

Kareeberg

MUNICIPALITY

[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2020

KAREEBERG LOCAL MUNICIPALITY

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KAREEBERG LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

(Acting) Mr Z.P. Mjandana (Since 23 June 2020 secondment from COGHSTA)

CHIEF FINANCIAL OFFICER

Mr W. de Bruin

REGISTERED OFFICE

*Hanau Street,
CARNARVON,
9825*

AUDITORS

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

PRINCIPLE BANKERS

ABSA, Victoria Street, Carnarvon

ATTORNEYS

*M.D. Visser, Victoria Street, Carnarvon
Calteaux & Partners, 165 Van Riebeeck Avenue cnr, Cook Ave, Eastleigh, Edenvale, 1610*

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. Hoom
2	Mr N.S. van Wyk
3	Mr G.P. van Louw
4	Mr B.J.E. Slambée
Proportional	Mr J.E.J. Hoom
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 2020 , which are set out on pages 1 to 100 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 2021 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 and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.



(Acting) Mr Z P. Mjandana (Since 23 June 2020 secondment from COGHSTA)
Municipal Manager

30 October 2020

Date

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Notes	2020 (Actual) R	2019 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		188 617 126	188 574 307
Capital Replacement Reserve	2	11 347 812	11 347 812
Housing Development fund	2	50 721	48 202
Accumulated Surplus		177 218 594	177 178 293
Non-Current Liabilities		17 949 521	20 550 027
Employee benefits	3	7 596 000	7 958 830
Non-Current Provisions	4	10 353 521	12 591 198
Current Liabilities		6 800 125	19 706 499
Consumer Deposits	5	329 979	327 904
Current Employee benefits	6	2 787 633	2 658 170
Trade and Other Payables from exchange transactions	7	1 779 956	1 958 002
Unspent Transfers and Subsidies	8	791 984	14 304 758
Taxes	9	1 110 572	457 666
Total Net Assets and Liabilities		213 366 773	228 830 834
ASSETS			
Non-Current Assets		182 824 606	182 260 229
Property, Plant and Equipment	10	166 876 253	166 790 543
Investment Property	11	15 884 463	15 412 204
Intangible Assets	12	37 243	26 631
Heritage Assets	13	14 900	14 900
Capitalised Restoration Cost	14	-	-
Long-Term Receivables	15	11 747	15 951
Current Assets		30 542 167	46 570 604
Inventory	16	546 936	546 936
Receivables from exchange transactions	17	5 029 148	3 506 888
Receivables from non-exchange transactions	18	289 575	49 853
Operating Lease Asset	19	25 578	33 870
Current Portion of Long-term Receivables	15	5 170	4 967
Cash and Cash Equivalents	20	24 645 759	42 428 089
Total Assets		213 366 773	228 830 833

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 (Actual) R	2019 (Actual) R	Correction of Error - Note 34,07 R	2019 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		47 379 582	68 484 499	-	68 484 499
Taxation Revenue		9 228 699	8 327 522	-	8 327 522
Property taxes	21	9 228 699	8 327 522	-	8 327 522
Transfer Revenue		37 085 277	58 184 891	-	58 184 891
Government Grants and Subsidies - Capital	22	8 174 281	28 296 993	-	28 296 993
Government Grants and Subsidies - Operating	22	28 898 016	28 887 898	-	28 887 898
Contributed Property, Plant and Equipment		23 000	-	-	-
Other Revenue		1 055 607	1 972 087	-	1 972 087
Actuarial Gains	3	761 500	1 647 810	-	1 647 810
Availability Charges	23	285 740	301 996	-	301 996
Licences and Permits		5 499	12 661	-	12 661
Fines		2 868	9 620	-	9 620
Revenue from Exchange Transactions		18 131 818	20 135 377	-	20 135 377
Property Rates - Penalties & Collection Charges		203 594	187 596	-	187 596
Service Charges	24	14 963 681	16 022 540	-	16 022 540
Rental of Facilities and Equipment		395 832	294 261	-	294 261
Interest Earned - external investments		2 430 326	3 439 548	-	3 439 548
Interest Earned - outstanding debtors		850	1 045	-	1 045
Agency Services		58 872	151 238	-	151 238
Other Revenue	25	78 662	39 149	-	39 149
Total Revenue		65 511 400	88 619 876	-	88 619 876
EXPENDITURE					
Employee related costs	27	21 405 337	20 781 043	-	20 781 043
Remuneration of Councillors	28	2 847 412	2 532 343	-	2 532 343
Debt Impairment	29	4 635 944	3 957 784	-	3 957 784
Depreciation and Amortisation	30	5 418 630	5 095 674	665 346	4 430 327
Impairments	10	-	50 000	(2 936)	52 936
Actuarial losses	3	96 138	28 812	-	28 812
Finance Charges	31	1 726 339	1 896 918	(479 718)	2 376 634
Bulk Purchases	32	12 342 076	11 133 994	1 648 775	9 485 219
Distribution Losses	32	-	-	(1 648 775)	1 648 775
General Expenses	33	17 196 071	17 209 164	-	17 209 164
Total Expenditure		65 467 947	62 686 732	182 694	62 504 038
Operating Surplus for the Year		43 453	25 933 144	(182 694)	25 115 838
Loss on disposal of Property, Plant and Equipment/Investment Property/Intangible Asset	10	(1 600)	(6 814)	-	(6 814)
Fair Value Adjustments	26	966	1 133	-	1 133
NET SURPLUS FOR THE YEAR		42 819	25 927 463	(182 694)	25 115 157

KAREEBERG LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 July 2018	45 545	11 347 812	128 524 191	139 917 548
Correction of error - See Note 34,04	-	-	22 729 298	22 729 298
Restated Balance at 1 July 2018	45 545	11 347 812	151 253 489	162 646 846
Net Surplus/(Deficit) for the year	-	-	26 110 157	26 110 157
Correction of error - See Note 34,07	-	-	(182 694)	(182 694)
Transfer to Housing Development Fund	2 667	-	(2 657)	-
Rounding	-	-	(2)	(2)
Balance at 30 June 2019	48 202	11 347 812	177 178 293	188 574 307
Correction of error - See Note 34,04	-	-	-	-
Restated Balance at 1 July 2019	48 202	11 347 812	177 178 293	188 574 307
Net Surplus/(Deficit) for the year	-	-	42 819	42 819
Transfer to/from Housing Development Fund	2 519	-	(2 519)	-
Rounding	-	-	1	1
Balance at 30 June 2020	50 721	11 347 812	177 218 594	188 617 126

KAREEBERG LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
	Notes	R	(Actual) R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		6 647 283	7 159 002
Service Charges		10 556 058	11 521 996
Other Revenue		3 212 705	4 772 527
Government - Operating		15 497 001	26 106 000
Government - Capital		8 038 000	28 019 000
Interest		2 279 559	3 335 972
Payments			
Suppliers and employees		(56 327 830)	(50 748 885)
Finance charges	31	(1 726 339)	(1 896 918)
Net Cash from Operating Activities	35	(11 823 563)	28 268 695
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(5 948 594)	(29 116 943)
Proceeds on Disposal of Fixed Assets		4 630	37 137
Purchase of Intangible Assets		(21 846)	(16 602)
Net Cash from Investing Activities		(5 965 811)	(29 096 409)
CASH FLOW FROM FINANCING ACTIVITIES			
(Increase)/Decrease in Long-term Receivables		4 967	4 773
Increase/(Decrease) in Consumer Deposits		2 075	2 335
Rounding		2	(2)
Net Cash from Financing Activities		7 044	7 106
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(17 782 330)	(820 608)
Cash and Cash Equivalents at the beginning of the year		42 428 089	43 248 697
Cash and Cash Equivalents at the end of the year	36	24 645 759	42 428 089
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(17 782 330)	(820 608)

KAREBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2020 R (Actual)	2020 R (Final Budget)	2020 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	295 308	(2 350 258)	2 645 566	COVID-19 limited expenditure
Call investment deposits	24 350 482	26 082 000	(1 741 548)	Additional MIG Grant expenditure.
Consumer debtors	1 834 376	(3 671 165)	5 405 541	Error on Adjustment Budget strings.
Other Receivables	3 509 926	525 608	2 984 318	Unpaid conditional grants and carting of water
Current portion of long-term receivables	5 170	-	5 170	
Inventory	648 938	(105 000)	851 938	Error on Adjustment Budget strings.
Total current assets	30 542 167	20 591 185	9 950 982	
Non current assets				
Long-term receivables	11 747	19 785	(8 038)	
Investments	-	-	-	
Investment property	15 884 483	15 425 145	459 318	Transfer from PPE
Property, plant and equipment	166 878 253	161 273 120	5 597 133	Unpaid conditional grants and adjustment on calculation of landfill site asset
Biological Assets	-	-	-	
Intangible Assets	37 243	1 854 735	(1 487 492)	Sabatis system not correctly classified and corrected in 2019 AFS
Heritage Assets	14 900	-	14 900	
Total non current assets	182 824 606	178 258 785	4 565 821	
TOTAL ASSETS	213 366 773	196 849 970	14 516 803	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	-	(8)	8	
Consumer deposits	329 879	10 010	319 869	Error on Adjustment Budget strings.
Trade and other payables	3 682 813	4 368 437	(685 624)	Error on Adjustment Budget strings.
Provisions and Employee Benefits	2 787 633	-	2 787 633	Error on Adjustment Budget strings.
Total current liabilities	6 800 125	4 378 439	2 421 686	
Non current liabilities				
Borrowing	-	-	-	
Provisions and Employee Benefits	17 949 520	37 335 479	(19 385 959)	Error on Adjustment Budget strings.
Total non current liabilities	17 949 520	37 335 479	(19 385 959)	
TOTAL LIABILITIES	24 749 645	41 714 918	(16 965 273)	
NET ASSETS	188 617 127	155 135 052	31 482 075	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	177 218 654	145 749 052	31 468 542	Net effect of above reasons
Reserves	11 398 532	11 386 000	12 532	
TOTAL COMMUNITY WEALTH/EQUITY	188 617 127	157 135 052	31 482 075	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

ADJUSTMENTS TO APPROVED BUDGET

	2020 R (Approved Budget)	2020 R (Adjustments)	2020 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	(2 350 258)	-	(2 350 258)	
Call investment deposits	28 092 000	-	28 092 000	
Consumer debtors	(3 571 165)	-	(3 571 165)	
Other Receivables	525 608	-	525 608	
Current portion of long-term receivables	-	-	-	
Inventory	(105 000)	-	(105 000)	
Total current assets	20 591 185	-	20 591 185	
Non current assets				
Long-term receivables	19 785	-	19 785	
Investments	-	-	-	
Investment property	15 425 145	-	15 425 145	
Property, plant and equipment	188 326 120	(7 047 000)	181 279 120	Withdrawal of RBNG Grant and reclassification of Sebata
Biological Assets	-	-	-	
Intangible Assets	1 534 735	-	1 534 735	
Heritage Assets	-	-	-	
Total non current assets	185 305 765	(7 047 000)	178 258 765	
TOTAL ASSETS	205 896 970	(7 047 000)	198 849 970	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	(8)	-	(8)	
Consumer deposits	325 569	(315 559)	10 010	Error on Adjustment Budget strings.
Trade and other payables	4 369 437	-	4 369 437	
Provisions and Employee Benefits	-	-	-	
Total current liabilities	4 694 998	(315 559)	4 379 439	
Non current liabilities				
Borrowing	-	-	-	
Provisions and Employee Benefits	37 335 479	-	37 335 479	
Total non current liabilities	37 335 479	-	37 335 479	
TOTAL LIABILITIES	42 030 477	(315 559)	41 714 918	
NET ASSETS	163 866 493	(6 731 441)	157 135 052	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	152 480 493	(6 731 441)	145 748 052	Net effect of above reasons
Reserves	11 386 000	-	11 386 000	
TOTAL COMMUNITY WEALTH/EQUITY	163 866 493	(6 731 441)	157 135 052	

KAREBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2020 R (Actual)	2020 R (Final Budget)	2020 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	9 228 899	10 315 508	(1 086 609)	No interim valuations
Property rates - penalties & collection charges	203 584	-	203 584	
Service charges	15 249 421	15 340 354	(90 933)	
Rental of facilities and equipment	305 832	372 070	(66 238)	
Interest earned - external investments	2 430 325	2 161 201	269 124	Low expenditure
Interest earned - outstanding debtors	850	381 000	(380 150)	Error on Adjustment Budget strings.
Dividends received	-	-	-	
Fines	2 868	8 250	(5 382)	Covid-19
Licences and permits	5 489	42 800	(37 311)	Covid-19
Agency services	58 872	-	58 872	Error on Adjustment Budget strings.
Government Grants and Subsidies - Operating	28 898 016	28 780 000	118 016	More MIG Expenditure
Other revenue	864 128	2 268 122	(1 403 994)	Error on Adjustment Budget strings.
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	57 338 105	59 623 405	(2 285 300)	
EXPENDITURE BY TYPE				
Employee related costs	21 405 387	23 489 586	(2 084 199)	Vacancies
Remuneration of councillors	2 647 412	2 739 128	(91 716)	
Debt Impairment	4 635 944	3 883 300	752 644	Less payment - Covid-19
Depreciation & asset impairment	5 418 830	3 581 678	1 837 152	Landfill site asset recalculation
Finance charges	1 726 339	1 067 222	659 117	Final calculation not in line with estimates
Bulk purchases	12 342 076	13 504 604	(1 162 528)	Lower consumption
Other materials	-	2 003 183	(2 003 183)	Reclassified to general expenditure
Contracted services	-	7 409 616	(7 409 616)	Reclassified to general expenditure
Grants and subsidies paid	-	2 128 462	(2 128 462)	Reclassified to general expenditure
Other expenditure	17 282 209	10 210 283	7 071 926	Net effect of three line items above
Loss on disposal of PPE	1 800	-	1 800	
Total Operating Expenditure	65 469 547	68 986 942	(3 517 395)	
Operating Deficit for the year	(8 131 442)	(10 357 537)	2 226 095	
Government Grants and Subsidies - Capital	8 174 281	17 238 004	(9 063 723)	RBIG funds withdraw
Net Surplus for the year	42 819	6 880 467	(6 837 648)	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

ADJUSTMENTS TO APPROVED BUDGET

	2020 R	2020 R	2020 R	
	(Approved Budget)	(Adjustments)	(Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Property rates	10 315 508	-	10 315 508	
Property rates - penalties & collection charges	-	-	-	
Service charges	15 340 354	-	15 340 354	
Rental of facilities and equipment	372 070	-	372 070	
Interest earned - external investments	2 151 201	-	2 151 201	
Interest earned - outstanding debitors	351 000	-	351 000	
Dividends received	-	-	-	
Fines	8 250	-	8 250	
Licences and permits	42 900	-	42 900	
Agency services	-	-	-	
Government Grants and Subsidies - Operating	28 980 000	(200 000)	28 780 000	
Other revenue	2 288 122	-	2 288 122	
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	59 829 405	(200 000)	59 629 405	
EXPENDITURE BY TYPE				
Employee related costs	24 416 488	(928 922)	23 489 566	Vacancies
Remuneration of councillors	2 739 128	-	2 739 128	
Debt Impairment	3 883 300	-	3 883 300	
Depreciation & asset impairment	3 551 679	-	3 551 679	
Finance charges	1 087 222	-	1 087 222	
Bulk purchases	13 504 504	-	13 504 504	
Other materials	1 723 902	279 281	2 003 183	
Contracted services	4 617 746	2 791 869	7 409 615	Additional Sebata system cost
Grants and subsidies paid	2 128 337	125	2 128 462	
Other expenditure	10 354 636	(144 353)	10 210 283	
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	67 986 942	2 000 000	69 986 942	
Operating Deficit for the year	(8 157 537)	(2 200 000)	(10 357 537)	
Government Grants and Subsidies - Capital	22 085 004	(4 847 000)	17 238 004	RBG funds withdraw and the lesser amount made available
Net Surplus/(Deficit) for the year	13 927 467	(7 047 000)	6 880 467	

KAREEBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2020 R (Actual)	2020 R (Final Budget)	2020 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property Rates	6 647 263	7 530 320	(883 037)	Lower payment level - Covid-19
Service Charges	10 556 058	14 242 335	(3 686 277)	Lower payment level - Covid-19
Other Revenue	3 212 706	2 580 883	621 822	Additional VAT on MIG
Government - Operating	15 487 001	28 980 000	(13 482 999)	Refund to NT
Government - Capital	8 038 000	22 085 000	(14 047 000)	RBMG withdrew
Interest	2 279 558	2 287 080	(7 521)	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(58 327 830)	(58 356 278)	3 028 448	Lower expenditure - Covid-19
Finance charges	(1 726 339)	(1 067 222)	(659 117)	Final calculation not in line with estimates
Transfers and Grants	-	(2 128 482)	2 128 482	Reclassification to general expenditure
NET CASH FROM(USED) OPERATING ACTIVITIES	(11 823 563)	15 163 855	(28 987 218)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	4 630	-	4 630	
Decreases/(increases) in non-current receivables	4 967	4	4 967	
Decreases/(increases) in non-current investments	-	-	(4)	
Payments				
Capital assets	(5 970 441)	(17 345 004)	11 374 563	Error on adjustment budget strings
NET CASH FROM(USED) INVESTING ACTIVITIES	(5 965 844)	(17 345 000)	11 384 156	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	2 075	(315 558)	317 634	Error on adjustment budget strings
Payments				
Repayment of borrowing	-	7	(7)	
NET CASH FROM(USED) FINANCING ACTIVITIES	2 075	(315 552)	317 627	
NET INCREASE(DECREASE) IN CASH HELD	(17 782 333)	(2 498 897)	(15 285 436)	
Cash and Cash Equivalents at the beginning of the year	42 428 089	28 302 220	16 125 869	Error on adjustment budget strings
Cash and Cash Equivalents at the end of the year	24 645 756	23 805 323	840 436	Error on adjustment budget strings

KAREBERG LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

ADJUSTMENTS TO APPROVED BUDGET

	2020 R (Approved Budget)	2020 R (Adjustments)	2020 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates, penalties & collection charges	7 530 320		7 530 320	
Service charges	14 242 335		14 242 335	
Other revenue	2 580 883		2 580 883	
Government - operating	28 980 000		28 980 000	
Government - capital	22 085 000		22 085 000	
Interest	2 287 080		2 287 080	
Dividends				
Payments				
Suppliers and Employees	(57 356 404)	(1 999 875)	(59 356 279)	Additional Sebata system cost
Finance charges	(1 087 222)		(1 087 222)	
Transfers and Grants	(2 128 337)	(125)	(2 128 462)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	17 183 655	(2 000 000)	15 183 655	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	8 480	(8 480)		
Decrease/(increase) in non-current receivables		4		
Decrease/(increase) in non-current investments				
Payments				
Capital assets	(24 382 004)	7 047 000	(17 345 004)	Withdrawal of RBIG Grant and reclassification of Sebata
NET CASH FROM/(USED) INVESTING ACTIVITIES	(24 383 514)	7 038 514	(17 345 000)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing				
Increase/(decrease) in consumer deposits	(2 335)	(313 224)	(315 559)	Error on adjustment budget strings
Payments				
Repayment of borrowing		7	7	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(2 335)	(313 217)	(315 552)	
NET INCREASE/(DECREASE) IN CASH HELD	(7 222 194)	4 725 287	(2 496 887)	
Cash and Cash Equivalents at the beginning of the year	30 951 600	(4 648 360)	26 302 220	Error on adjustment budget strings
Cash and Cash Equivalents at the end of the year	23 728 406	75 917	23 805 323	Error on adjustment budget strings

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 – April 2019) 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 2019/20 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2020.

