>52 313</b>	<b>(8 746)</b>	<b>85,7%</b>	<b>80,6%</b>	<b>56 351</b>
<b>Surplus/(Deficit) for the year</b>	<b>44 145</b>	<b>28 045</b>	<b>72 190</b>	<b>10 332</b>	<b>(61 858)</b>	<b>14,3%</b>	<b>23,4%</b>	<b>9 303</b>



**APPENDIX D - Audited**  
**KAREEBERG LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Description R thousand	2017/2018							2016/2017
	Original Budget	Budget Adjustments (i.t.o. 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
<b>Revenue by Vote</b>								
Executive and council	25 497	(10 601)	14 895	42 336	27 440	284,2%	166,0%	19 113
Budget and treasury office	25 207	(2 095)	23 111	7 737	(15 374)	33,5%	30,7%	16 140
Corporate services	-	-	-	-	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Community and social services	1 429	320	1 749	18	(1 730)	1,0%	1,3%	17
Housing	-	-	-	-	-	-	-	-
Public safety	1	-	1	1	0	113,5%	113,5%	1
Sport and recreation	17	497	514	29	(486)	5,5%	164,0%	38
Environmental protection	-	-	-	-	-	-	-	-
Solid waste management	4 270	2 662	6 931	1 302	(5 630)	18,8%	30,5%	6 438
Waste water management	2 976	6 709	9 684	337	(9 348)	3,5%	11,3%	5 744
Road transport	2	3 278	3 280	5	(3 275)	0,1%	235,0%	5
Water	39 411	21 441	60 852	1 952	(58 900)	3,2%	5,0%	7 360
Electricity	10 258	1 972	12 231	8 930	(3 301)	73,0%	87,1%	10 798
<b>Total Revenue by Vote</b>	<b>109 066</b>	<b>24 182</b>	<b>133 249</b>	<b>62 645</b>	<b>(70 604)</b>	<b>47,0%</b>	<b>57,4%</b>	<b>65 654</b>
<b>Expenditure by Vote to be appropriated</b>								
Executive and council	21 313	(2 935)	18 378	10 745	(7 633)	58,5%	50,4%	18 023
Budget and treasury office	10 123	744	10 867	10 637	(230)	97,9%	105,1%	11 615
Corporate services	3 126	(12)	3 114	3 106	(8)	99,7%	99,3%	2 492
Planning and development	-	-	-	-	-	-	-	-
Health	54	(0)	54	17	(37)	31,8%	31,5%	6
Community and social services	2 538	435	2 974	1 938	(1 035)	65,2%	76,4%	1 815
Housing	-	-	-	-	-	-	-	-
Public safety	104	(50)	54	47	(7)	86,8%	45,2%	17
Sport and recreation	1 106	(562)	544	543	(1)	99,9%	49,1%	669
Environmental protection	-	-	-	-	-	-	-	-
Solid waste management	3 625	6	3 631	3 623	(8)	99,8%	99,9%	3 151
Waste water management	4 462	(145)	4 317	4 305	(12)	99,7%	96,5%	3 270
Road transport	4 883	(1 473)	3 411	4 807	1 396	140,9%	98,4%	3 349
Water	1 813	3	1 816	1 814	(2)	99,9%	100,0%	871
Electricity	11 772	126	11 898	10 730	(1 168)	90,2%	91,1%	11 073
<b>Total Expenditure by Vote</b>	<b>64 921</b>	<b>(3 863)</b>	<b>61 059</b>	<b>52 313</b>	<b>(8 746)</b>	<b>85,7%</b>	<b>80,6%</b>	<b>56 351</b>
<b>Surplus/(Deficit) for the year</b>	<b>44 145</b>	<b>28 045</b>	<b>72 190</b>	<b>10 332</b>	<b>(61 858)</b>	<b>14,3%</b>	<b>23,4%</b>	<b>9 303</b>