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

Standard	Description	Effective Date
GRAP 34 (Revised – April 2020)	<p><u>Separate Financial Statements</u></p> <p>The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</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
GRAP 35 (Revised – April 2020)	<p><u>Consolidated Financial Statements</u></p> <p>The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
GRAP 36 (Revised – April 2020)	<p><u>Investments in Associates and Joint Ventures</u></p> <p>The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Standard	Description	Effective Date
GRAP 37 (Revised – April 2020)	<p><u>Joint Arrangements</u></p> <p>The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements)</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
GRAP 38 (Revised - April 2020)	<p><u>Disclosure of Interest in Other Entities</u></p> <p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and</p> <p>b) the effects of those interests on its financial position, financial performance and cash flows.</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
GRAP 104 (Revised – April 2020)	<p><u>Financial Instruments</u></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
GRAP 110 (Revised – April 2020)	<p><u>Living and non-living resources</u></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
IGRAP 20	<p><u>Accounting for Adjustments on Revenue</u></p> <p>The Interpretation clarifies the accounting for adjustments to:</p> <p>a) exchange and non-exchange revenue charged in terms of legislation or similar means; and</p>	1 April 2020

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	<p>b) interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal, or objection process.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	
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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.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

1.11.1 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

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.11.2 UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

1.12. PROVISIONS

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

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur.

Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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, limited to 48 days, 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.

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.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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; it's deemed cost is the carrying amount of the asset(s) given up.

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

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. 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.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land 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

Years

Land	Indefinite
Buildings	10-81

Infrastructure

Years

Roads and Stormwater	13-101
Electricity Mains	13-51
Water Mains and Purification	2-84
Sewerage Mains & Purification	9-81
Refuse Mains	29-61

Community

Years

Recreation Grounds	11-102
Civil Buildings	30-81
Cemetery	30-81
Museum	30-81
Parks	30-81
Public Conveniences/Bathhouses	30-81
Libraries	30-81
Clinics and Hospitals	30-81

Other

Years

Motor Vehicles	5-25
Office equipment	1-31
Furniture and fittings	3-31
Refuse Truck	10-18
Plant and Equipment	2-34

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Fire Engines	22-34
Computer Equipment	2-27

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 identifiable criteria 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.

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 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	1-11

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

KAREEBERG MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 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

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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

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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

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- 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:

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(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.
- 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

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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

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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. 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

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them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

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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

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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. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments. 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;

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- (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.

1.21.4 Transitional Provisions

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables.

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

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.

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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 recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

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

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

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

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.

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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.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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

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

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

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Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

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

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

1.28.2 *Impairment of Receivables*

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness and the effect of COVID-19. This was performed per service-identifiable categories across all classes of debtors.

1.28.3 *Impairment of Statutory Receivables*

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

1.28.4 *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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

1.28.5 Intangible Assets

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

1.28.6 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.

1.28.7 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.

1.28.8 Revenue Recognition

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

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

1.28.9 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

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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.

1.28.10 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.

1.28.11 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.

1.28.12 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:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- 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.

1.33. CONSTRUCTION CONTRACTS

Construction contracts are those contracts entered between the municipality and a customer (or third party) whereby the municipality delivers a constructed asset in terms of an agreement with such party. The construction can be done by the municipality or through the use of a sub-contractor. The benefit of the constructed item (or group of items) must be received by such party and not the municipality.

Revenue from such contracts shall comprise the agreed value in terms of the contract plus any agreed variations to such contract on the conditions that these variations will result in an inflow of economic resources that can be measured reliably.

Contract costs are costs that directly relate to the contract as well as costs that are attributable to the execution of the construction work and any additional costs as agreed between the municipality and the party obtaining the final goods. Attributable costs are only assigned to the contract costs if these can be assigned on a systematic and rational basis.

The municipality assessed all of the contracts in place and found that only those contracts pertaining to Housing Arrangements as those described in ASB's Accounting for Arrangements Undertaken in terms of the National Housing Programme would meet the definition on Construction Contracts.

All of these contracts for the municipality are fixed-price contracts. Revenue and costs are therefore recognised with reference to the stage of completion provided that the conditions for contract revenue and contract costs are met and the stage of contract completion can be measured.

In exceptional cases, if any, for a cost-plus or cost-based contract, the outcome of a construction contract can be estimated reliably when it is probable that the economic benefits or service potential associated with the contract will flow to the entity and the contract costs can be clearly identified and measured reliably.

An expected deficit on a construction contract shall be recognised as an expense immediately based on the stage of completion. Future losses are only accounted for when these losses are incurred in terms of the stage of completion. This implies that only the proportional loss of a contract would be recognised based on the percentage of completion.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

As the percentage or stage of completion is an estimate at year-end, any subsequent changes to the estimate would be accounted for as a change in estimate in terms of the relevant municipal accounting policy.

1.34. ACCOUNTING BY PRINCIPALS AND AGENTS

A principal-agent arrangement exists where there is a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

Identification

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:

- Who determines significant terms?
- Who receives the benefit from the transactions?
- Is the municipality exposed to the variability of the outcome?

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

1.35. SERVICE CONCESSION ARRANGEMENTS: (Municipality as grantor)

Identification

Service concession arrangements of the municipality include the provision of mandated functions on behalf of the municipality by the operator for a specified period of time, for which the operator is compensated for its services over the period of the service concession arrangement.

Initial Recognition

Service concession assets are measured initially at fair value except where the assets are existing assets of the municipality in which case the assets are reclassified at their carrying amounts. Service concession assets will be identified separately.

The service concession liability is recognised and initially measured at:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- The same amount as the service concession asset,
- Adjusted by the amount of any other consideration (e.g., cash) from the municipality to the operator, or from the operator to the municipality.

Subsequent Measurement

The municipality initially measures the service concession asset at fair value if it is not an existing asset of the municipality.

After initial recognition, the municipality applies the measurement (including impairment) and derecognition principles to the service concession asset applicable to similar items of Property, Plant and Equipment, Intangible Assets or Heritage Assets.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the municipality accounts for the liability as a financial liability.

The municipality allocates the payments to the operator and accounts for them according to their substance as a reduction in the service concession liability, a finance charge, and charges for services provided by the operator.

Other Liabilities, Contingent Liabilities, Contingent Assets and Revenue

The municipality accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent Liabilities and contingent assets and Financial Instruments.

The municipality accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the principles of Revenue from Exchange Transactions.

Dividing the arrangement

When the municipality pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

Were the municipality controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the municipality recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement. The value of the receivable at the end of the service concession arrangement reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

1.36. TRANSFER OF FUNCTIONS (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- 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, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired, and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
2 NET ASSET RESERVES		
RESERVES	11 398 632	11 386 014
Capital Replacement Reserve	11 347 812	11 347 812
Housing Development fund	50 721	48 202
Total Net Asset Reserves	11 398 632	11 386 014
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 16 (6) and 18 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 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 3.1	6 844 000	7 208 454
Long Service Awards - Refer to Note 3.2	752 000	750 376
Total Non-current Employee Benefit Liabilities	7 596 000	7 958 830
<u>Post Retirement Benefits</u>		
Balance 1 July	7 576 775	8 682 485
Contribution for the year	779 048	903 686
Expenditure for the year	(361 322)	(371 597)
Actuarial Loss/(Gain)	(761 501)	(1 847 609)
Total post retirement benefits 30 June	7 243 000	7 576 775
<u>Less:</u> Transfer of Current Portion - Note 6	(389 000)	(388 321)
Balance 30 June	6 844 000	7 208 454
<u>Long Service Awards</u>		
Balance 1 July	933 769	875 025
Contribution for the year	147 663	143 365
Expenditure for the year	(206 570)	(114 433)
Actuarial Loss/(Gain)	96 138	29 812
Total long service awards 30 June	871 000	933 769
<u>Less:</u> Transfer of Current Portion - Note 6	(219 000)	(183 393)
Balance 30 June	752 000	750 376
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	8 510 544	9 567 510
Contribution for the year	926 711	1 047 061
Expenditure for the year	(557 682)	(488 030)
Actuarial Loss/(Gain)	(665 363)	(1 817 987)
Total employee benefits 30 June	8 214 000	8 510 544
<u>Less:</u> Transfer of Current Portion - Note 6	(618 000)	(551 714)
Balance 30 June	7 596 000	7 958 830
3.1 Post Retirement Benefits	2020 R	2019 R
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	6	6
Continuation members (e.g. Retirees, widows, orphans)	9	9
Total Members	15	15
The liability in respect of past service has been estimated to be as follows:		
In-service (employee) members	3 005 000	3 082 914
Continuation (retiree and widow) members	4 238 000	4 493 861
Total Liability	7 243 000	7 576 775

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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EMPLOYEE BENEFITS (CONTINUE)

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

	2018 R	2017 R	2016 R
In-service members	3 588 735	3 691 751	5 413 393
Continuation members	5 125 760	4 515 318	3 113 069
Total Liability	8 692 495	8 197 069	8 526 462

Experience adjustments were calculated as follows:

	2020 Rm	2019 Rm
Liabilities: (Gain) / loss	0.165	(1.239)
Assets: Gain / (loss)	-	-

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

	2018 Rm	2017 Rm	2016 Rm
Liabilities: (Gain) / loss	0.564	0.153	0.332
Assets: Gain / (loss)	-	-	-

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

Hoerned
LA Health

The Municipality's Accrued Unfunded Liability at 30 June 2020 is estimated at R7 243 000. The Current-service Cost for the year ending 30 June 2020 is estimated at R80 793. It is estimated to be R34 000 for the ensuing year.

Key actuarial assumptions used:	2020 %	2019 %
i) Rate of interest		
Discount rate	9.78%	9.44%
Health Care Cost Inflation Rate	6.04%	6.85%
Net Effective Discount Rate	3.53%	2.42%

Discount Rate: GRAP 26 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 9.78% per annum has been used. The corresponding index-linked yield at this term is 4.53%. 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 25 June 2020.

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 62, which then implicitly allows for expected rates of early, ill-health and early retirement.

v) Expected rate of salary increases

2018/2020 - CPI + 1.5%
2020/2021 - CPI + 1.25%

The three-year Salary and Wage Collective Agreement ends on 30 June 2021.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3

EMPLOYEE BENEFITS (CONTINUE)

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

	2020 R	2019 R
Present value of fund obligations	7 243 000	7 576 775
Total Liability	7 243 000	7 576 775

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	7 576 774	8 692 485
Total expenses	427 726	532 099
Current service cost	80 793	99 942
Interest Cost	696 266	803 754
Benefits Paid	(351 322)	(371 587)
Actuarial (gains)/losses	(761 500)	(1 647 809)
Present value of fund obligation at the end of the year	7 243 000	7 576 775
Less: Transfer of Current Portion - Note 5	(389 000)	(388 321)
Balance 30 June	6 844 000	7 208 454

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service members liability (Rm)	Retired members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		3,005	4,238	7,243	
Health care inflation	1%	3,370	4,674	8,044	11%
Health care inflation	-1%	2,637	3,886	6,562	-9%
Discount Rate	1%	2,708	3,881	6,589	-8%
Discount Rate	-1%	3,359	4,663	8,022	11%
Post-retirement mortality	1 year	2,920	4,104	7,024	-3%
Post-retirement mortality	-1 year	3,090	4,376	7,466	3%
Average retirement age	-1 year	3,078	4,238	7,316	1%
Continuation of membership at retirement	-10%	2,605	4,238	6,843	-8%

Sensitivity Analysis on Current-service and Interest Costs for year ending 30 June 2021

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		34 000	689 000	723 000	
Health care inflation	1%	40 000	768 000	808 000	12%
Health care inflation	-1%	29 000	823 000	852 000	-10%
Discount Rate	1%	29 000	888 000	718 000	-1%
Discount Rate	-1%	39 000	887 000	726 000	0%
Post-retirement mortality	1 year	33 000	868 000	701 000	-3%
Post-retirement mortality	-1 year	36 000	711 000	746 000	3%
Average retirement age	-1 year	38 000	696 000	734 000	2%
Continuation of membership at retirement	-10%	29 000	660 000	679 000	-6%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 63 employees were eligible for Long Service Bonuses.

The Current-service Cost for the year ending 30 June 2020 is R 60 410. The Current-service Cost for the ensuing year has been estimated to be R 81 000.

Key actuarial assumptions used:

i) Rate of Interest

	2020 %	2019 %
Discount rate	6.80%	7.97%
General Salary Inflation (long-term)	3.60%	5.45%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.90%	2.38%

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 6.60% 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 6.60% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 3.41%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 25 June 2020.

Experience adjustments were calculated as follows:

	2020 Rm	2019 Rm
Liabilities: (Gain) / loss	112 138	97 386
Assets: Gain / (loss)		

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

	2018 Rm	2017 Rm	2016 Rm
Liabilities: (Gain) / loss	86 534	(88 988)	(87 443)
Assets: Gain / (loss)			

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

	2020 R	2019 R
Present value of fund obligations	971 000	933 769
Net liability/(asset)	971 000	933 769

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	933 769	875 025
Total expenses	(58 907)	28 932
Current service cost	80 410	73 424
Interest Cost	67 253	69 841
Benefits Paid	(206 570)	(114 433)
Actuarial losses/(gains)	96 138	29 812
Present value of fund obligation at the end of the year	971 000	933 769
Less: Transfer of Current Portion - Note 6	(218 000)	(183 393)
Balance 30 June	752 000	750 376

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		0.971	
General salary inflation	1%	1.017	5%
General salary inflation	-1%	0.933	-4%
Discount Rate	1%	0.928	-4%
Discount Rate	-1%	1.022	5%
Average retirement age	-2 yrs	0.944	-3%
Average retirement age	2 yrs	1.201	24%
Withdrawal rates	x 2	0.531	-14%
Withdrawal rates	x 0.5%	1.068	10%

Sensitivity Analysis on Current-service and Interest Costs for year ending 30 June 2021

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		81 000	57 000	138 000	
General salary inflation	1%	87 000	60 000	147 000	7%
General salary inflation	-1%	76 000	54 000	130 000	-6%
Discount Rate	1%	77 000	62 000	139 000	1%
Discount Rate	-1%	86 000	51 000	137 000	-1%
Average retirement age	-2 yrs	78 000	55 000	133 000	-4%
Average retirement age	2 yrs	95 000	72 000	167 000	21%
Withdrawal rates	x 2	82 000	48 000	110 000	-20%
Withdrawal rates	x 0.5%	95 000	83 000	168 000	14%

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3 EMPLOYEE BENEFITS (CONTINUE)

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.

LA RETIREMENT FUND (PREVIOUSLY CAPE JOINT PENSION FUND)

2020
R

2019
R

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund has a funding level of 100,7% (30 June 2018 - 103,7%).

CONSOLIDATED RETIREMENT FUND (PREVIOUSLY CAPE JOINT RETIREMENT FUND)

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund has a funding level of 100,3% (30 June 2018 - 100%).

Contributions paid recognised in the Statement of Financial Performance

1 788 843

1 695 158

4 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites

10 353 521

12 591 198

Total Non-current Provisions

10 353 521

12 591 198

Landfill Sites

Balance 1 July

12 591 198

11 233 979

Balance previously reported

24 438 036

Correction of Error - Reverse incorrect calculation - Note 34,03

(24 438 036)

Correction of Error - Corrected calculation - Note 34,03

11 233 979

Increase/(Decrease) in Estimate

(3 198 508)

333 996

Balance previously reported

464 276

Correction of Error - Reverse incorrect calculation - Note 34,03

(464 276)

Correction of Error - Corrected calculation - Note 34,03

333 996

Increase/(Decrease) due to discounting

860 831

1 023 223

Balance previously reported

1 502 839

Correction of Error - Reverse incorrect calculation - Note 34,03

(1 502 839)

Correction of Error - Corrected calculation - Note 34,03

1 023 223

Total provision 30 June

10 353 521

12 591 198

Less: Transfer of Current Portion to Current Provisions

-

-

Balance 30 June

10 353 521

12 591 198

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4

NON-CURRENT PROVISIONS (CONTINUE)

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Camraron	2020 Vanwyksvlei	Vosburg
Preliminary and General (Rand)	1 453 884.42	493 173.12	426 896.46
Site Clearance and Preparation (Rand)	106 067.04	32 648.91	30 292.77
Storm Water Control Measures (Rand)	1 721 354.81	908 072.13	818 870.09
Capping (Rand)	6 730 758.37	2 106 809.70	1 946 072.93
Gas management (Rand)	-	-	-
Leachate Management (Rand)	422 168.80	251 982.00	241 839.41
Fencing (Rand)	1 404 601.87	10 756.65	10 756.65

In terms of the licensing of the landfill-sites, the municipality will incur licensing and rehabilitation costs of R191 508 724 (2019: R202 171 932) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the government bond rate that reflects the risk for the liability as the municipality is a government institution.

Discount rate:	2020 %	2019 %
Camraron	10.832%	9.181%
Vanwyksvlei	11.482%	9.728%
Vosburg	9.456%	8.085%

The discount rate used to calculate the present value of the rehabilitation cost at each reporting period is based on calculated rate as determined by the municipality.

Other assumptions:

	Camraron	2020 Vanwyksvlei	Vosburg
Area (m²)	33 024.00	10 171.00	9 437.00
Environmental Authorisation (Closure Licence) (Rand)	487 232.50	467 232.50	467 232.50
Technical ROD (Rand)	98 442.90	98 442.90	98 442.90
Install Groundwater Monitoring Boreholes with lockable caps (includes drilling contractor site establishment) (Rand)	178 179.20	215 060.28	168 823.17
Landscape Architects (Rand)	143 742.40	130 915.20	130 806.24
Water use licence (Rand)	20 000.00	20 000.00	8 413.00
Topographical Survey (Rand)	9 663.89	8 413.00	8 413.00
Contingencies (Rand)	1 183 877.31	377 155.25	347 462.83
Engineering: Professional Fees (Rand)	978 688.78	311 153.08	286 648.58
Site Supervision (Engineer's Representative) (Rand)	651 884.64	472 881.80	472 155.20
Site Supervision (Environmental Control Officer & OHS Agent) (Rand)	257 788.20	212 742.00	212 205.40

The municipality has an obligation to rehabilitate landfill sites at the end of expected useful life of the asset.

Total cost and estimated date of decommission of the sites are as follows:

Location	Estimated decommission date	Cost of rehabilitation 2020 R	Cost of rehabilitation 2019 R
Camraron	2037	36 765 372	36 078 086
Vanwyksvlei	2084	144 976 718	167 118 410
Vosburg	2031	9 766 633	8 977 487
		<u>191 508 724</u>	<u>202 171 932</u>

Change in size	2020	2019	Movement in size	Cost per rehab (m²)	R value of change
Area (m²)					
Camraron	33 024	33 024	0	479	-
Vanwyksvlei	10 171	10 171	0	898	-
Vosburg	9 437	9 437	0	600	-

Change in PV	2020	2019	Movement
Camraron	6 598 815.63	8 082 829	(1 484 013)
Vanwyksvlei	139 686.08	376 457	(236 762)
Vosburg	3 815 010.63	4 121 912	(306 901)
	<u>10 553 512.34</u>	<u>12 581 198</u>	<u>(2 027 676)</u>

Change in PV	2019	2018	Movement
Camraron	8 082 828.79	7 223 428	859 401
Vanwyksvlei	376 456.72	362 539	13 918
Vosburg	4 121 912.08	3 648 013	473 899
	<u>12 581 198</u>	<u>11 233 979</u>	<u>1 347 219</u>

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4

NON-CURRENT PROVISIONS (CONTINUE)

<u>Change in unit rates</u>	2020	2019	Movement	R value
Camerton	479.48	480.73	18.75	619 200
Vanwyksvlei	597.93	569.05	28.88	293 738
Vosburg	600.05	672.47	27.68	260 272
				<u>1 173 211</u>
<u>Change in unit rates</u>	2019	2018	Movement	R value
Camerton	460.73	419.09	41.64	1 375 119
Vanwyksvlei	569.05	536.17	32.88	334 422
Vosburg	572.47	545.16	27.32	257 819
				<u>1 967 361</u>

CONSUMER DEPOSITS

	2020 R	2019 R
Water & Electricity	329 979	327 904
Total Consumer Deposits	<u>329 979</u>	<u>327 904</u>

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

6

CURRENT EMPLOYEE BENEFITS

	2020 R	2019 R
Current Portion of Post Retirement Benefits - Note 3	399 000	368 321
Current Portion of Long-Service Provisions - Note 3	219 000	183 393
Provision for Performance Bonuses	370 414	424 122
Provision for Annual Bonuses	276 327	284 211
Provision for Staff Leave	1 522 692	1 398 123
Total Current Employee Benefits	<u>2 787 633</u>	<u>2 658 170</u>

The movement in current employee benefits are reconciled as follows:

Current Portion of Post Retirement Benefits - Note 3

Balance at beginning of year	368 321	371 597
Transfer from non-current	382 001	368 321
Expenditure incurred	(351 322)	(371 597)
Balance at end of year	<u>399 000</u>	<u>368 321</u>

Current Portion of Long-Service Provisions - Note 3

Balance at beginning of year	183 393	97 458
Transfer from non-current	242 177	200 368
Expenditure incurred	(206 570)	(114 433)
Balance at end of year	<u>219 000</u>	<u>183 393</u>

Provision for Performance Bonuses

Balance at beginning of year	424 122	271 172
Contribution to current portion	267 134	419 700
Expenditure incurred	(320 842)	(266 750)
Balance at end of year	<u>370 414</u>	<u>424 122</u>

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

Provision for Staff Leave

Balance at beginning of year	1 398 123	1 203 402
Contribution to current portion	599 147	412 127
Expenditure incurred	(474 378)	(217 407)
Balance at end of year	<u>1 522 692</u>	<u>1 398 123</u>

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	284 211	283 650
Contribution to current portion	(7 884)	561
Balance at end of year	<u>276 327</u>	<u>284 211</u>

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

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

7	TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS	2020 R	2019 R
	Trade Payables	1 455 205	1 812 753
	Payments received in advance	324 762	145 249
	Total Trade Payables	1 779 966	1 958 002

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

8	UNSPENT TRANSFERS AND SUBSIDIES	2020 R	2019 R
	Unspent Grants	791 984	14 304 758
	National and Provincial Government Grants	791 984	14 304 758
	Other Sources	-	-
	Total Conditional Grants and Receipts	791 984	14 304 758

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	2020 R	2019 R
	VAT (Payable)	(1 480 941)	(1 180 493)
	Balance previously reported		-
	Correction of Error. Refer note		(1 180 493)
	VAT Receivable	350 369	722 827
	Balance previously reported		-
	Correction of Error. Refer note 34.05		722 827
	Total VAT (Payable)/Receivable	(1 110 572)	(457 666)

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

KAREBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10 PROPERTY, PLANT AND EQUIPMENT

10.1 30 JUNE 2020

Reconciliation of Carrying Value	Cost		Accumulated Impairments		Accumulated Depreciation		Carrying Value	
	Opening Balance R	Additions R	Transfers R	Disposals R	Closing Balance R	Opening Balance R	Closing Balance R	R
Land and Buildings	24 788 148	-	(485 200)	-	24 302 948	405	622 378	23 614 339
Land	22 218 460	-	(485 200)	-	21 733 260	-	-	21 733 260
Buildings	2 569 688	-	-	-	2 569 688	405	622 378	1 947 279
Infrastructure	150 086 701	5 684 842	(0)	(587 086)	155 184 457	-	25 224 244	129 960 213
Electricity	6 769 629	-	-	(64 454)	6 705 175	-	1 307 483	5 397 692
Road Transport	53 753 521	3 050 238	1 063 017	(222 765)	57 714 011	-	11 882 882	45 831 129
Sanitation	23 946 163	-	-	(122 548)	23 723 615	-	5 407 621	18 316 000
Solid Waste Disposal	488 000	-	-	-	488 000	-	13 870	474 130
Stormwater	9 903 976	5 893 585	978 046	(16 673)	15 818 933	-	311 101	15 507 832
Water Supply	33 773 316	-	-	(160 645)	33 612 673	-	4 423 372	29 189 301
Landfill Sites	11 567 974	(3 198 508)	-	-	8 369 467	-	1 423 323	6 946 144
WIP	10 945 129	149 527	(2 041 033)	-	8 953 594	-	-	8 953 594
Community Assets	13 559 554	138 281	-	-	13 697 835	61 383	2 388 707	11 309 128
Recreation Grounds	10 119 940	-	-	-	10 119 940	60 248	1 360 870	8 759 070
Civil Buildings	122 360	-	-	-	122 360	-	28 290	94 070
Cemetery	1 446 823	-	-	-	1 446 823	-	31 442	1 415 381
Museum	360 000	-	-	-	360 000	-	76 707	283 293
Clinic	360 800	-	-	-	360 800	-	6 436	354 364
Libraries	1 035 620	138 281	-	-	1 173 901	-	72 530	1 101 371
Parks & Gardens	29 279	-	-	-	29 279	-	141 828	112 551
Public Conveniences/Bathhouses	84 731	-	-	-	84 731	-	6 901	78 830
Other Assets	7 894 722	150 481	-	(372 095)	7 673 108	1 135	23 388	7 439 720
Motor Vehicles	3 068 300	-	-	(265 707)	2 802 593	-	5 089 282	1 993 311
Plant & Equipment	1 600 237	16 608	-	(5 898)	1 611 043	-	2 390 754	505 851
Office Equipment	700 705	76 283	-	(39 843)	737 145	-	1 119 780	342 702
Furniture & Fittings	2 646	-	-	(26 846)	23 357	-	384 149	360 793
Fire Engines	977 680	59 204	-	(597)	1 036 687	-	537 387	500 300
Computer Equipment	382 738	-	-	(36 032)	346 706	-	2 221	344 485
Refuse Tankers	75 214	1 396	-	(6 230)	70 380	-	395 284	16 100
Game	188 029 124	5 971 594	(485 200)	(569 181)	200 656 336	61 788	29 179 794	168 876 253

Reconciliation of Property, Plant and Equipment:

30 JUNE 2020

Opening Balance R	Additions R	WIP R	Disposals R	Other changes, movements R	Depreciation R	Impairment Losses R	Closing Balance R
22 218 460	-	-	-	(485 200)	-	-	21 733 260
1 948 905	-	-	-	-	(68 828)	-	1 880 077
128 537 480	5 535 315	149 527	-	-	(4 262 109)	-	129 960 213
11 562 287	158 261	-	-	-	(420 803)	-	11 300 745
2 495 430	150 481	-	(6 230)	-	(645 715)	-	1 993 975
168 780 543	6 822 087	149 527	(6 230)	(485 200)	(5 384 454)	-	168 876 253

KAREBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2019

Reconciliation of Carrying Value

	Cost		Accumulated Impairments		Accumulated Depreciation		Carrying Value	
	Operating Balance	Additions	Transfers	Disposals	Closing Balance	Opening Balance	Closing Balance	Disposals
	R	R	R	R	R	R	R	R
Land and Buildings	24 788 146	-	-	-	24 788 146	405	405	65 826
Land	22 218 460	-	-	-	22 218 460	-	-	-
Buildings	2 569 686	-	-	-	2 569 686	-	-	-
Infrastructure	122 002 264	28 230 234	(0)	(145 788)	180 086 701	17 709 304	21 549 221	3 985 705
Electricity	5 220 314	678 678	870 638	-	6 769 630	-	-	174 346
Road Transport	50 540 889	3 240 887	76 368	(84 623)	53 793 521	8 867 923	10 411 788	1 588 480
Sewerage	22 518 245	1 326 908	-	-	23 845 153	3 076 726	4 657 872	681 147
Solid Waste Disposal	488 000	-	-	-	488 000	-	-	13 870
Stormwater	8 838 224	749 519	16 228	-	9 603 971	-	-	103 381
Water Supply	13 823 085	19 207 559	941 820	(81 165)	33 773 316	3 214 726	3 783 854	469 127
Landfill Sites	11 233 879	333 998	-	-	11 567 874	-	-	620 203
Balance previously reported	11 233 879	333 998	-	-	11 567 874	-	-	738 432
Correction of Error - Note 34.01	9 837 300	2 612 680	(1 905 051)	-	10 545 129	-	-	-
WIP	13 362 901	196 950	-	-	13 559 854	11 393	61 383	419 120
Community Assets	10 119 940	-	-	-	10 119 940	10 248	60 248	346 834
Recreation Grounds	122 360	-	-	-	122 360	-	-	2 191
Civil Buildings	1 446 823	-	-	-	1 446 823	-	-	31 442
Cemetery	380 300	-	-	-	380 300	-	-	8 438
Museum	380 300	-	-	-	380 300	-	-	8 008
Clinic	638 870	198 950	-	-	837 820	-	-	23 912
Libraries	23 276	-	-	-	23 276	-	-	574
Parks & Gardens	84 751	-	-	-	84 751	-	-	6 327
Public Conveniences/Bathhouses	7 234 165	889 769	-	(326 231)	7 897 703	1 135	1 135	1 925
Other Assets	3 196 385	13 134	-	(130 089)	3 066 300	4 778 596	5 099 262	607 975
Motor Vehicles	1 610 124	217 059	-	(3 021)	1 824 162	2 337 442	2 337 442	183 401
Plant & Equipment	807 669	605 427	-	(24 243)	1 392 853	565 721	565 721	157 800
Office Equipment	2 948	-	-	(46 224)	2 948	315 767	315 767	72 822
Furniture & Fittings	612 940	446 544	-	(51 704)	1 007 780	318 910	318 910	63 680
Computer Equipment	362 739	-	-	-	362 739	2 135	2 135	85
Refuse Tankers	108 143	13 022	-	(43 981)	78 184	273 810	273 810	123 674
Game	167 367 200	29 116 943	(0)	(478 019)	196 005 124	1 339	1 339	7 452
						13 126	61 788	5 078 825
						24 528 238	28 178 794	166 790 543

Reconciliation of Property, Plant and Equipment:

30 JUNE 2019

	Operating Balance	Additions	WIP	Disposals	Other changes, movements	Depreciation	Impairment Losses	Closing Balance
	R	R	R	R	R	R	R	R
Land	22 218 460	-	-	-	-	-	-	22 218 460
Buildings	2 012 731	-	-	-	-	(65 826)	-	1 946 905
Infrastructure	104 282 851	25 817 554	2 812 680	-	-	(3 985 705)	-	128 937 480
Community Assets	11 894 437	198 950	-	-	-	(419 120)	(80 000)	11 552 267
Other Assets	2 459 289	689 769	-	(43 981)	-	(607 975)	1 339	2 498 430
	142 864 836	28 504 263	2 812 680	(43 981)	-	(5 078 825)	(49 661)	166 790 543

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	2020 R	2019 R		
10.03	Property, Plant and Equipment which is in the process of being constructed or developed:				
	Infrastructure Assets	8 653 594	10 545 129		
	Roads	149 527	2 041 063		
	Electricity	325 449	325 449		
	Water Supply	8 178 617	8 178 617		
	Community Assets	-	-		
	Total	8 653 594	10 545 129		
	Work in Progress movements for the year can be reconciled as follows:				
	30 JUNE 2020	Infrastructure R	Community R	Other Assets R	Total R
	Balance at beginning of year	10 545 129	-	-	10 545 129
	Expenditure during the year	6 883 350	136 261	-	9 019 611
	Assets unbundled during the year	(10 774 886)	(136 261)	-	(10 911 147)
	Impairment recognised during the year	-	-	-	-
	Balance at end of year	8 653 593	-	-	8 653 593
	30 JUNE 2019	Infrastructure R	Community R	Other Assets R	Total R
	Balance at beginning of year	9 837 500	-	-	9 837 500
	Expenditure during the year	27 896 239	196 950	-	28 093 189
	Assets unbundled during the year	(27 188 609)	(196 950)	-	(27 385 559)
	Impairment recognised during the year	-	-	-	-
	Balance at end of year	10 545 129	-	-	10 545 129
10.04	Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:				
	Infrastructure Assets	8 504 066	8 178 617		
	Electricity	325 449	-		
	Water Supply	8 178 617	8 178 617		
	Community Assets	-	-		
	Total	8 504 066	8 178 617		
	No funding was allocated for 2019/2020 from the DOE (Department of Energy) for the completion of the Kokkies dorp electricity project. Tender awarding problems in 2017/2018 for the completion of the Bulk Water Supply: Vanwykavlei/Carnarvon.				
10.05	Property, Plant and Equipment where construction or development has been halted:				
	Infrastructure Assets	8 504 066	8 178 617		
	Electricity	325 449	-		
	Water Supply	8 178 617	8 178 617		
	Total	8 504 066	8 178 617		
	No funding was allocated for 2019/2020 from the DOE (Department of Energy) for the completion of the Kokkies dorp electricity project. Tender awarding problems in 2017/2018 for the completion of the Bulk Water Supply: Vanwykavlei/Carnarvon.				
10.06	Expenditure incurred to repair and maintain Property, Plant and Equipment:				
	Other materials	643 158	871 339		
	Contracted Services	134	70 893		
	Total Repairs and Maintenance	643 290	942 331		
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)	-	-		
	Carrying value of assets written off/lost	-	-		
	Surplus/Deficit	-	-		
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:				
	Community Assets	-	50 000		
	Total	-	50 000		
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	-	(1 339)		
	Total	-	(1 339)		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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:

	2020 R	2021 R	2022 R
Effect on Property, plant and equipment	(171 344)	(171 344)	(171 344)

10.12 Details of Valuation

The effective date of the valuations was 1 July 2016. Valuations were performed by an independent valuer, HCB Valuers. Land and Buildings are revalued independently every 5 years.

10.13 Contractual commitments for acquisition of Property, Plant and Equipment:

Approved and contracted for:		6 598 436
Infrastructure	-	5 598 436
Total	-	5 598 436
This expenditure will be financed from:		
Government Grants	-	5 598 436
Total	-	5 598 436

10.14 Land is controlled, but Kareeberg Municipality is not the legal owner/custodian

Carrying amount at year end		
Total		

10.15 Land is not controlled, but Kareeberg Municipality is the legal owner/custodian

No of Low Cost Houses	139	308
Total	139	308

11 INVESTMENT PROPERTY

Net Carrying amount at 1 July

Cost	15 412 204	15 425 148
Accumulated Depreciation	15 582 100 (149 886)	15 582 100 (136 864)
Depreciation for the year	(12 941)	(12 941)
Transfers from Property, Plant and equipment	485 200	-
Net Carrying amount at 30 June	15 864 463	15 412 204
Cost	16 047 300	15 582 100
Accumulated Depreciation	(162 837)	(149 896)

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	21 048 700	20 114 700
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Fair value was determined by valuation roll.