**APPENDIX D - Audited**  
**KAREEBERG LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)**

Description R thousand	2017/2018							2016/2017
	Original Budget	Budget Adjustments (i.t.o. 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
<b>Revenue By Source</b>								
Property rates	5 006	-	5 006	4 430	(576)	88,5%	88,5%	4 185
Property rates - penalties & collection charges	-	-	-	135	135	#DIV/0!	#DIV/0!	126
Service charges - electricity revenue	9 249	(332)	8 917	8 930	13	100,1%	96,5%	9 596
Service charges - water revenue	5 202	(213)	4 989	1 952	(3 037)	39,1%	37,5%	4 715
Service charges - sanitation revenue	2 976	-	2 976	1 299	(1 676)	43,7%	43,7%	3 819
Service charges - refuse revenue	4 101	46	4 147	337	(3 811)	8,1%	8,2%	3 035
Service charges - other	-	-	-	-	-	-	-	-
Rental of facilities and equipment	375	(13)	362	280	(82)	77,2%	74,7%	342
Interest earned - external investments	1 736	(1 291)	445	3 716	3 271	835,1%	214,1%	2 573
Interest earned - outstanding debtors	3	-	3	1	(2)	37,3%	37,3%	2
Dividends received	-	-	-	-	-	-	-	-
Fines	12	-	12	21	8	167,8%	167,8%	14
Licences and permits	7	-	7	18	11	242,3%	242,3%	18
Agency services	237	-	237	237	(0)	99,9%	99,9%	222
Transfers recognised - operational	24 719	-	24 719	26 351	1 632	106,6%	106,6%	24 698
Other revenue	12 348	24 985	37 332	492	(36 840)	1,3%	4,0%	823
Gains on disposal of PPE	-	-	-	13	13	#DIV/0!	#DIV/0!	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>65 971</b>	<b>23 182</b>	<b>89 154</b>	<b>48 212</b>	<b>(40 942)</b>	<b>54,1%</b>	<b>73,1%</b>	<b>54 170</b>
<b>Expenditure By Type</b>								
Employee related costs	21 002	(150)	20 852	19 371	(1 481)	92,9%	92,2%	16 767
Remuneration of councillors	2 490	-	2 490	2 446	(44)	98,2%	98,2%	2 179
Debt impairment	2 394	-	2 394	272	(2 122)	11,4%	11,4%	-
Depreciation & asset impairment	3 681	-	3 681	3 479	(203)	94,5%	94,5%	3 416
Finance charges	145	-	145	2 282	2 137	1576,5%	1576,5%	2 267
Bulk purchases	10 912	-	10 912	10 489	(423)	96,1%	96,1%	10 336
Other materials	1 446	(300)	1 146	-	(1 146)	-	-	-
Contracted services	2 394	-	2 394	2 692	298	112,5%	112,5%	2 350
Transfers and grants	10 095	-	10 095	1 018	(9 076)	10,1%	10,1%	811
Other expenditure	10 364	(3 413)	6 950	10 262	3 312	147,7%	99,0%	9 839
Loss on disposal of PPE	-	-	-	2	2	#DIV/0!	#DIV/0!	4
<b>Total Expenditure</b>	<b>64 921</b>	<b>(3 863)</b>	<b>61 059</b>	<b>52 313</b>	<b>(8 746)</b>	<b>85,7%</b>	<b>80,6%</b>	<b>47 968</b>
<b>Surplus/(Deficit)</b>	<b>1 050</b>	<b>27 045</b>	<b>28 095</b>	<b>(4 101)</b>	<b>(32 196)</b>	<b>-14,6%</b>	<b>-390,6%</b>	<b>6 202</b>
Transfers recognised - capital	43 095	1 000	44 095	14 386	(29 709)	32,6%	33,4%	10 914
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	47	47	100,0%	100,0%	-
<b>Surplus/(Deficit) for the year</b>	<b>44 145</b>	<b>28 045</b>	<b>72 190</b>	<b>10 332</b>	<b>(61 858)</b>	<b>14,3%</b>	<b>23,4%</b>	<b>17 116</b>