11.01 Revenue from Investment Property

Revenue derived from the rental of investment Property	373 485	251 590
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11.02 Operating Expenditure incurred on properties:

	Repairs and Maintenance	Other Operating Expenditure
Revenue Generating	15 543	219
Improved Property	-	-
Unimproved Property	15 543	219
Non-revenue Generating	-	-
Improved Property	-	-
Unimproved Property	-	-
Total Operating Expenditure	15 543	219

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

11	INVESTMENT PROPERTY (CONTINUED)	2020 R	2019 R
11.03	Investment Property which is in the process of being constructed or developed:		
	Revenue Generating		
	Improved Property		
	Unimproved Property		
	Non-revenue Generating		
	Improved Property		
	Unimproved Property		
	Total		
	The movements for the year can be reconciled as follows:		
	Balance at beginning of year		
	Expenditure during the year		
	Assets unbundled during the year		
	Impairment recognised during the year		
	Balance at end of year		
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		
	Total		
	No reason required		
11.05	Investment Property where construction or development has been halted:		
	Revenue Generating		
	Improved Property		
	Unimproved Property		
	Non-revenue Generating		
	Improved Property		
	Unimproved Property		
	Total		
	No reason required		
11.06	Impairment losses of Investment Property		
	Impairment losses on Investment Property recognised in Statement of Financial Performance are as follows:		
	Revenue Generating		
	Improved Property		
	Unimproved Property		
	Non-revenue Generating		
	Improved Property		
	Unimproved Property		
	Total Impairment Losses		
11.07	Reversal of impairment losses of Investment Property		
	Reversal of impairment losses on Investment Property recognised in statement of financial performance are as follows:		
	Revenue Generating		
	Improved Property		
	Unimproved Property		
	Non-revenue Generating		
	Improved Property		
	Unimproved Property		
	Total Reversal of impairment losses		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
11	INVESTMENT PROPERTY (CONTINUED)		
11.08	Investment Property (Land) is controlled, but Kareeberg Municipality is not the legal owner/custodian		
	Carrying amount at year end		
	Total		
11.09	Investment Property (Land) is not controlled, but Kareeberg Municipality is the legal owner/custodian		
	No of Low Cost Houses		
	Total		
12	INTANGIBLE ASSETS	2020 R	2019 R
	Computer Software		
	Net Carrying amount at 1 July	26 631	14 136
	Acquisitions	21 646	16 602
	Disposals	(1 004)	(4)
	Amortisation	(11 234)	(4 108)
	Disposal Amortisation	1 004	4
	Net Carrying amount at 30 June	37 243	26 631
	Cost	63 154	42 312
	Accumulated Amortisation	(25 911)	(15 681)
12.01	Material Intangible Assets included in the carrying value:		
		Carrying Value	
		2020 R	2019 R
	<u>Description</u>		
	Microsoft Office	37 243	26 631
	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:	2020 R	2019 R
	Research Expenditure		
	Development Expenditure		
	Total Research and Development Expenditure		
12.03	Intangible Assets which is in the process of being constructed or developed:		
	Servitudes		
	Computer Software		
	Licences and Rights		
	Total		
	The movements for the year can be reconciled as follows:		
	Balance at beginning of year		
	Expenditure during the year		
	Assets unbundled during the year		
	Impairment recognised during the year		
	Balance at end of year		
12.04	Intangible Assets that is taking a significantly longer period of time to complete than expected:		
	Servitudes		
	Computer Software		
	Licences and Rights		
	Total		
	No reason required		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

12	INTANGIBLE ASSETS (CONTINUED)	2020 R	2019 R
12.05	Intangible Assets where construction or development has been halted:		
	Servitudes		
	Computer Software		
	Licences and Rights		
	Total		
	No reason required		
12.06	Impairment losses of Intangible Assets		
	Impairment losses on Intangible Assets recognised in Statement of Financial Performance are as follows:		
	Servitudes		
	Computer Software		
	Licences and Rights		
	Total Impairment Losses		
12.07	Reversal of Impairment losses of Intangible Assets		
	Reversal of Impairment losses on Intangible Assets recognised in statement of financial performance are as follows:		
	Servitudes		
	Computer Software		
	Licences and Rights		
	Total Reversal of Impairment losses		
12.08	Effect of changes in accounting estimates		
	The effect of a change in accounting estimate will have on the current period and subsequent periods:		
		2020 R	2021 R
	Effect on Property, plant and equipment	4 350	4 350
			2022 R
			4 350
13	HERITAGE ASSETS	2020 R	2019 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		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

13	HERITAGE ASSETS (CONTINUED)	2020 R	2019 R
	The movements for the year can be reconciled as follows:		
	Balance at beginning of year	1 000	1 000
	Expenditure during the year	1 000	1 000
	Assets unbundled during the year	1 000	1 000
	Impairment recognised during the year	1 000	1 000
	Balance at end of year	1 000	1 000
13.04	Heritage Assets that is taking a significantly longer period of time to complete than expected:		
	Monuments	1 000	1 000
	Historic Buildings	1 000	1 000
	Works of Art	1 000	1 000
	Conservation Areas	1 000	1 000
	Other Heritage	1 000	1 000
	Total	1 000	1 000
	No reason required		
13.05	Heritage Assets where construction or development has been halted:		
	Monuments	1 000	1 000
	Historic Buildings	1 000	1 000
	Works of Art	1 000	1 000
	Conservation Areas	1 000	1 000
	Other Heritage	1 000	1 000
	Total	1 000	1 000
	No reason required		
13.06	Impairment losses of Heritage Assets		
	Impairment losses on Heritage Assets recognised in Statement of Financial Performance are as follows:		
	Monuments	1 000	1 000
	Historic Buildings	1 000	1 000
	Works of Art	1 000	1 000
	Conservation Areas	1 000	1 000
	Other Heritage	1 000	1 000
	Total Impairment Losses	1 000	1 000
13.07	Reversal of impairment losses of Heritage Assets		
	Reversal of impairment losses on Heritage recognised in statement of financial performance are as follows:		
	Monuments	1 000	1 000
	Historic Buildings	1 000	1 000
	Works of Art	1 000	1 000
	Conservation Areas	1 000	1 000
	Other Heritage	1 000	1 000
	Total Reversal of Impairment losses	1 000	1 000

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

14	CAPITALISED RESTORATION COST	2020 R	2019 R
	Net Carrying amount at 1 July		
	Balance previously reported		1 708 738
	Correction of Error - Reverse incorrect calculation - Note 34,02		(1 708 738)
	Change in estimates		
	Balance previously reported		464 276
	Correction of Error - Reverse incorrect calculation - Note 34,02		(464 276)
	Depreciation		
	Balance previously reported		(73 086)
	Correction of Error - Reverse incorrect calculation - Note 34,02		73 086
	Impairment		
	Balance previously reported		(2 936)
	Correction of Error - Reverse incorrect calculation - Note 34,02		2 936
	Net Carrying amount at 30 June		
	Cost		
	Accumulated Depreciation		
	Accumulated Impairments		
	Restoration cost financed by way of a provision - Refer to note 4 for further details		
15	LONG TERM RECEIVABLES	2020 R	2019 R
	Officials' Housing Loans - At amortised cost	18 548	23 516
	Less: Unamortised Discount on Loans	(1 633)	(2 598)
	Balance 1 July	(2 598)	(3 731)
	Adjustment for the period	966	1 133
		16 916	20 918
	Less: Current portion transferred to current receivables	(5 170)	(4 967)
	Officials Housing Loans - At amortised cost	(5 170)	(4 967)
	Less: Provision for Impairment of Long Term Receivables	11 747	15 951
	Total Long Term Receivables	11 747	15 951
	STAFF HOUSING LOANS		
	Staff was entitled to housing loans which attract interest at 4% per annum and which are repayable over a maximum period of 20 years. When a employee resigns, the outstanding amount must be settled. These loans are secured since the Council is the bond holder.		
16	INVENTORY	2020 R	2019 R
	Consumable Stores - Materials - At cost	546 936	546 936
	Total Inventory	546 936	546 936
	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.		

KARÉEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

17	RECEIVABLES FROM EXCHANGE TRANSACTIONS	2020 R	2019 R
	<i>Service Receivables</i>		
	Water	2 444 348	1 933 020
	Electricity	2 294 770	1 697 628
	Refuse	1 920 982	1 520 904
	Sewerage	1 396 178	1 194 307
	Total Service Receivables	8 056 276	6 345 858
	Less: Provision for impairment	(6 511 478)	(4 560 307)
	Net Service Receivables	1 544 800	1 785 552
	<i>Other Receivables</i>		
	Sundry Receivables	2 049 280	540 843
	Rentals	904 550	870 440
	VAT	1 460 941	1 180 493
	Total Other Receivables	4 414 770	2 391 776
	Less: Provision for impairment	(930 423)	(670 440)
	Net Other Receivables	3 484 348	1 721 336
	Total Net Receivables from Exchange Transactions	5 029 148	3 506 888
	Ageing of Receivables from Exchange Transactions		
	<i>(Electricity): Ageing</i>		
	Current (0 - 30 days)	454 562	574 221
	31 - 60 Days	8 037	318 526
	61 - 90 Days	493 993	101 514
	+ 90 Days	1 338 177	703 368
	Total	2 294 770	1 697 629
	<i>(Water): Ageing</i>		
	Current (0 - 30 days)	177 720	261 071
	31 - 60 Days	17 011	385 980
	61 - 90 Days	325 950	132 883
	+ 90 Days	1 923 666	1 163 086
	Total	2 444 346	1 933 020
	<i>(Refuse): Ageing</i>		
	Current (0 - 30 days)	242 106	106 610
	31 - 60 Days	16 283	246 696
	61 - 90 Days	123 487	86 620
	+ 90 Days	1 539 086	1 073 176
	Total	1 920 982	1 520 904
	<i>(Sewerage): Ageing</i>		
	Current (0 - 30 days)	148 051	59 196
	31 - 60 Days	6 870	310 667
	61 - 90 Days	110 704	106 786
	+ 90 Days	1 130 453	717 659
	Total	1 396 178	1 194 307
	<i>(Sundry Receivables): Ageing</i>		
	Current (0 - 30 days)	26 519	358 991
	31 - 60 Days	4 000	69 987
	61 - 90 Days	587 665	1 536
	+ 90 Days	1 431 096	109 929
	Total	2 049 280	540 843
	<i>(VAT): Ageing</i>		
	Current (0 - 30 days)	243 287	257 176
	31 - 60 Days	-	-
	61 - 90 Days	-	-
	+ 90 Days	1 217 654	923 317
	Total	1 460 941	1 180 493
	<i>(Rentals): Ageing</i>		
	Current (0 - 30 days)	240	-
	31 - 60 Days	-	-
	61 - 90 Days	-	-
	+ 90 Days	904 310	670 440
	Total	904 550	670 440

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

18

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2020 R	2019 R
<i>Service Receivables</i>		
Availability Charges	287 576	311 305
Rates	5 896 766	3 008 622
Total Service Receivables	5 984 342	3 319 827
Less: Provision for impairment	(5 694 767)	(3 269 874)
Net Service Receivables	289 575	49 853
Total Net Receivables from Non-Exchange Transactions	289 575	49 853

Ageing of Receivables from Non-Exchange Transactions

(Availability Charges): Ageing

Current (0 - 30 days)	60 280	17 372
31 - 60 Days	204	23 305
61 - 90 Days	110 845	10 672
+ 90 Days	116 236	259 957
Total	287 576	311 305

(Rates): Ageing

Current (0 - 30 days)	-	18 244
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	5 896 766	2 990 279
Total	5 896 766	3 008 622

Summary of Receivables by Customer Classification

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2020				
Total Receivables	14 816 247	43 431	3 595 710	18 455 388
Less: Provision for impairment	(13 136 665)	-	-	(13 136 665)
Total Recoverable debtors by customer classification	1 679 582	43 431	3 595 710	5 318 724

Summary of Receivables by Customer Classification

	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2019				
Total Receivables	10 221 248	194 843	1 641 372	12 057 462
Less: Provision for impairment	(8 500 721)	-	-	(8 500 721)
Total Recoverable debtors by customer classification	1 720 527	194 843	1 641 372	3 556 742

Receivables Impaired

	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's
2020			
Total	7 441 896	5 694 767	13 136 665
2019			
Total	5 230 747	3 269 874	8 500 721

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

	2020 R	2019 R
Balance at beginning of the year	8 500 721	4 542 837
Contributions to provision	4 835 944	3 957 784
Impairment written off against provision	-	-
Balance at end of year	13 136 665	8 500 721

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

19	OPERATING LEASE ARRANGEMENTS	2020	2019
		R	R
	The Municipality as Lessor		
	Balance on 1 July	33 870	37 909
	Operating Lease Asset for the current year	(6 282)	(4 039)
	Balance on 30 June	25 578	23 670
	<p>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.</p> <p>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.</p> <p>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. Not yet renewed.</p> <p>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.</p> <p>The municipality is leasing a piece of land (Jagpan and Dubbeleivlei) to emerging farmers for a period of 60 months with escalations of 6% per year.</p>		
		2020	2019
		R	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	270 077	262 664
	2 to 5 Years	334 327	210 038
	More than 5 Years	84	85
	Total Operating Lease Arrangements	604 488	472 787
	<p>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.</p> <p>The lease is in respect of land being leased by MTN until 2022.</p> <p>The lease is in respect of land being leased by Vodacom until 2022.</p> <p>The lease is in respect of land being leased by Vodacom until 2017-18.</p> <p>The lease is in respect of land being leased by Sentech until 2022.</p> <p>The lease is in respect of land (Jagpan and Dubbeleivlei) being leased by emerging farmers until 2020-21.</p> <p>The municipality does not engage in any sub-lease arrangements.</p> <p>The municipality did not receive any contingent rent during the year</p>		
20	CASH AND CASH EQUIVALENTS	2020	2019
		R	R
	Assets		
	Call Investments Deposits	24 360 452	42 170 213
	Primary Bank Account (Cash book)	285 308	257 876
	Total Cash and Cash Equivalents - Assets	24 645 759	42 428 089
	<p>Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.</p> <p>Call Investments Deposits to an amount of R781 984 are held to fund the Unspent Conditional Grants (2019: R14 304 758).</p> <p>Kareeberg Municipality do not have a bank overdraft facility.</p>		
		2020	2019
		R	R
	The municipality has the following bank accounts:		
	Current Accounts		
	Carnarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):	285 308	257 876
		285 308	257 876
	Carnarvon ABSA - Account Number 40 50 475 166 (Primary Bank Account):		
	Cash book balance at beginning of year	257 876	483 234
	Cash book balance at end of year	285 308	257 876
	Bank statement balance at beginning of year	1 006 823	1 589 711
	Bank statement balance at end of year	1 000 855	1 006 823

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

20	CASH AND CASH EQUIVALENTS (CONTINUED)	2020 R	2020 R	2019 R
	<u>Call Investment Deposits</u>			
	Call investment deposits consist out of the following accounts:	Bank Certificates (excl. accruals)		
	Account no.	Place of investment	Name of fund	
	08-870-6536-003	STANDARD BANK	Capital Replacement Reserve	11 347 812
	20-7477-9380	ABSA	Housing Fund	50 721
	20-7477-9380	ABSA	Job creation - De Bult	51 318
	20-7477-9380	ABSA	Land development	22 035
	20-7477-9380	ABSA	Land development (Vanwyksvlei)	20 101
	20-7477-9380	ABSA	Land development (Vosburg)	38 430
	08-870-643-8	STANDARD BANK	Civil Defence	20 944
	03-7881-142-879-0	Nedbank	RBSK - Vanwyksvlei Pipeline	-
	20-7477-9380	ABSA	CMIP Kwaggakolk(VAT)	803
	08-870-6536-002	STANDARD BANK	Sanitation Interest/VAT	184 441
	20-7477-9380	ABSA	Electricity	46 231
	20-7477-9380	ABSA	Water Services Plan	4 318
	20-7477-9380	ABSA	CMIP-Saalpoort project 301	4 741
	20-7477-9380	ABSA	EPWP - Paving/ Cleaning	31 249
	20-7477-9380	ABSA	Lotto Camarvon	2 387
	20-7477-9380	ABSA	Lotto Vosburg	42 330
	20-7477-9380	ABSA	Transfer Fees Sub-Economic Housing	179 532
	20-7477-9380	ABSA	VB Cleaning Project	33 804
	20-7477-9380	ABSA	VAT - retention	15 678
	92-1221-8064	ABSA	Municipal Infrastructure Grant	(2 177 853)
	92-1221-8064	ABSA	Youth Development	93 632
	92-1221-8064	ABSA	Leave Fund	2 064 306
	92-8504-7305	ABSA	Retention	1 082 689
	92-1221-8064	ABSA	Provision for Employee benefits	2 000 000
	08-871-0777	STANDARD BANK	General Account	6 190 593
	9286173385	ABSA		-
	03-7881-142-879-0	Nedbank	General Account	-
	088705636-006	STANDARD BANK	General Account	2 200 000
				24 360 452
				24 360 452
				42 170 213

21	PROPERTY RATES	2020 R	2019 R
	<u>Actual</u>		
	Rateable Land and Buildings	14 747 806	13 821 193
	Residential, Commercial Property	13 577 788	11 087 357
	Residential, Commercial Property	14 211 213	11 828 809
	Less: Equitable Share	(633 415)	(741 552)
	State - National / Provincial Services	1 170 008	2 733 836
	Less: Reductions	(539 494)	(505 211)
	Less: Rebates	(2 388 345)	(2 444 835)
	Less: Income for gone	(2 580 287)	(2 543 625)
	Total Assessment Rates	9 228 699	8 327 522

Valuations - 30 June 2020:

Rateable Land and Buildings	2 879 526 800	2 914 861 800
Residential & Commercial Property	2 784 972 300	2 727 514 300
State - National / Provincial Services	94 554 500	187 347 500
Total Assessment Rates	2 879 526 800	2 914 861 800

Valuations - 30 June 2020:

Residential	261 837 500
State	37 369 000
State: Agriculture	57 185 500
Agriculture	2 281 619 800
Municipal	25 118 000
Municipal: Agriculture	44 730 000
Industrial	7 188 000
Churches	16 425 000
Infrastructure	432 000
Public Benefit Organisations	3 172 000
SKA	33 785 000
SKA Farms	62 963 000
Commercial	46 828 000
Infrastructure farms	136 000
Sport clubs	880 000
Total Property Valuations	2 879 526 800

Assessment Rates are levied on the values of immovable properties. A general valuation was performed during 2017/18 for implementation 1 July 2018. The tariffs applicable are proclaimed by PK 2274 dated 17 June 2019.