**APPENDIX D - Audited**  
**KAREEBERG LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

Description R thousand	2017/2018							2016/2017
	Original Budget	Budget Adjustments (i.l.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>Capital expenditure - Vote</b>								
<b>Multi-year expenditure</b>								
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	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure</b>	-	-	-	-	-	-	-	-
<b>Single-year expenditure</b>								
Executive and council	-	-	-	82	82	#DIV/0!	#DIV/0!	-
Budget and treasury office	-	-	-	961	961	#DIV/0!	100,0%	681
Corporate services	-	-	-	-	-	-	-	-
Planning and development	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Community and social services	320	-	320	285	(35)	88,9%	100,0%	254
Housing	-	-	-	-	-	-	-	-
Public safety	-	-	-	350	350	#DIV/0!	#DIV/0!	-
Sport and recreation	497	(246)	251	-	(251)	-	-	1 043
Environmental protection	-	-	-	-	-	-	-	-
Solid waste management	-	-	-	-	-	-	-	-
Waste water management	4 000	-	4 000	3 993	(7)	100,0%	99,8%	2 132
Road transport	3 278	(1 754)	1 524	3 985	2 461	261,6%	121,6%	3 704
Water	34 000	(15 000)	19 000	5 579	(13 421)	29,4%	100,0%	2 946
Electricity	1 000	-	1 000	889	(111)	88,9%	88,9%	886
<b>Capital single-year expenditure</b>	43 095	(17 000)	26 095	16 123	(9 972)	62%	37%	11 647
<b>Total Capital Expenditure - Vote</b>	43 095	(17 000)	26 095	16 123	(9 972)	62%	37%	11 647
<b>Capital Expenditure - Standard</b>								
<b>Governance and administration</b>								
Executive and council	-	-	-	1 043	1 043	#DIV/0!	#DIV/0!	681
Budget and treasury office	-	-	-	82	82	#DIV/0!	#DIV/0!	-
Corporate services	-	-	-	961	961	#DIV/0!	100,0%	681
<b>Community and public safety</b>	817	(246)	571	635	63	111,1%	77,7%	1 297
Community and social services	320	-	320	285	(35)	88,9%	100,0%	254
Sport and recreation	497	(246)	251	-	(251)	-	-	1 043
Public safety	-	-	-	350	350	#DIV/0!	#DIV/0!	-
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	3 278	(1 754)	1 524	3 985	2 461	261,6%	121,6%	3 704
Planning and development	-	-	-	-	-	-	-	-
Road transport	3 278	(1 754)	1 524	3 985	2 461	261,6%	121,6%	3 704
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	39 000	(15 000)	24 000	10 461	(13 539)	43,6%	26,8%	5 964
Electricity	1 000	-	1 000	889	(111)	88,9%	88,9%	886
Water	34 000	(15 000)	19 000	5 579	(13 421)	29,4%	100,0%	2 946
Waste water management	4 000	-	4 000	3 993	(7)	100,0%	99,8%	2 132
Waste management	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	43 095	(17 000)	26 095	16 123	(9 972)	62%	37%	11 647
<b>Funded by:</b>								
National Government	43 095	(17 000)	26 095	14 386	(11 709)	55,1%	33,4%	10 914
Provincial Government	-	-	-	-	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	1 737	1 737	#DIV/0!	100,0%	732
<b>Transfers recognised - capital</b>	43 095	(17 000)	26 095	16 123	(9 972)	62%	37%	11 647
<b>Public contributions &amp; donations</b>	-	-	-	-	-	-	-	-
<b>Borrowing</b>	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>	-	-	-	-	-	-	-	-
<b>Total Capital Funding</b>	43 095	(17 000)	26 095	16 123	(9 972)	62%	37%	11 647



**APPENDIX D - Audited**  
**KAREEBERG LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**  
**CASH FLOWS**

Description	2017/2018							2016/2017
	Original Budget	Budget Adjustments (i.t.o. 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								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Property rates, penalties & collection charges	3 675	-	3 675	4 367	692	118,8%	118,8%	4 272
Service charges	20 451	-	20 451	10 970	(9 481)	53,6%	53,6%	10 787
Other revenue	12 679	-	12 679	3 874	(8 805)	30,6%	30,6%	725
Government - operating	24 719	-	24 719	24 609	(110)	99,6%	99,6%	23 411
Government - capital	43 095	1 000	44 095	19 079	(25 016)	43,3%	44,3%	26 669
Interest	1 566	-	1 566	3 606	2 040	230,3%	230,3%	2 456
Dividends	-	-	-	-	-	-	-	-
<b>Payments</b>								
Suppliers and employees	(47 310)	-	(47 310)	(42 124)	5 187	89,0%	89,0%	(38 658)
Finance charges	(145)	-	(145)	(2 282)	(2 137)	1576,5%	1576,5%	(2 267)
Transfers and Grants	(10 095)	-	(10 095)	(1 018)	9 076	10,1%	10,1%	(811)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>48 635</b>	<b>1 000</b>	<b>49 635</b>	<b>21 081</b>	<b>(28 553)</b>	<b>42,5%</b>	<b>43,3%</b>	<b>26 585</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	-	-	-	66	66	100,0%	100,0%	-
Decrease (Increase) in non-current debtors	8	-	8	5	(4)	54,0%	54,0%	17
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
<b>Payments</b>								
Capital assets	(43 095)	(1 000)	(44 095)	(16 086)	28 009	36,5%	37,3%	(11 678)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(43 087)</b>	<b>(1 000)</b>	<b>(44 087)</b>	<b>(16 015)</b>	<b>28 071</b>	<b>36,3%</b>	<b>37,2%</b>	<b>(11 661)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	10	-	10	1	(9)	14,3%	14,3%	4
<b>Payments</b>								
Repayment of borrowing	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>10</b>	<b>-</b>	<b>10</b>	<b>1</b>	<b>(9)</b>	<b>14,3%</b>	<b>14,3%</b>	<b>4</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>5 558</b>	<b>-</b>	<b>5 558</b>	<b>5 067</b>	<b>(491)</b>	<b>91,2%</b>	<b>91,2%</b>	<b>14 928</b>
Cash/cash equivalents at the year begin:	25 282	-	25 282	38 181	12 899	151,0%	151,0%	23 254
Cash/cash equivalents at the year end:	30 840	-	30 840	43 249	12 400	140,2%	140,2%	38 181

APPENDIX E - Audited  
KAREEBERG LOCAL MUNICIPALITY  
DEVIATIONS ACCORDING TO SECTION 36(2) - SUPPLY CHAIN MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2018

**NOT THREE QUOTATIONS**

R2,001 - R30,000				
Date of tender committee	Supplier	Amount	Reason	
19-09-2017	Media 24	R 14 364,00	Exceptional	
29-09-2017	Media 24	R 11 491,20	Exceptional	
11-10-2017	Northern Cape Panel Beaters	R 5 000,00	Exceptional	
08-12-2017	Media 24	R 5 180,89	Exceptional	
24-05-2018	Jacobs Broers	R 3 058,45	Exceptional	
	Wings 'n Things	R 5 197,00	Exceptional	
12-12-2017	PA Stationers	R 2 178,18	Exceptional	
12-12-2017	Ukuchuma	R 29 515,00	Exceptional	
20-02-2018	Ukuchuma	R 20 273,00	Exceptional	
		<u>R 96 257,72</u>		

**NOT CHEAPEST QUOTATION**

R2,001 - R30,000				
Date of tender committee	Supplier	Amount	Reason	
13-07-2017	Fantique Trade 1215 cc	R 8 350,00	Exceptional	
08-09-2017	De Katte	R 2 200,00	Exceptional	
20-11-2017	De Aar Bande	R 15 180,00	Exceptional	
01-12-2017	Cullinan Guesthouse	R 4 600,00	Exceptional	
11-12-2017	Ubervtech IT Consulting	R 13 309,50	Exceptional	
03-01-2018	Karoo Vleisboere	R 5 075,14	Exceptional	
16-01-2018	Karoo Nasionale Park	R 15 825,00	Exceptional	
10-04-2018	Roman X Taxis	R 4 000,00	Exceptional	
31-05-2018	CP Nel	R 16 578,36	Exceptional	
		<u>R 85 118,00</u>		

**EMERGENCY**

R2,001 - R30,000				
Date of tender committee	Supplier	Amount	Reason	
24-07-2017	SAW Africa	R 5 442,41	Emergency	
27-08-2017	Prince Albert Hospitaal	R 2 241,00	Emergency	
18-09-2017	CSB Handel	R 14 261,32	Emergency	
19-09-2017	CSB Handel	R 2 260,34	Emergency	
13-09-2017	CSB Handel	R 2 203,34	Emergency	
11-10-2017	Karoo Vleisboere	R 3 110,19	Emergency	
13-10-2017	CSB Handel	R 5 244,00	Emergency	
19-12-2017	BKB	R 2 410,56	Emergency	
20-12-2017	BKB	R 2 410,56	Emergency	
28-12-2017	Carnarvon Boukontrakteurs	R 3 100,80	Emergency	
03-01-2018	CSB Handel	R 12 063,16	Emergency	
05-02-2018	CSB Handel	R 5 244,00	Emergency	
09-02-2018	CSB Handel	R 28 457,70	Emergency	
22-03-2018	SAGA Distributors	R 2 938,92	Emergency	
27-06-2018	CSB Handel	R 3 016,49	Emergency	
		<u>R 94 404,79</u>		