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

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

22	GOVERNMENT GRANTS AND SUBSIDIES	2020 R	2019 R
	Unconditional Grants	24 348 277	22 024 000
	Equitable Share - Refer to Note 22.01	24 348 277	22 024 000
	Conditional Grants	12 724 000	36 160 891
	Drought Relieve	-	4 626 000
	Department of Water Affairs and Forestry (WSIG)	-	5 000 000
	Department of Energy (DOE)	-	1 000 000
	Library Development Projects	1 112 000	1 112 000
	Municipal Finance Management Grant	2 435 000	1 870 000
	Municipal Infrastructure Grant	8 038 000	7 972 000
	Expanded Public Works Program (PWP/PG)	1 085 000	1 000 000
	Department of Water Affairs and Forestry (RBIG)	-	13 480 891
	COVID-19	54 000	-
	Total Government Grants and Subsidies	37 072 277	58 184 891
	Government Grants and Subsidies - Capital	8 174 261	28 296 993
	Government Grants and Subsidies - Operating	28 898 016	29 887 898
		37 072 277	58 184 891
	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	24 348 277	22 024 000
	Executive & Council	2 933 164	36 160 891
	Budget & Treasury	1 616 575	-
	Community & Social Services	136 261	-
	Road Transport	6 038 000	-
		37 072 277	58 184 891
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 6kl free water and 50kwh electricity per month, which is funded from this grant.		
	All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of basic services for the geographical area concerned and range from R361 per month to R779 per month.(2019: R338 per month to R673 per month)		
	Grants received	24 348 277	22 024 000
	Conditions met	(24 348 277)	(22 024 000)
	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	8 038 000	7 972 000
	Conditions met	-	(1 039 826)
	Conditions met - Capital	(8 038 000)	(8 932 174)
	Grant expenditure to be recovered	(0)	-
	The grant was used to upgrade infrastructure in the Kareeberg areas.		
22.03	Local Government Financial Management Grant (FMG)		
	Grants received	2 435 000	1 970 000
	Conditions met	(2 435 000)	(1 970 000)
	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	1 112 000	1 112 000
	Conditions met	(975 739)	(711 246)
	Conditions met - Capital	(136 261)	(400 754)
	Conditions still to be met	-	-
	The grant was used for the development of libraries in the Kareeberg area.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
22.05	Youth Development		
	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.		
22.06	Expanded Public Works Program (R1m)		
	Grants received	1 085 000	1 000 000
	Conditions met	(1 085 000)	(1 000 000)
	Conditions still to be met	-	-
	The grant was used for labour (for example security services) in the Kareeberg area.		
22.07	Job Creation De Bult		
	Opening balance	48 769	46 081
	Interest received	2 549	2 888
	Conditions still to be met	51 318	48 769
	The grant will be used for job creation in the Kareeberg area. (Carnarvon)		
22.08	Land Development		
	Opening balance	76 565	72 345
	Interest received	4 000	4 220
	Conditions still to be met	80 565	76 565
	The grant will be used for a land development plan in the Kareeberg area.		
22.09	Civil Defence		
	Opening balance	20 944	20 944
	Conditions still to be met	20 944	20 944
	The grant will be used for civil defence in the Kareeberg area.		
22.10	CHMP Kwaggakolk (VAT)		
	Opening balance	765	725
	Interest received	38	40
	Conditions still to be met	803	765
	The grant will be used for a water project in the Kareeberg area. (Vanwyksvlei)		
22.11	Sanitation - sewerage		
	Opening balance	184 441	184 441
	Conditions still to be met	184 441	184 441
	The grant will be used for a sanitation VAT/maintenance in the Kareeberg area.		
22.12	Electricity Schietfontein		
	Opening balance	43 933	41 513
	Interest received	2 297	2 420
	Conditions still to be met	46 231	43 933
	The grant will be used for electricity infrastructure development in the Kareeberg area. (Schietfontein)		
22.13	Water Service Plan		
	Opening balance	4 104	3 879
	Interest received	214	225
	Conditions still to be met	4 318	4 104
	The grant will be used for a water service plan in the Kareeberg area.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)	2020 R	2019 R
22.14	CMP - Sasipoot project 301		
	Opening balance	4 505	4 258
	Interest received	235	247
	Conditions still to be met	4 741	4 505
	The grant will be used for a bore hole water project in the Kareeberg area. (Carnarvon)		
22.15	Paving Projects		
	Opening balance	29 698	28 062
	Interest received	1 551	1 636
	Conditions still to be met	31 249	29 698
	The grant will be used for a extended public works program in the Kareeberg area.		
22.16	Lotto Carnarvon		
	Opening balance	2 278	2 153
	Interest received	119	125
	Conditions still to be met	2 397	2 278
	The grant will be used for Lotto projects in the Kareeberg area. (Sport equipment)		
22.17	Lotto Vosburg		
	Opening balance	40 228	38 010
	Interest received	2 103	2 216
	Conditions still to be met	42 330	40 228
	The grant will be used for Lotto projects in the Kareeberg area. (Equipment)		
22.18	Transfer Fees Sub-Economic		
	Opening balance	170 593	160 872
	Interest received	8 839	9 721
	Conditions still to be met	179 532	170 593
	The grant will be used for transfer fees of sub-economic houses in the Kareeberg area.		
22.19	Cleaning Project Vosburg		
	Opening balance	32 126	30 344
	Interest received	1 678	1 782
	Conditions still to be met	33 804	32 126
	The grant will be used for a cleaning project in the Kareeberg area.		
22.20	VAT - Retention		
	Opening balance	14 899	14 080
	Interest received	779	819
	Conditions still to be met	15 678	14 899
	The grant will be used for maintenance in the Kareeberg area.		
22.21	Electricity		
	Grants received	-	1 000 000
	Conditions met	-	(130 436)
	Conditions met - Capital	-	(869 566)
	Conditions still to be met	-	-
	The grant was used for electricity infrastructure development in the Kareeberg area.		
22.22	RBIG (Department of Water Affairs and Forestry)		
	Opening balance	13 537 276	12 971 167
	Grants received	-	14 047 000
	Transfer return	(13 537 276)	-
	Conditions met	-	(1 756 826)
	Conditions met - Capital	-	(11 724 065)
	Conditions still to be met	-	13 537 276
	The grant will be used for water infrastructure development in the Kareeberg area.		

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
22	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)		
22.23	DWA (Department of Water Affairs) Refurbishment		
	Grants received	-	5 000 000
	Conditions met	-	(852 174)
	Conditions met - Capital	-	(4 347 826)
	Conditions still to be met	-	-
	The grant will be used for water infrastructure development in the Kareeberg area.		
22.24	DWA (Department of Water Affairs) Drought Relief		
	Opening balance	-	4 628 000
	Conditions met	-	(803 391)
	Conditions met - Capital	-	(4 022 609)
	Conditions still to be met	-	-
	The grant will be used for drought relief (water infrastructure) in the Kareeberg area.		
22.25	COVID-19		
	Grants received	54 000	-
	Conditions met	(54 000)	-
	Conditions still to be met	-	-
	The grant will be used for COVID-19 expenditure in the Kareeberg area. The full amount was used to purchase personal protective equipment.		
22.26	Total Grants		
	Opening balance	14 304 758	18 338 507
	Interest received	24 502	26 142
	Grants received	37 072 277	54 125 000
	Transfer return	(13 537 276)	-
	Conditions met	(28 888 016)	(29 887 888)
	Conditions met - Capital	(8 174 261)	(26 296 893)
	Conditions still to be met/(Grants expenditure to be recovered)	791 984	14 304 758
23	AVAILABILITY CHARGES	2020 R	2019 R
	Electricity	125 885	117 499
	Water	159 855	184 497
	Total Availability Charges	285 740	301 996
24	SERVICE CHARGES	2020 R	2019 R
	Electricity	9 496 411	9 848 711
	Service Charges	9 833 733	10 150 077
	Less: Equitable Share	(337 322)	(301 386)
	Water	3 049 125	2 717 557
	Service Charges	6 003 570	5 115 800
	Less: Equitable Share	(2 854 445)	(2 398 243)
	Refuse removal	1 456 582	1 889 447
	Service Charges	4 464 629	4 045 788
	Less: Equitable Share	(3 008 057)	(2 156 319)
	Sewerage and Sanitation Charges	961 583	1 566 825
	Service Charges	4 533 924	4 183 569
	Less: Equitable Share	(3 572 341)	(2 616 744)
	Total Service Charges	14 963 581	16 022 540
25	OTHER REVENUE		
	Application Specific Registrations	1 138	2 428
	Building Fees	240	70
	Photocopies	1 598	4 091
	Grave Fees	11 585	13 210
	Searching Fees	75	910
	Encroachment	744	744
	Cement block Sales	4 500	2 500
	Refuse Bags Sold	624	1 458
	Connection Fees	-	200
	Gain due to additions on Biological assets	1 396	13 022
	Valuation Certificates	180	420
	Electricity caravan park	9	96
	Annual bonus decrease	7 884	-
	Sale of scrap	48 720	-
	Total Other Income	78 662	39 149


KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

26	FAIR VALUE ADJUSTMENTS	2020	2019
		R	R
	Unamortised Discount - Interest - LT Receivables	966	1 133
		<u>966</u>	<u>1 133</u>
27	EMPLOYEE RELATED COSTS		
	Salaries & Wages	17 646 486	17 068 972
	Leave Reserve Fund	589 147	412 127
	Personnel Contributions	2 451 470	2 386 136
	Skill Development Levy	153 660	157 404
	Bargaining Council	7 531	7 087
	Pension Gratification	444	444
	UIF	118 264	115 246
	Performance Bonuses	267 134	419 700
	Annual Bonuses	-	561
	Contribution to Employee Benefits - Long Service Awards - Note 3	80 410	73 424
	Contribution to Employee Benefits - Past Retirement Medical - Note 3	80 793	89 942
		<u>21 405 337</u>	<u>20 781 043</u>
	LESS: Employee Costs allocated elsewhere	-	-
	Total Employee Related Costs	<u>21 405 337</u>	<u>20 781 043</u>
	KEY MANAGEMENT PERSONNEL		
	Municipal Manager was appointed on a 5 year fixed contract. There are no post-employment or termination benefits payable to him at the end of the contract period.		
	REMUNERATION OF KEY MANAGEMENT PERSONNEL		
	<i>Remuneration of the Municipal Manager: Mr F. Manuel (Resigned 28 February 2020)</i>		
	Salary and Bonus, Performance Bonus	1 036 265	1 108 515
	Travel Allowance	138 000	207 000
	UIF	1 190	1 785
	Bargaining Council	75	105
	Cell phone (VAT Included)	32 000	48 000
	Total	<u>1 207 520</u>	<u>1 365 405</u>
	<i>Remuneration of the Chief Financial Officer: Mr W. de Bruin</i>		
	Salary and Bonus, Performance Bonus	783 183	654 897
	Travel Allowance	76 000	72 000
	Rural	79 286	78 146
	UIF	1 785	1 785
	Bargaining Council	112	105
	Cell phone (VAT Included)	25 200	24 000
	Total	<u>965 646</u>	<u>830 923</u>
	<i>Remuneration of Chief Operations Manager: Mr. A.P.F. van Schaikwyk</i>		
	Salary and Bonus, Performance Bonus	1 233 624	989 178
	Travel Allowance	203 567	191 143
	Pension	190 332	145 950
	Medical	53 908	50 618
	UIF	1 785	1 785
	Bargaining Council	112	105
	Cell phone (VAT Included)	25 200	24 000
	Total	<u>1 678 728</u>	<u>1 402 778</u>
	<i>Remuneration of Head : Corporate Services: Mr. N.J. van Zyl</i>		
	Salary and Bonus, Performance Bonus	1 006 088	932 160
	Travel Allowance	203 567	191 143
	Pension	152 897	139 184
	Medical	46 930	43 956
	UIF	1 785	1 785
	Bargaining Council	112	105
	Cell phone (VAT Included)	25 200	18 000
	Total	<u>1 436 578</u>	<u>1 326 323</u>
28	REMUNERATION OF COUNCILLORS	2020	2019
		R	R
	Mayor	806 066	775 063
	Councillor	255 091	245 280
	Councillor	255 091	245 280
	Councillor	255 091	245 280
	Councillor	255 091	245 280
	Councillor	255 091	245 280
	Councillor	255 091	245 280
	Councillors' Cell phones	310 800	285 600
	Total Councillors' Remuneration	<u>2 647 412</u>	<u>2 532 343</u>

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
25 REMUNERATION OF COUNCILLORS (CONTINUE)		
<i>In-kind Benefits</i>		
The Mayor is fulltime. He is provided with an office at the cost of the Council.		
<i>Certification by the Municipal Manager</i>		
I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with Government Notice 43246, dated 24 April 2020.		
	30 October 2020	
Signed: <i>(Acting) Municipal Manager</i>	(Acting) Mr ZP Mjandane (Since 23 June 2020 secondment from COGHSTA)	
29 DEBT IMPAIRMENT		
Receivables from exchange transactions - Note 17	2 211 152	2 531 345
Receivables from non-exchange transactions - Note 16	2 424 793	1 326 439
Debt impairment recognised in statement of financial performance	4 635 944	3 957 784
30 DEPRECIATION AND AMORTISATION		
Property, plant and equipment	5 394 454	5 078 625
Intangible assets	11 234	4 108
Investment property carried at cost	12 941	12 941
Total depreciation and amortisation	5 418 630	5 095 674
31 FINANCE CHARGES		
Post Retirement Charges	785 506	873 695
Lendfill sites	960 631	1 023 223
Total finance charges	1 726 339	1 896 918
32 BULK PURCHASES		
Electricity bulk purchases	12 342 076	11 133 994
Electricity distribution losses	(2 201 401)	(1 648 775)
Total Bulk Purchases	10 140 675	9 485 219
33 GENERAL EXPENSES		
Advertisement, printing & stationary	192 805	107 628
Animal Feeds	392 501	444 190
Audit Costs	2 149 735	2 265 475
Bank charges	261 944	283 862
Compensation insurance	147 899	169 457
Chemicals	2 830	14 480
Cleaning supplies	175 211	110 828
Electricity Eskom	421 403	373 184
Fuel & Oil	801 131	789 975
Indigents energy sources	1 733 720	1 226 950
Insurance	408 499	171 972
Legal costs	1 267 739	1 265 265
Material losses	-	701 462
Membership for associations	500 000	500 000
Other General Expenses	1 075 382	875 122
Refuse bag purchases	189 450	180 900
Other materials	663 569	894 137
Street Lighting	454 274	345 142
Subsistence and Travelling	811 749	1 363 138
Telephone & Postage	536 975	587 856
Uniforms	122 195	84 362
Internal Auditors	524 395	499 415
Refuse Removal Contractor	-	3 472
Water Distribution Tanker	242 900	-
Accounting Support	733 237	485 746
Audit Committee	38 667	-
Business and Financial Management	2 769 650	2 360 990
Human Resources Support	18 581	588 525
Valuer and Assessors	-	12 050
Activities	19 300	13 500
Laboratory Services	47 684	64 484
Water Research	23 684	14 260
Rental of buildings	70 632	-
Electricity Support Services	257 783	240 000
Commission/IT services Prepaid Electricity Vendors	140 478	101 307
General Expenses	17 196 071	17 209 184

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

The amount disclosed above for material losses are in respect of costs incurred due to a fraudulent payment which occurred during the financial year. The matter has been reported to SAPS and the financial misconduct committee and investigations are in progress.