R30,001 - R200,000				
Date of tender committee	Supplier	Amount	Reason	
01-12-2017	Agrico	R 172 367,73	Emergency	
05-12-2017	XYX Construction	84031,68	Emergency	
23-01-2017	XYX Construction	R 36 377,40	Emergency	
		<u>R 292 776,81</u>		

APPENDIX E - Audited  
KAREEBERG LOCAL MUNICIPALITY  
DEVIATIONS ACCORDING TO SECTION 36(2) - SUPPLY CHAIN MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2018

**DONATIONS**

Date of tender committee	Supplier	Amount	Reason
07-07-2017	Verskeie instansies	R 15 554,00	Exceptional
27-02-2018	Verskeie instansies	R 14 140,00	Exceptional
		<u>R 29 694,00</u>	

**SERVICE PROVIDER**

R2,001 - R30,000			
Date of tender committee	Supplier	Amount	Reason
21-07-2017	Nashua	R 9 290,51	Service provider
	CSB Handel	R 15 344,83	Exceptional
11-08-2017	Vissers Ingenieurswerke	R 2 109,00	Sole provider
28-08-2017	Vissers Ingenieurswerke	R 10 704,60	Sole provider
06-09-2017	Hoistec Engineering	R 4 598,34	Sole provider
18-09-2017	SAGE VIP	R 5 778,66	Service provider
29-09-2017	Fantique Trade 1215 cc	R 2 500,00	Service provider
28-09-2017	CP Nel	R 2 702,73	Exceptional
16-10-2017	Bester's Auto	R 2 215,40	Exceptional
24-10-2017	Nissan De Aar	R 3 249,35	Exceptional
30-10-2017	Nissan De Aar (De Aar Motors)	R 1 364,56	Exceptional
02-11-2017	CP Nel	R 3 621,78	Exceptional
10-11-2017	Lexis Nexis	R 8 368,74	Sole provider
21-11-2017	SSE	R 10 533,60	Service provider
28-11-2017	DJ van Schalkwyk	R 13 013,10	Sole provider
06-02-2018	UIS Analytical Services	R 11 183,40	Exceptional
11-02-2018	GB Kempen en De Wet Nel	R 12 391,80	Exceptional
16-02-2018	SAGE VIP	R 6 669,00	Exceptional
08-03-2018	Arch Actuarial Services	R 14 820,00	Exceptional
27-03-2018	Dr AJ Vorster	R 2 400,00	Sole provider
27-03-2018	Dr AJ Vorster	R 7 600,00	Sole provider
25-04-2018	CP Nel	R 4 343,71	Exceptional
03-05-2018	UTD HR Consulting	R 4 067,66	Exceptional
23-05-2018	SA Poskantoor	R 19 624,50	Service provider
25-05-2018	SAGE VIP	R 6 290,50	Service provider
08-06-2018	Mubeko Afrika	R 9 159,75	Exceptional
	Sage South Africa (Pty) Ltd	R 22 567,44	Service provider
		<u>R 216 512,96</u>	
R30,001 - R200,000			
Date of tender committee	Supplier	Amount	Reason
25-07-2017	Fantique Trade 1215 cc	R 88 032,63	Service provider
	Conlog	R 72 849,36	Service provider
	EDK Besigheidsmasjiene BK	R 116 914,48	Service provider
04-09-2017	SA Poskantoor	R 32 536,00	Service provider
20-12-2017	Eskom	R 132 541,74	Service provider
		<u>R 442 874,21</u>	



APPENDIX E - Audited  
KAREEBERG LOCAL MUNICIPALITY  
DEVIATIONS ACCORDING TO SECTION 36(2) - SUPPLY CHAIN MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2018