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

34	CORRECTION OF ERROR IN TERMS OF GRAP 3	2019 R
34.01	Property, Plant and Equipment	
	Balance previously reported	155 961 000
	Corrected calculated (till 2018) of Landfill Provision and Capital Restoration Cost - Note 34,03	11 233 979
	Correct calculated on change in estimates 2018-19 of Landfill Provision and Capital Restoration Cost - Note 34,03	333 896
	Corrected calculated Depreciation 2018-2019 on Capital Restoration Cost - Note 34,07	738 432
	Total	168 267 407
34.02	Capitalised Restoration Cost	
	Balance previously reported	2 096 992
	Reversal incorrect calculated on change in estimates (till 2018) of Landfill Provision and Capital Restoration Cost - Note 34,04	(4 624 522)
	Reversal incorrect calculated Accumulated Depreciation (till 2018) on Capital Restoration Cost - Note 34,04	2 614 893
	Reversal incorrect calculated Accumulated Impairment (till 2018) on Capital Restoration Cost - Note 34,04	300 891
	Reversal incorrect calculated on change in estimates 2018-19 of Landfill Provision and Capital Restoration Cost - Note 34,03	(464 276)
	Reversal incorrect calculated Impairment 2018-2019 on Capital Restoration Cost - Note 34,07	2 936
	Reversal incorrect calculated Depreciation 2018-2019 on Capital Restoration Cost - Note 34,07	73 088
	Total	0
34.03	Non-Current Provisions	
	Balance previously reported	26 405 251
	Reversal incorrect calculated on change in estimates (till 2018) of Landfill Provision and Capital Restoration Cost - Note 34,04	(24 438 036)
	Reversal incorrect calculated on change in estimates 2018-19 of Landfill Provision and Capital Restoration Cost - Note 34,02	(464 276)
	Reversal incorrect calculated finance cost 2018-2019 on Landfill site Provision - Note 34,07	(1 502 939)
	Corrected calculated (till 2018) of Landfill Provision and Capital Restoration Cost - Note 34,01	11 233 979
	Correct calculated on change in estimates 2018-19 of Landfill Provision and Capital Restoration Cost - Note 34,01	333 896
	Correct calculated finance cost 2018-2019 on Landfill site Provision - Note 34,07	1 023 223
	Total	12 591 198
34.04	Accumulated Surplus/(Deficit)	
	Balance previously reported	154 631 690
	Reversal incorrect calculated on change in estimates (till 2018) of Landfill Provision and Capital Restoration Cost - Note 34,02 & 34,03	22 729 298
	Total	177 360 988
34.05	Taxes	
	Balance previously reported	
	Correct disclosure of VAT Receivable/(Payable) under Taxes and removed from Receivables from exchange transactions - Note 34,06	(457 886)
	Total	(457 886)
34.06	Receivables from exchange transactions	
	Balance previously reported	3 048 223
	Correct disclosure of VAT Receivable/(Payable) under Taxes and removed from Receivables from exchange transactions - Note 34,06	457 886
	Total	3 506 109
34.07	Statement of Financial Performance	
	Balance previously reported	28 110 167
	Audit finding that material distribution losses may not be disclosed separate on Statement of Financial Performance as allowed by GRAP 1 and should be moved to bulk purchases - Note 34,07	1 648 775
	Audit finding that material distribution losses may not be disclosed separate on Statement of Financial Performance as allowed by GRAP 1 and should be moved to bulk purchases - Note 34,07	(1 648 775)
	Reversal incorrect calculated Impairment 2018-2019 on Capital Restoration Cost - Note 34,02	2 936
	Reversal incorrect calculated Depreciation 2018-2019 on Capital Restoration Cost - Note 34,02	73 088
	Reversal incorrect calculated finance cost 2018-2019 on Landfill site Provision - Note 34,03	1 502 939
	Corrected calculated Depreciation 2018-2019 on Capital Restoration Cost - Note 34,01	(738 432)
	Correct calculated finance cost 2018-2019 on Landfill site Provision - Note 34,03	(1 023 223)
	Total	25 927 463
	Correction of Error in note 34,01 to 34,07 was resulted of a GRAP Guideline issued by Accounting Standards Board (ASB) – Accounting for landfill sites.	

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	R	R
35 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus for the year	42 819	25 927 463
Adjustments for:		
Depreciation	5 407 386	5 081 566
Amortisation of Intangible Assets	11 234	4 108
(Gain)/Loss on disposal of property, plant and equipment	1 600	6 814
Impairments	-	48 861
Contribution from/to employee benefits - non-current	926 711	1 047 061
Contribution from/to employee benefits - non-current - expenditure incurred	(557 692)	(486 030)
Contribution from/to employee benefits - non-current - actuarial gains	96 138	29 812
Contribution from/to employee benefits - non-current - actuarial gains	(761 501)	(1 647 809)
Contribution to employee benefits - current	858 397	832 389
Contribution to employee benefits - current - expenditure incurred	(795 220)	(484 157)
Contribution to provisions - non-current - Rehabilitation of Landfill-sites	(3 198 508)	333 996
Contribution to provisions - non-current - Unwinding of discounted interest	960 631	1 023 223
Contribution to provisions - bad debt	4 835 944	3 957 784
Unamortised discount - Interest - Revenue	(966)	(1 133)
Contributed PPE	(23 000)	-
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(13 512 774)	(4 033 749)
Operating lease income accrued	8 282	4 039
Operating Surplus/(Deficit) before changes in working capital	(5 900 498)	31 654 037
Changes in working capital	(5 823 085)	(3 385 341)
Increase/(Decrease) in Payables from exchange transactions	(178 045)	268 288
Increase/(Decrease) in Taxes	652 908	756 925
(Increase)/Decrease in Trade Receivables from exchange transactions	(3 733 412)	(2 722 323)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(2 664 515)	(1 706 231)
Cash generated/(absorbed) by operations	(11 823 563)	28 268 895
36 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 20	24 350 462	42 170 213
Bank - Note 20	285 308	267 876
Total cash and cash equivalents	24 645 759	42 428 089
37 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 36	24 645 759	42 428 089
Less:		
Unspent Conditional Grants - Note 8	781 884	14 304 758
Cash Portion of Housing Development Fund - Note 2	50 721	48 202
Net cash resources available for internal distribution	23 803 054	28 075 129
Allocated to:		
Capital Replacement Reserve	(11 347 812)	(11 347 812)
Retention	(1 082 888)	(1 812 753)
Provision for Employee benefits	(2 000 000)	(2 000 000)
Reserves	-	-
Staff Leave, Performance Management Bonus, Long Service	(2 864 306)	(3 040 225)
Resources available for working capital requirements	6 508 047	9 874 338

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

38	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2020 R	2019 R
38,01	<u>Unauthorised expenditure</u>		
	Reconciliation of unauthorised expenditure:		
	Opening balance	-	-
	Correction of prior period error	-	-
	Restated opening balance	-	-
	Unauthorised expenditure current year - capital	897 345	136 466
	Unauthorised expenditure current year - operating	-	-
	Approved by Council or condoned	(897 345)	(136 466)
	Current	(897 345)	(136 466)
	Prior Period	-	-
	Transfer to receivables for recovery	-	-
	Current	-	-
	Prior Period	-	-
	Unauthorised expenditure awaiting authorisation	-	-
	Incident	Disciplinary steps/criminal proceedings	
	Over expenditure of approved budget	None	
	The over expenditure incurred by municipal departments on their budgets during the year is attributable to the following categories:		
	Non-cash	23 000	-
	Cash	874 345	136 466
		897 345	136 466
	<u>Analysed as follows: Non-cash</u>		
	Employee related cost (Actuarial Valuations)	-	-
	Depreciation and Amortisation	-	-
	Finance Charges (Interest portion of Provision for Rehabilitation of Landfill-sites)	-	-
	Loss on disposal of Property, Plant and Equipment	-	-
	Impairment Losses	-	-
	Other (Donated assets)	23 000	-
		23 000	-
	<u>Analysed as follows: Cash</u>		
	Bulk Purchases	-	-
	Employee related cost	-	-
	Operational Costs	-	-
	Capital Costs	874 345	136 466
		874 345	136 466

The overspending of the Budget per municipal vote can be summarised as follows:

	2020 R (Actual)	2020 R (Budget)	2020 R (Variance)	2020 R (Unauthorised)
<u>Unauthorised expenditure current year - operating</u>				
Executive & Council	11 869 527	12 526 119	(656 592)	-
Budget & Treasury	16 025 636	16 834 396	(808 760)	-
Other	7 099	18 926	(9 826)	-
Health	6 053	29 142	(23 089)	-
Community & Social Services	2 191 668	2 808 020	(614 354)	-
Housing	140	10 396	(10 256)	-
Public Safety	56 689	91 808	(34 910)	-
Sport & Recreation	240 674	367 678	(116 904)	-
Environmental Protection	382 984	495 600	(112 616)	-
Waste Management	5 103 022	5 990 996	(887 974)	-
Waste Water Management	4 988 306	5 361 198	(401 850)	-
Road Transport	8 424 880	6 868 624	(443 644)	-
Water	2 617 796	2 512 089	(94 273)	-
Electricity	15 414 064	15 886 512	(272 448)	-
	65 489 647	69 986 942	(4 517 395)	-
<u>Unauthorised expenditure current year - capital</u>				
Executive & Council	7 197	-	7 197	7 197
Budget & Treasury	138 725	107 004	31 721	31 721
Community & Social Services	148 203	200 000	(51 797)	-
Road Transport	8 889 515	8 038 000	851 515	851 515
Water	-	9 000 000	(9 000 000)	-
Electricity	6 912	-	6 912	6 912
	9 190 652	17 345 004	(8 154 452)	897 345

All amounts disclosed under the unauthorised expenditure note, are VAT exclusive

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

38

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUED)

2020

2019

R

R

38,02

Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance

Correction of prior period error

Restated opening balance

Fruitless and wasteful expenditure current year

Condoned or written off by Council

Current

Prior Period

Transfer to receivables for recovery - not condoned

Current

Prior Period

Fruitless and wasteful expenditure awaiting condonement or written off

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings
Fraudulent bank account	None
No evidence of loads delivered	None
No evidence of loads delivered	None

All amounts disclosed under the fruitless and wasteful expenditure note, are VAT exclusive.

38,03

Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance

Correction of prior period error

Restated opening balance

Irregular expenditure current year

Expenditure authorised i.t.o. Section 32 of MFMA

Current

Prior Period

Condoned or written off by Council

Current

Prior Period

Transfer to receivables for recovery - not condoned

Current

Prior Period

Irregular expenditure awaiting further action

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings
Advance	None
Carting of water to Verwyksvlei	None
Training of personnel	None
Service provider of wood	None

All amounts disclosed under the irregular expenditure note, are VAT exclusive.

38,04

Material Losses

Electricity distribution losses

Electricity distribution losses (R)

Units purchased (Kwh)

- Units lost during distribution (Kwh)

- Percentage lost during distribution

(2 201 401)

7 882 482

1 405 963

17,84%

(1 648 775)

8 477 211

1 256 346

14,81%

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

39	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2020 R	2019 R
39.01	Contributions to organised local government - (MFMA 125 (1)(b)) - SALGA CONTRIBUTIONS		
	Council subscriptions	500 000	500 000
	Amount paid - current year	(500 000)	(500 000)
	Balance unpaid (included in creditors)	-	-
39.02	Audit fees - (MFMA 125 (1)(b)) (incl. VAT)		
	Opening balance	-	-
	Correction of prior period error	-	-
	Restated opening balance	-	-
	Current year audit fee	2 149 735	2 285 475
	External Audit - Auditor-General	2 149 735	2 285 475
	Amount paid - current year	(2 149 735)	(2 285 475)
	Balance unpaid (included in creditors)	-	-
39.03	VAT - (MFMA 125 (1)(b))		
	Opening balance	(722 827)	(1 486 129)
	Correction of prior period error	-	-
	Restated opening balance	(722 827)	(1 486 129)
	Amounts received - current year	4 794 432	6 894 000
	Amounts claimed - current year (payable)	(5 144 801)	(7 816 827)
	Amounts received - previous year	722 827	1 486 129
	Closing balance	(350 369)	(722 827)
	VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		
39.04	PAYE, SDL and UIF - (MFMA 125 (1)(b))		
	Opening balance	-	-
	Correction of prior period error	-	-
	Restated opening balance	-	-
	Current year payroll deductions and Council Contributions	3 760 201	3 498 447
	Amount paid - current year	(3 760 201)	(3 498 447)
	Balance unpaid (included in creditors)	-	-
39.05	Pension and Medical Aid Deductions - (MFMA 125 (1)(b))		
	Opening balance	-	-
	Correction of prior period error	-	-
	Restated opening balance	-	-
	Current year payroll deductions and Council Contributions	(4 761 020)	(4 656 712)
	Amount paid - current year	4 761 020	4 656 712
	L.A. Health	682 357	626 304
	LA retirement fund	310 564	282 707
	Hosmed	728 507	730 122
	Consolidated retirement fund for local government	2 716 849	2 689 840
	Municipal workers retirement fund	323 743	327 738
	Balance unpaid (included in creditors)	-	-
39.06	Councillor's arrear consumer accounts - (MFMA 125 (1)(b))		
	The following Councillors had arrear accounts for more than 90 days as at 30 June 2020:		
		Outstanding more than 90 days	Outstanding more than 90 days
	Councillor B.J.E. Slambes	8 765	12 748
	Councillor N.S. van Wyk	26 837	-
	Councillor W. Horne	5 443	-
	Councillor G.P. van Louw	186	-
	Councillor G. Saal (Husband)	52 589	-
	Total Councillor Arrear Consumer Accounts	93 800	12 748
39.07	Quotations awarded - Section 45 - Supply Chain Management		
	Meerkat Spouse works at SKA	-	104 400
	Wilbooi Taxi Spouse works at Municipality	-	7 940
	Blue Planet Spouse works at Stellenbosch Municipality	-	10 685
	Gertrien Trading Spouse works at Municipality	3 510	-
		3 510	122 935

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

39.08 Deviations - Section 38(2) - Supply Chain Management

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
30 June 2020				
Emergency cases	52 587	149 694	-	-
Availability	230 571	194 360	-	-
Limited Quotations	80 519	1 210 702	-	-
Deviation on tender/Not cheapest awarded	8 177	-	-	-
Service provider	167 828	589 889	-	-
	<u>539 680</u>	<u>2 144 645</u>	<u>-</u>	<u>-</u>
30 June 2019				
Emergency cases	11 381	83 644	-	-
Availability	562 497	155 641	-	-
Limited Quotations	65 690	1 262 883	-	-
Deviation on tender/Not cheapest awarded	60 347	-	-	-
Service provider	311 991	249 816	-	-
	<u>1 011 907</u>	<u>1 742 985</u>	<u>-</u>	<u>-</u>

Refer to Appendix E for detail on Deviations according to Section 38(2) - Supply Chain Management

40

CAPITAL COMMITMENTS

Commitments in respect of capital expenditures:

Approved and contracted for:

Infrastructure

Total

This expenditure will be financed from:

Government Grants

2020
R

2019
R

	-	5 598 435
	-	5 598 435
	-	5 598 435
	-	5 598 435
	-	5 598 435
	-	5 598 435

All amounts disclosed are VAT inclusive.

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 follows:

0,5% Increase in interest rates	123 229	212 140
0,5% Decrease in interest rates	(123 229)	(212 140)

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

41

FINANCIAL RISK MANAGEMENT (CONTINUE)

(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.

Balances past due not impaired:

	2020 %	2020 R	2019 %	2019 R
Non-Exchange Receivables				
Rates	0.00%	-	0.00%	-
Availability Charges	0.00%	-	0.00%	-
	0.00%	0	0.00%	0
Exchange Receivables				
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:

	2020 %	2020 R	2019 %	2019 R
Non-Exchange Receivables				
Rates	95.68%	5 449 255	91.45%	2 890 279
Availability Charges	4.31%	245 511	8.55%	278 695
	100.00%	5 694 767	100.00%	3 268 974
Exchange Receivables				
Electricity	18.36%	1 367 840	14.61%	763 983
Water	29.32%	2 182 231	30.87%	1 614 626
Refuse	23.75%	1 787 546	24.70%	1 291 828
Sewerage	16.06%	1 194 058	17.01%	889 870
Other	12.50%	930 423	12.82%	670 440
	100.00%	7 441 898	100.00%	5 230 747

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

41

FINANCIAL RISK MANAGEMENT (CONTINUE)

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

	2020 %	2020 R	2019 %	2019 R
Industrial	19.69%	2 587 063	16.01%	1 275 643
Residential	80.31%	10 549 602	84.99%	7 225 076
	100.00%	13 136 665	100%	8 600 721

	2020 %	2020 R	2019 %	2019 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:

	2020 R	2019 R
Long term receivables	16 916	20 918
Trade receivables and other receivables	5 316 724	3 556 742
Cash and Cash Equivalents	24 645 759	42 428 089
	29 981 399	46 005 749

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

41 FINANCIAL RISK MANAGEMENT (CONTINUE)

2020
R

2019
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
2020				
Provisions - Landfill Sites	-	-	-	191 808 724
Capital repayments	-	-	-	10 353 621
Interest	-	-	-	181 165 203
Trade and Other Payables	1 779 956	-	-	-
Consumer Deposits	329 979	-	-	-
Unspent conditional government grants and receipts	791 984	-	-	-
	<u>2 901 920</u>	<u>-</u>	<u>-</u>	<u>191 508 724</u>
2019				
Provisions - Landfill Sites	-	-	-	202 171 932
Capital repayments	-	-	-	12 581 198
Interest	-	-	-	188 580 735
Trade and Other Payables	1 958 002	-	-	-
Consumer Deposits	327 904	-	-	-
Unspent conditional government grants and receipts	14 304 758	-	-	-
	<u>18 690 664</u>	<u>-</u>	<u>-</u>	<u>202 171 932</u>

42 FINANCIAL INSTRUMENTS

2020
R

2019
R

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

42.1 Financial Assets

Classification

Long-term Receivables			
Staff Loans	Financial instruments at amortised cost	13 379	18 549
Consumer Debtors			
Trade receivables from exchange transactions	Financial instruments at amortised cost	8 056 276	6 345 859
Other receivables from exchange transactions	Financial instruments at amortised cost	4 414 770	2 391 778
Current Portion of Long-term Receivables			
Staff Loans	Financial instruments at amortised cost	5 170	4 967
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	24 350 462	42 170 213
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	295 308	257 676
		<u>37 135 355</u>	<u>51 189 240</u>
SUMMARY OF FINANCIAL ASSETS			
Financial instruments at amortised cost		<u>37 135 355</u>	<u>51 189 240</u>

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

42

FINANCIAL INSTRUMENTS (CONTINUE)

2020
R

2019
R

42.2

Financial Liability

Classification

Payables from exchange transactions

Trade creditors

Financial instruments at amortised cost

1 455 205

1 812 753

Payments received in advance

Financial instruments at amortised cost

324 752

145 249

Unspent Conditional Grants and Receipts

Other Spheres of Government

Financial instruments at amortised cost

791 984

14 304 758

2 571 941

16 262 760

SUMMARY OF FINANCIAL LIABILITY

Financial instruments at amortised cost

2 571 941

16 262 760

43

EVENTS AFTER THE REPORTING DATE

The national state of disaster has been extended until 15 October 2020. Refer to note 48 whereby the financial impact of the COVID-19 pandemic on the Municipality is disclosed. Other than the COVID-19 pandemic, the Municipality had no other significant events after reporting date.