AVAILABILITY

R2,001 - R30,000				
Date of tender committee	Supplier		Amount	Reason
12-07-2017	Herman van Heerden Ing/Inc	R	14 103,79	Exceptional
14-07-2017	Out of Africa Guesthouses	R	4 320,00	Sole provider
14-07-2017	Bianca's Catering	R	5 000,00	Sole provider
14-07-2017	Maria Pieterse	R	2 250,00	Sole provider
03-08-2017	C van der Merwe	R	3 367,00	Exceptional
07-08-2017	Bianca's Catering	R	4 080,00	Sole provider
23-08-2017	CSB Handel	R	3 357,76	Sole provider
23-08-2017	C van der Merwe	R	6 593,00	Exceptional
01-09-2017	Leon Swanepoel	R	11 339,03	Sole provider
11-09-2017	Carnarvon Boukontrakteurs	R	2 166,00	Sole provider
18-09-2017	Cem Air	R	4 820,00	Exceptional
18-09-2017	SA Airways	R	3 417,87	Exceptional
22-09-2017	Roy Riley	R	3 890,00	Exceptional
17-10-2017	JPC Besters Auto	R	3 902,02	Sole provider
18-10-2017	Karoo Bossie Gastehuis	R	3 300,00	Exceptional
31-10-2017	BKB Bpk	R	2 653,16	Exceptional
02-11-2017	Carnarvon Boukontrakteurs	R	2 995,73	Sole provider
02-11-2017	S Witbooi/Witcornelius Enterprises	R	21 363,00	Sole provider
08-11-2017	Carnarvon Boukontrakteurs	R	6 679,26	Sole provider
08-11-2017	BKB Bpk	R	2 839,59	Exceptional
28-11-2017	Jacobs Broers	R	7 746,80	Exceptional
01-12-2017	Lord Carnarvon Guest House	R	16 200,00	Exceptional
07-12-2017	Jacobs Broers	R	2 399,50	Exceptional
07-12-2017	Karoo Vleisboere	R	2 557,54	Exceptional
11-12-2017	CP Nel	R	23 092,12	Sole provider
11-12-2017	CP Nel	R	3 512,33	Sole provider
12-12-2017	BKB Bpk	R	3 301,24	Exceptional
14-12-2017	Jacobs Broers	R	3 184,70	Exceptional
15-12-2017	Jacobs Broers	R	2 120,35	Exceptional
18-12-2017	Jacobs Broers	R	4 513,75	Exceptional
18-12-2017	Jacobs Broers	R	3 499,75	Exceptional
09-01-2018	DJ van Schalkwyk	R	2 771,34	Sole provider
17-01-2018	SAGA Distributors	R	3 054,28	Exceptional
30-01-2018	JPC Besters Auto	R	13 271,75	Sole provider
12-02-2018	CSB Handel	R	3 090,50	Exceptional
13-02-2018	Kopies Driving School	R	9 000,00	Sole provider
14-02-2018	Salt and Pepper	R	6 225,00	Sole provider
16-02-2018	Jacobs Broers	R	2 794,00	Exceptional
19-02-2018	Fulcrum Technologies	R	13 965,00	Exceptional
19-03-2018	Carnarvon Spar	R	2 820,00	Exceptional
20-03-2018	Carnarvon Spar	R	8 880,60	Exceptional
27-03-2018	Jacobs Broers	R	8 330,00	Exceptional
10-04-2018	Karoo Smul	R	3 550,00	Exceptional
21-04-2018	Boland Fire	R	6 920,94	Exceptional
25-04-2018	Carnarvon Abattoir	R	5 739,31	Exceptional
26-04-2018	Carnarvon Spar	R	3 341,10	Exceptional
11-05-2018	XYX Construction	R	2 808,30	Exceptional
11-05-2018	Ukuchuma	R	6 000,00	Exceptional
25-05-2018	De Jager Loodgieter	R	22 473,50	Exceptional
29-05-2018	Luvuyo and Mihle Property and Services	R	29 500,00	Exceptional
04-06-2018	Andrew Witbooi	R	6 800,00	Exceptional
06-06-2018	Wildman Hunting	R	6 001,00	Exceptional
10-06-2018	Luvuyo and Mihle Property and Services	R	12 500,00	Exceptional
12-06-2018	XYX Construction	R	3 047,50	Exceptional
15-06-2018	Jacobs Broers	R	4 443,70	Exceptional
20-06-2018	Jacobs Broers	R	3 530,43	Exceptional
28-06-2018	CSB Handel	R	6 920,36	Exceptional
		R	382 343,90	
R30,001 - R200,000				
Date of tender committee	Supplier		Amount	Reason
22-08-2017	BKB Beperk	R	138 895,78	Exceptional
	Wholehearted Music BK	R	40 000,00	Exceptional
29-05-2018	De Jager Loodgieter	R	60 317,50	Exceptional
		R	239 213,28	

TOTAL DEVIATIONS

R 1 879 195,67