44

IN-KIND DONATIONS AND ASSISTANCE

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

45

PRIVATE PUBLIC PARTNERSHIPS

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

46

CONTINGENT ASSET/LIABILITIES

R.G. de Wee is claiming R8 million for alleged negligence and/or lack of maintenance of electricity network by the Municipality.

47

RELATED PARTIES

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

47.1

Related Party Transactions

Rates - Levied 1
July 2019 - 30
June 2020

Service Charges -
Levied 1 July
2019 - 30 June
2020

Other - Levied 1
July 2019 - 30
June 2020

Outstanding Balances
30 June 2020

Year ended 30 June 2020

Councillors

4 484

80 060

9 552

108 984

Municipal Manager and Section 56 Employees

22 755

43 266

-

21 201

Year ended 30 June 2019

Councillors

4 190

44 834

10 985

18 270

Municipal Manager and Section 56 Employees

21 269

50 363

-

19 854

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

Related party relationship

Councillors and management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality.

47.2

Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 15 to the Annual Financial Statements.

47.3

Compensation of key management personnel

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

47.4

Other related party transactions

2020

2019

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

R

R

Councillor/Staff Member

None

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

48	FINANCIAL SUSTAINABILITY	2020 R	2019 R
	<p>The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:</p>		
	<p>Financial indicators</p> <p>The current ratio increased to 4.48:1 from 2.36:1 in the prior year.</p> <p>The municipality has budgeted for a surplus of R6 890 487 for the 2019/2020 financial year. The municipality is also budgeting for surplus during 2020/2021 and 2021/2022 amounting to R8 784 627 and R10 306 006 respectively.</p> <p>The average debtors' payment days increased to 272 days from 177 days.</p>		
	<p>Other indicators</p> <p>No outflow of resources due the contingent liability disclosed in note 46</p> <p>The Municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far possible, the Municipality factored in the effect of the lock down levels had on its economic environment. At this stage, the uncertainty still remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdown levels.</p> <p>When analysing the results of the ratio's it can be concluded that the COVID-19 pandemic did have an adverse effect from financial sustainability perspective. The Municipality has assessed that no going concern issues has been noted and that the Municipality can continue in operational existence for the foreseeable future.</p> <p>The coronavirus outbreak has been international news since December 2019, but the South African National Institute for Communicable Diseases only confirmed the first positive case of COVID-19 in South Africa on 5 March 2020. On the 23rd of March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30 March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.</p> <p>Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. As a result of the robust financial model applied by the municipality and close monitoring of the municipality's cash forecast, the overall going concern and financial position remains relatively unchanged due to continued support by those members of the community who can afford to do so. The council has also approved our revised budget for 2021 which includes various concessions in order to further mitigate the economic impact of the virus in our communities.</p>		
49	STATUTORY RECEIVABLES		
	<p>In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:</p>		
		2020 R	2019 R
	Taxes		
	VAT Receivable	350 369	722 627
	Receivables from non-exchange transactions		
	Property Rates	5 696 766	3 006 622
	Total Statutory Receivables (before provision)	6 047 135	3 731 348
	Less: Provision for Debt Impairment	(8 448 266)	(2 890 276)
	Total Statutory Receivables (after provision)	697 869	741 071
	<p>Statutory Receivables arises from the following legislation:</p> <p>Taxes - Value Added Tax Act (No 89 of 1991)</p> <p>Rates - Municipal Properties Rates Act (No 6 of 2004)</p> <p>Statutory receivables are initially measured at transaction value, and subsequently at cost.</p>		
		2020 R	2019 R
	(VAT): Arising		
	Current (0 - 30 days)	243 287	257 176
	31 - 60 Days		
	61 - 90 Days		
	+ 90 Days		
	Total	1 217 654	923 317
	(Rates): Arising		
	Current (0 - 30 days)		18 244
	31 - 60 Days		
	61 - 90 Days		
	+ 90 Days		
	Total	5 696 766	2 990 276
		6 890 487	3 006 622

KAREEBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

49	STATUTORY RECEIVABLES (CONTINUE)	2020	2019
		R	R
	<u>Reconciliation of Provision for Debt Impairment</u>		
	Balance at beginning of year	2 690 279	1 943 536
	Contribution to provision	2 468 977	1 046 743
	Reversal of provision	-	-
	Balance at end of year	<u>5 449 255</u>	<u>2 990 279</u>
		2020	2019
		R	R
	<u>Ageing of amounts past due and impaired:</u>		
	1 month past due	-	-
	2+ months past due	5 449 255	2 990 279
		<u>5 449 255</u>	<u>2 990 279</u>
		2020	2019
		R	R
	<u>Ageing of amounts past due but not impaired:</u>		
	1 month past due	-	-
	2+ months past due	247 511	-
		<u>247 511</u>	<u>-</u>
	The basis used to assess and test whether a statutory receivable is impaired, including how receivables are grouped and assessed for collective impairment		
		2020	2019
		R	R
	<u>Interest Received from Statutory Receivables</u>		
	Taxes	-	-
	Receivables from Non-Exchange Transactions	203 594	187 596
		<u>203 594</u>	<u>187 596</u>

Interest is levied at a rate determined by the council on outstanding rates amounts.

50 **ADDITIONAL DISCLOSURE IN TERMS OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT**

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

APPENDIX A - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
MUNICIPAL VOTES CLASSIFICATION

2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R		2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R
15 710	(919 507)	(903 797)	Cemetery	16 065	(173 188)	(157 103)
2 780	(1 834 497)	(1 831 717)	Library	139 139	(2 010 484)	(1 871 345)
-	(69 002)	(69 002)	Museum	-	(8 013)	(8 013)
-	(3 057 961)	(3 057 961)	Corporate Services	-	-	-
9 966 410	(193 359)	9 773 051	Electricity Administration	9 622 296	(832 279)	8 790 017
-	(11 262 642)	(11 262 642)	Electricity Generation	-	(14 261 651)	(14 261 651)
-	(1 795 760)	(1 795 760)	Electricity Distribution	-	(1 065 740)	(1 065 740)
57 220 468	(11 944 610)	45 275 859	General Expenditure of Council	29 739 290	(11 869 527)	17 869 763
8 400	(175)	8 225	Official Housing	8 904	(140)	8 764
8 327 522	-	8 327 522	Property Rates	9 228 699	(1 177 644)	8 051 055
223 836	(1 879)	221 957	Commonage	309 989	(17 549)	292 440
53 757	(50 806)	2 951	Municipal Buildings	75 760	(148 485)	(72 725)
6 419 397	(16 416 861)	(9 997 464)	Municipal Manager/Treasurer	2 649 398	(14 681 933)	(12 032 535)
-	(22 553)	(22 553)	Clinic	-	(6 053)	(6 053)
347	(12 700)	(12 353)	Air Port	347	(7 099)	(6 752)
-	(34)	(34)	Abattoir	-	(25)	(25)
-	(15 732)	(15 732)	Fire Department	-	(8 470)	(8 470)
-	(787)	(787)	Civil Protection	-	-	-
-	(45 710)	(45 710)	Pound	-	(48 229)	(48 229)
70	(3 070 101)	(3 070 031)	Public Works	48 960	(4 663 859)	(4 614 899)
-	(1 284 942)	(1 284 942)	Streets & Pavements	8 038 000	(1 568 758)	6 469 242
5 740	(171 953)	(166 213)	Licensing & Traffic	5 600	(182 264)	(186 664)
13 022	(257 941)	(244 919)	Nature Reserve	1 396	(352 984)	(351 588)
535	(332 259)	(331 724)	Parks & Open areas	435	(217 740)	(217 306)
-	(7 203)	(7 203)	Swimming Pool	-	(8 685)	(8 685)
3 231	(15 367)	(12 156)	Caravan Park	339	(14 249)	(13 910)
1 890 906	(2 437 458)	(546 552)	Refuse	1 457 186	(5 103 022)	(3 645 836)
1 566 825	(5 469 209)	(3 902 384)	Sewerage & Cleansing	961 583	(4 975 050)	(4 013 467)
-	(1 799 650)	(1 799 650)	Water Distribution	-	(614 466)	(614 466)
2 902 054	(985 864)	1 916 190	Water Provision	3 208 980	(2 233 133)	975 847
88 621 009	(63 476 540)	25 144 468	Sub Total	65 512 366	(66 280 700)	(748 334)
-	965 688	965 688	Less Inter-Departmental Charges	-	791 153	791 153
88 621 009	(62 510 852)	26 110 157	Total	65 512 366	(65 489 547)	42 819

APPENDIX B - Unaudited
KAREEBERG LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R		2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R
57 220 468	(9 480 020)	47 740 448	Executive & Council	29 739 290	(11 869 527)	17 869 763
15 024 512	(19 527 507)	(4 502 995)	Budget & Treasury	12 263 846	(16 025 636)	(3 761 790)
347	(12 734)	(12 387)	Other	347	(7 099)	(6 752)
-	(22 553)	(22 553)	Health	-	(6 053)	(6 053)
18 490	(2 823 005)	(2 804 515)	Community & Social Services	155 204	(2 191 666)	(2 036 462)
8 400	(175)	8 225	Housing	8 904	(140)	8 764
-	(62 229)	(62 229)	Public Safety	-	(56 699)	(56 699)
3 766	(354 850)	(351 084)	Sport & Recreation	774	(240 674)	(239 900)
13 022	(257 941)	(244 919)	Environmental Protection	1 396	(352 984)	(351 588)
1 890 906	(2 437 458)	(546 552)	Waste Management	1 457 186	(5 103 022)	(3 645 836)
1 566 825	(5 429 737)	(3 862 912)	Waste Water Management	961 583	(4 975 050)	(4 013 467)
5 810	(4 526 996)	(4 521 186)	Road Transport	8 092 560	(6 424 880)	1 667 680
2 902 054	(2 459 975)	442 079	Water	3 208 980	(2 847 599)	361 381
9 966 410	(16 081 360)	(6 114 951)	Electricity	9 622 296	(16 159 670)	(6 537 374)
88 621 009	(63 476 540)	25 144 469	Sub Total	65 512 366	(66 260 700)	(748 334)
-	965 688	965 688	Less Inter-Departmental Charges	-	791 153	791 153
88 621 009	(62 510 852)	26 110 157	Total	65 512 366	(65 469 547)	42 819

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

Grant Description	Balance 30 June 2019		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 2020	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS														
Job Creation De Built	48 769		2 549										51 318	
Land Development	76 565		4 000										80 565	
Civil Defence	20 944		-										20 944	
CIMP Kwaggaletok (VAT)	785		38										803	
Sanitation - sewerage	184 441		-										184 441	
Electricity Schiedfontein	43 933		2 297										46 231	
Water Service Plan	4 104		214										4 318	
CIMP - Saalpoort project 301	4 505		235										4 741	
Library Development Projects	-		-		1 112 000				975 739		136 261		-	
Paving Projects	28 688		1 551		-				-		-		31 249	
Lotto Carnarvon	2 278		119		-				-		-		2 397	
Lotto Vosburg	40 228		2 103		-				-		-		42 330	
Municipal Finance Management Grant	-		-		2 435 000				2 435 000		-		-	
Transfer Faso Sub-Economic	170 693		8 938		-				-		-		179 532	
Cleaning Project Vosburg	32 126		1 878		-				-		-		33 804	
VAT - Retention	14 899		779		-				-		-		15 678	
Municipal Infrastructure Grant	-		-		8 038 000				-		8 038 000		(0)	
Youth Development	93 632		-		-				-		-		93 632	
Expanded Public Works Program (PWPG)	-		-		1 085 000				1 085 000		-		-	
COVID 19	-		-		54 000				54 000		-		-	
RBIG (Department of Water Affairs and Forestry)	-		-		-				-		-		-	
Total	13 537 276	24 502	12 724 000	13 537 276	4 546 739	8 174 261	791 984							

APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)

Reconciliation of Table A1 Budget Summary													
Description	2019/2020				Unauthorised expenditure	Variances	2018/2019						
	Original Budget	Budget Adjustments (i.e. MFMA 48)	Final adjustments budget	Actual Outcome			Actual Outcome as % of Final Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Revised Audited Outcome		
												1	2
R thousands													
Financial Performance													
Property rates	10 316	-	10 316	9 228	-	(1 087)	0.0%	0.0%	-	-	-	-	
Service charges	15 340	-	15 340	14 984	-	(357)	0.0%	0.0%	-	-	-	-	
Investment revenue	2 151	-	2 151	2 431	-	280	0.0%	0.0%	-	-	-	-	
Transfers recognised - operational	28 980	(200)	28 780	28 980	-	118	0.0%	0.0%	-	-	-	-	
Other own revenue	3 042	-	3 042	1 817	-	(1 225)	0.0%	0.0%	-	-	-	-	
Total Revenue (excluding capital transfers and contributions)	59 828	(800)	59 028	57 335	-	(2 291)	0.0%	0.0%	-	-	-	-	
Employee costs	24 416	(827)	23 490	21 405	-	(2 084)	0.0%	0.0%	-	-	-	-	
Remuneration of councillors	2 739	-	2 739	2 647	-	(92)	0.0%	0.0%	-	-	-	-	
Depreciation & asset impairment	3 552	-	3 552	5 419	-	1 867	0.0%	0.0%	-	-	-	-	
Finance charges	1 067	-	1 067	1 726	-	659	0.0%	0.0%	-	-	-	-	
Materials and bulk purchases	15 228	279	15 506	12 342	-	(3 088)	0.0%	0.0%	-	-	-	-	
Transfers and grants	2 128	0	2 128	-	-	(2 128)	0.0%	0.0%	-	-	-	-	
Other expenditure	18 558	2 498	21 056	21 980	-	427	0.0%	0.0%	-	-	-	-	
Total Expenditure	67 887	3 000	69 987	65 470	-	(4 517)	0.0%	0.0%	-	-	-	-	
Surplus/Deficit	(8 059)	(8 200)	(16 389)	(8 135)	-	(8 088)	0.0%	0.0%	-	-	-	-	
Transfers recognised - capital	-	-	-	-	-	(8 084)	0.0%	0.0%	-	-	-	-	
Contributions recognised - capital & contributed assets	-	-	-	-	-	(19 872)	0.0%	0.0%	-	-	-	-	
Surplus/Deficit after capital transfers & contributions	-	-	-	-	-	-	-	-	-	-	-	-	
Share of surplus/ (deficit) of associates	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus/Deficit for the year	19 927	(7 947)	9 980	43	-	(19 872)	0.0%	0.0%	-	-	-	-	
Capital expenditure & transfer surpluses	19 927	(7 947)	9 980	43	-	(19 872)	0.0%	0.0%	-	-	-	-	
Capital expenditure													
Transfers recognised - capital	22 085	(5 047)	17 038	8 174	-	(8 864)	0.0%	0.0%	-	-	-	-	
Public contributions & donations	-	-	-	23	-	23	0.0%	0.0%	-	-	-	-	
Borrowing	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-	
Internally generated funds	2 307	(2 003)	307	993	-	686	0.0%	0.0%	-	-	-	-	
Total sources of capital funds	24 392	(7 047)	17 345	9 191	-	(8 154)	0.0%	0.0%	-	-	-	-	
Capital flows													
Net cash from (used) operating	17 164	(2 000)	15 164	(11 624)	-	(25 587)	0.0%	0.0%	-	-	-	-	
Net cash from (used) financing	(24 394)	7 039	(17 355)	(5 996)	-	11 379	0.0%	0.0%	-	-	-	-	
Net cash from (used) investing	(2)	(313)	(315)	7	-	323	0.0%	0.0%	-	-	-	-	
Change in cash and cash equivalents at the year end	(7 232)	4 736	(2 497)	(17 710)	-	(15 249)	0.0%	0.0%	-	-	-	-	

APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2019/2020								2018/2019			
	Original Budget	Budget Adjustments (S.O. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Revised Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
<i>Governance and administration</i>	40 288	-	40 288	42 083	-	(1 735)	0.0%	0.0%	-	-	-	-
Executive and council	20 995	-	20 995	22 739	-	(8 744)	0.0%	0.0%	-	-	-	-
Finance and administration	18 274	-	18 274	12 264	-	7 010	0.0%	0.0%	-	-	-	-
Internal audit	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
<i>Community and public safety</i>	1 149	-	1 149	165	-	985	0.0%	0.0%	-	-	-	-
Community and social services	1 128	-	1 128	155	-	973	0.0%	0.0%	-	-	-	-
Sport and recreation	12	-	12	1	-	11	0.0%	0.0%	-	-	-	-
Public safety	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Housing	-	-	9	9	-	0	0.0%	0.0%	-	-	-	-
Health	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
<i>Economic and environmental services</i>	9 148	-	9 148	8 094	-	1 054	0.0%	0.0%	-	-	-	-
Planning and development	-	-	-	0	-	(0)	0.0%	0.0%	-	-	-	-
Road transport	9 128	-	9 128	8 093	-	1 036	0.0%	0.0%	-	-	-	-
Environmental protection	-	-	20	1	-	19	0.0%	0.0%	-	-	-	-
<i>Trading services</i>	51 948	(8 047)	25 261	15 280	-	11 051	0.0%	0.0%	-	-	-	-
Electricity	10 724	-	10 724	9 622	-	1 102	0.0%	0.0%	-	-	-	-
Water	16 495	(5 047)	11 448	3 700	-	8 240	0.0%	0.0%	-	-	-	-
Waste water management	995	-	995	362	-	33	0.0%	0.0%	-	-	-	-
Waste management	3 133	-	3 133	1 457	-	1 676	0.0%	0.0%	-	-	-	-
Other	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Total Revenue - Standard	81 914	(8 047)	76 867	65 912	-	11 335	0.0%	0.0%	-	-	-	-
Expenditure - Standard												
<i>Governance and administration</i>	28 215	1 145	29 361	27 895	-	1 465	0.0%	0.0%	-	-	-	-
Executive and council	13 330	(803)	12 528	11 870	-	657	0.0%	0.0%	-	-	-	-
Finance and administration	14 885	1 948	16 834	16 026	-	809	0.0%	0.0%	-	-	-	-
Internal audit	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
<i>Community and public safety</i>	3 163	132	3 295	2 493	-	800	0.0%	0.0%	-	-	-	-
Community and social services	2 721	85	2 806	2 192	-	614	0.0%	0.0%	-	-	-	-
Sport and recreation	325	33	358	241	-	117	0.0%	0.0%	-	-	-	-
Public safety	80	12	92	57	-	35	0.0%	0.0%	-	-	-	-
Housing	10	0	10	0	-	10	0.0%	0.0%	-	-	-	-
Health	27	2	29	6	-	23	0.0%	0.0%	-	-	-	-
<i>Economic and environmental services</i>	7 437	(73)	7 364	6 776	-	588	0.0%	0.0%	-	-	-	-
Planning and development	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Road transport	7 332	(463)	6 869	6 426	-	444	0.0%	0.0%	-	-	-	-
Environmental protection	106	300	406	353	-	143	0.0%	0.0%	-	-	-	-
<i>Trading services</i>	28 144	887	29 031	28 394	-	1 637	0.0%	0.0%	-	-	-	-
Electricity	15 534	152	15 687	15 414	-	272	0.0%	0.0%	-	-	-	-
Water	2 793	116	2 912	2 818	-	94	0.0%	0.0%	-	-	-	-
Waste water management	5 121	240	5 361	4 959	-	402	0.0%	0.0%	-	-	-	-
Waste management	5 695	286	5 981	5 103	-	888	0.0%	0.0%	-	-	-	-
Other	28	(11)	17	7	-	10	0.0%	0.0%	-	-	-	-
Total Expenditure - Standard	67 987	2 000	69 987	65 479	-	4 517	0.0%	0.0%	-	-	-	-
Surplus/(Deficit) for the year	13 927	(7 047)	6 880	43	-	6 817	0.0%	0.0%	-	-	-	-

APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	2019/2020								2018/2019		
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered
R thousand	1	2	3	4	5	6	7	8	9	10	11
Revenue by Vote											
Vote 1 - Executive and Council	14 239	-	14 239	29 738	-	15 500	0.0%	0.0%	-	-	-
Vote 2 - Finance	5 343	-	5 343	12 264	-	6 921	0.0%	0.0%	-	-	-
Vote 3 - Community and public safety	1 113	-	1 113	-	-	(1 113)	0.0%	0.0%	-	-	-
Vote 4 - Infrastructure Development	61 218	(5 047)	56 172	23 509	-	(32 663)	0.0%	0.0%	-	-	-
Vote 5 - Economic Development	-	-	-	-	-	-	-	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	-	-
Total Revenue by Vote	81 914	(5 047)	76 867	65 512	-	(11 355)	0.0%	0.0%	-	-	-
Expenditure by Vote to be appropriated											
Vote 1 - Executive and Council	5 989	(370)	5 589	11 879	-	6 271	0.0%	0.0%	-	-	-
Vote 2 - Finance	12 641	2 006	14 647	16 026	-	1 378	0.0%	0.0%	-	-	-
Vote 3 - Community and public safety	6 511	(142)	6 369	-	-	(6 369)	0.0%	0.0%	-	-	-
Vote 4 - Infrastructure Development	42 847	506	43 353	37 574	-	(5 779)	0.0%	0.0%	-	-	-
Vote 5 - Economic Development	19	-	19	-	-	(19)	0.0%	0.0%	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	0.0%	0.0%	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	0.0%	0.0%	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	0.0%	0.0%	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	0.0%	0.0%	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	0.0%	0.0%	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	0.0%	0.0%	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	0.0%	0.0%	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	0.0%	0.0%	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	0.0%	0.0%	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	0.0%	0.0%	-	-	-
Total Expenditure by Vote	67 987	2 000	69 987	65 470	-	(4 517)	0.0%	0.0%	-	-	-
Surplus/(Deficit) for the year	13 927	(7 047)	6 880	43	-	(6 839)	0.0%	0.0%	-	-	-

APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)

Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2018/2020								2018/2019			
	Original Budget	Budget Adjustments (L.O. MFMA 428)	Final adjusted budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Finalised Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	10 316	-	10 316	9 229	-	(1 087)	0.0%	0.0%	-	-	-	-
Service charges - electricity revenue	10 724	-	10 724	9 498	-	(1 226)	0.0%	0.0%	-	-	-	-
Service charges - water revenue	2 448	-	2 448	3 049	-	601	0.0%	0.0%	-	-	-	-
Service charges - sanitation revenue	885	-	885	882	-	(3)	0.0%	0.0%	-	-	-	-
Service charges - refuse revenue	1 173	-	1 173	1 457	-	284	0.0%	0.0%	-	-	-	-
Rental of facilities and equipment	372	-	372	386	-	14	0.0%	0.0%	-	-	-	-
Interest earned - external investments	2 151	-	2 151	2 430	-	279	0.0%	0.0%	-	-	-	-
Interest earned - outstanding debtors	351	-	351	-	-	(351)	0.0%	0.0%	-	-	-	-
Dividends received	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Fines, penalties and forfeits	8	-	8	3	-	(5)	0.0%	0.0%	-	-	-	-
Licences and permits	43	-	43	5	-	(38)	0.0%	0.0%	-	-	-	-
Agency services	-	-	-	58	-	58	0.0%	0.0%	-	-	-	-
Transfers and subsidies	28 880	(200)	28 680	28 888	-	198	0.0%	0.0%	-	-	-	-
Other revenue	2 288	-	2 288	1 382	-	(906)	0.0%	0.0%	-	-	-	-
Gains on disposal of PPE	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	66 828	(200)	66 628	67 827	-	(2 282)	0.0%	0.0%	-	-	-	-
Expenditure By Type												
Employee related costs	24 416	(927)	23 489	21 405	-	(2 084)	0.0%	0.0%	-	-	-	-
Remuneration of councillors	2 736	-	2 736	2 647	-	(89)	0.0%	0.0%	-	-	-	-
Debt impairment	3 883	-	3 883	4 636	-	753	0.0%	0.0%	-	-	-	-
Depreciation & asset impairment	3 682	-	3 682	8 418	-	4 736	0.0%	0.0%	-	-	-	-
Finance charges	1 087	-	1 087	1 726	-	639	0.0%	0.0%	-	-	-	-
Bulk purchases	13 505	-	13 505	12 942	-	(563)	0.0%	0.0%	-	-	-	-
Other materials	1 724	279	2 003	-	-	(2 003)	0.0%	0.0%	-	-	-	-
Contracted services	4 815	2 782	7 597	-	-	(7 597)	0.0%	0.0%	-	-	-	-
Transfers and grants	2 128	0	2 128	-	-	(2 128)	0.0%	0.0%	-	-	-	-
Other expenditure	10 355	(144)	10 211	17 292	-	7 081	0.0%	0.0%	-	-	-	-
Loss on disposal of PPE	-	-	-	2	-	2	0.0%	0.0%	-	-	-	-
Total Expenditure	67 867	2 000	69 867	65 470	-	(4 397)	0.0%	0.0%	-	-	-	-
Surplus/(Deficit)	(1 039)	(2 200)	(10 238)	12 357	-	2 285	0.0%	0.0%	-	-	-	-
Transfers recognised - capital	22 085	(4 847)	17 238	8 174	-	(9 064)	0.0%	0.0%	-	-	-	-
Contributions recognised - capital	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Contributed assets	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	19 927	(7 047)	12 880	42	-	(19 927)	0.0%	0.0%	-	-	-	-
Taxation	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Surplus/(Deficit) after taxation	19 927	(7 047)	12 880	42	-	(19 927)	0.0%	0.0%	-	-	-	-
Attributable to municipality	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Surplus/(Deficit) attributable to municipality	19 927	(7 047)	12 880	42	-	(19 927)	0.0%	0.0%	-	-	-	-
Share of surplus/(deficit) of associate	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Surplus/(Deficit) for the year	19 927	(7 047)	12 880	42	-	(19 927)	0.0%	0.0%	-	-	-	-

APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2019/2020						2018/2019					
	Original Budget	Total Budget Adjustments (i.e. MFMA s28)	Fiscal adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Revised Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Municipal Manager	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 2 - Finance	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 4 - Infrastructure Development	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 5 - Economic Development	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	0%	0%	-	-	-	-
Capital multi-year expenditure	-	-	-	-	-	-	0%	0%	-	-	-	-
Single-year expenditure												
Vote 1 - Municipal Manager	-	-	-	7	-	7	0%	0%	-	-	-	-
Vote 2 - Finance	2 107	(2 000)	107	135	-	32	0%	0%	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 4 - Infrastructure Development	27 082	(5 047)	17 035	3 888	-	(8 147)	0%	0%	-	-	-	-
Vote 5 - Economic Development	200	-	200	140	-	(60)	0%	0%	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	0%	0%	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	0%	0%	-	-	-	-
Capital single-year expenditure	24 382	(7 047)	17 335	9 191	-	(8 154)	0%	0%	-	-	-	-
Total Capital Expenditure - Vote	24 382	(7 047)	17 335	9 191	-	(8 154)	0%	0%	-	-	-	-
Capital Expenditure - Standard												
Governance and administration	2 107	(2 000)	107	146	-	39	0%	0%	-	-	-	-
Executive and council	-	-	-	7	-	7	0%	0%	-	-	-	-
Finance and administration	2 107	(2 000)	107	135	-	32	0%	0%	-	-	-	-
Internal audit	-	-	-	-	-	-	0%	0%	-	-	-	-
Community and public safety	200	-	200	140	-	(60)	0%	0%	-	-	-	-
Community and social services	200	-	200	140	-	(60)	0%	0%	-	-	-	-
Sport and recreation	-	-	-	-	-	-	0%	0%	-	-	-	-
Public safety	-	-	-	-	-	-	0%	0%	-	-	-	-
Housing	-	-	-	-	-	-	0%	0%	-	-	-	-
Health	-	-	-	-	-	-	0%	0%	-	-	-	-
Economic and environmental services	9 038	-	9 038	8 888	-	852	0%	0%	-	-	-	-
Planning and development	-	-	-	-	-	-	0%	0%	-	-	-	-
Road transport	3 038	-	3 038	4 890	-	652	0%	0%	-	-	-	-
Environmental protection	-	-	-	-	-	-	0%	0%	-	-	-	-
Trading services	14 047	(5 047)	9 000	7	-	(8 993)	0%	0%	-	-	-	-
Electricity	-	-	-	7	-	7	0%	0%	-	-	-	-
Water	14 047	(5 047)	9 000	-	-	(9 000)	0%	0%	-	-	-	-
Waste water management	-	-	-	-	-	-	0%	0%	-	-	-	-
Waste management	-	-	-	-	-	-	0%	0%	-	-	-	-
Other	-	-	-	-	-	-	0%	0%	-	-	-	-
Total Capital Expenditure - Standard	24 382	(7 047)	17 335	9 191	-	(8 154)	0%	0%	-	-	-	-
Funded by:												
National Government	22 045	(5 047)	17 038	5 020	-	(8 018)	0%	0%	-	-	-	-
Provincial Government	-	-	-	-	-	-	0%	0%	-	-	-	-
District Municipality	-	-	-	-	-	-	0%	0%	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	0%	0%	-	-	-	-
Transfers recognised - capital	22 045	(5 047)	17 038	5 020	-	(8 018)	0%	0%	-	-	-	-
Public contributions & donations	-	-	-	21	-	21	0%	0%	-	-	-	-
Borrowing	-	-	-	-	-	-	0%	0%	-	-	-	-
Internally generated funds	2 307	(2 000)	307	148	-	(159)	0%	0%	-	-	-	-
Total Capital Funding	24 382	(7 047)	17 335	9 191	-	(8 154)	0%	0%	-	-	-	-

**APPENDIX D - Unaudited
KAREEBERG LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
CASH FLOWS**

Reconciliation of Table A7 Budgeted Cash Flows

Description R thousand	2019/2020							2018/2019
	Original Budget	Budget Adjustments (i.e. s26)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties and collection charges	7 530	—	7 530	6 647	(883)	0.0%	0.0%	—
Service charges	14 242	—	14 242	10 556	(3 686)	0.0%	0.0%	—
Other revenue	2 591	—	2 591	3 213	622	0.0%	0.0%	—
Government - operating	28 980	—	28 980	15 497	(13 483)	0.0%	0.0%	—
Government - capital	22 085	—	22 085	8 036	(14 047)	0.0%	0.0%	—
Interest	2 287	—	2 287	2 280	(8)	0.0%	0.0%	—
Dividends	—	—	—	—	—	0.0%	0.0%	—
Payments								
Suppliers and employees	(57 356)	(2 000)	(59 356)	(56 328)	3 028	0.0%	0.0%	—
Finance charges	(1 067)	—	(1 067)	(1 726)	(659)	0.0%	0.0%	—
Transfers and Grants	(2 128)	(0)	(2 128)	—	2 128	0.0%	0.0%	—
NET CASH FROM/(USED) OPERATING ACTIVITIES	17 164	(2 000)	15 164	(11 824)	(26 987)	0.0%	0.0%	—
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	—	—	—	5	5	0.0%	0.0%	—
Decrease (Increase) in non-current debtors	8	(8)	—	—	—	0.0%	0.0%	—
Decrease (Increase) other non-current receivables	—	—	—	—	—	0.0%	0.0%	—
Decrease (Increase) in non-current investments	—	(0)	0	—	(0)	0.0%	0.0%	—
Payments								
Capital assets	(24 392)	7 047	(17 345)	(5 970)	11 375	0.0%	0.0%	—
NET CASH FROM/(USED) INVESTING ACTIVITIES	(24 384)	7 039	(17 345)	(5 986)	11 379	0.0%	0.0%	—
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	—	—	—	—	—	0.0%	0.0%	—
Borrowing long term/refinancing	—	—	—	3	5	0.0%	0.0%	—
Increase (decrease) in consumer deposits	(2)	(313)	(316)	2	318	0.0%	0.0%	—
Payments								
Repayment of borrowing	—	0	0	—	(0)	0.0%	0.0%	—
NET CASH FROM/(USED) FINANCING ACTIVITIES	(2)	(313)	(316)	7	323	0.0%	0.0%	—
NET INCREASE/ (DECREASE) IN CASH HELD	(7 222)	4 725	(2 497)	(17 782)	(15 285)			—
Cash/cash equivalents at the year begin:	30 952	(4 649)	26 302	42 428	16 126			—
Cash/cash equivalents at the year end:	23 729	76	23 805	24 646	840	0.0%	0.0%	—

APPENDIX E - Unaudited
KAREEBERG LOCAL MUNICIPALITY
DEVIATIONS ACCORDING TO SECTION 36(2) - SUPPLY CHAIN MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2020

NOT THREE QUOTATIONS

R2,001 - R30,000			
Date of tender committee	Supplier	Amount	Reason
2019-10-30	Calteau & Partners	20 866.91	Exceptional
2019-12-19	Calteau & Partners	19 586.04	Exceptional
2019-12-11	Calteau & Partners	6 370.17	Exceptional
2020-05-29	Calteau & Partners	17 229.47	Exceptional
2020-06-08	Media24	16 456.50	Exceptional
		<u>80 519.09</u>	
R30,001 - R200,000			
Date of tender committee	Supplier	Amount	Reason
2019-07-30	Calteau & Partners	85 504.58	Exceptional
2019-08-29	Calteau & Partners	854 364.27	Exceptional
Jnl 283	Mjila and Partners	290 882.86	Exceptional
		<u>1 210 751.71</u>	

NOT CHEAPEST QUOTATION

R2,001 - R30,000			
Date of tender committee	Supplier	Amount	Reason
2019-09-02	Karoo Vleisboere	2 691.00	Exceptional
2019-09-16	Karoo Vleisboere	5 485.50	Exceptional
		<u>8 176.50</u>	

EMERGENCY

R2,001 - R30,000			
Date of tender committee	Supplier	Amount	Reason
2020-01-30	Leon Swanspoel	3 728.65	Emergency
2020-03-31	Snaar Enterprises	29 200.00	Emergency
2020-06-08	Stewart and Lloyds	19 638.77	Emergency
		<u>52 567.42</u>	
R30,001 - R200,000			
Date of tender committee	Supplier	Amount	Reason
2020-04-13	Snaar Enterprises	59 694.00	Emergency
2020-05-30	Bejula GCM Trading (Pty) Ltd	90 000.00	Exceptional
		<u>149 694.00</u>	

APPENDIX E - Unaudited
KAREEBERG LOCAL MUNICIPALITY
DEVIATIONS ACCORDING TO SECTION 36(2) - SUPPLY CHAIN MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2020

AVAILABILITY

R2,001 - R30,000

<u>Date of tender committee</u>	<u>Supplier</u>	<u>Amount</u>	<u>Reason</u>
2020-11-18	Sabata Municipal Solutions	13 805.73	Exceptional
2019-07-10	Kloppers CAW	2 236.00	Exceptional
2019-07-14	CP Nel	9 643.10	Exceptional
2019-07-16	Jacobs Bros	6 502.00	Exceptional
2019-07-17	Karoo Vleisboere	2 367.49	Exceptional
2019-07-19	Gertriam Trading (Pty) Ltd	3 510.00	Exceptional
2019-07-29	Cape Garden Vredendal	5 469.16	Exceptional
2019-08-16	XYX Construction	3 111.90	Exceptional
2019-08-18	PDK De Aar	4 759.00	Exceptional
2019-09-12	CSB Handel	2 077.40	Exceptional
2019-09-17	XYX Construction	2 995.75	Exceptional
2019-09-20	Miste Semp Company (Pty) Ltd	3 500.00	Exceptional
2019-09-20	Jacobs Bros	3 890.44	Exceptional
2019-10-07	CSB Handel	4 723.74	Exceptional
2019-10-07	CSB Handel	5 524.27	Exceptional
2019-10-14	XYX Construction	3 542.00	Exceptional
2019-10-23	CSB Handel	2 963.57	Exceptional
2019-10-23	De Aar Bende en Gas	5 540.00	Exceptional
2019-10-29	CP Nel	14 221.11	Exceptional
2019-11-04	Karoo Vleisboere	2 009.65	Exceptional
2019-11-14	XYX Construction	3 895.05	Exceptional
2019-11-19	CP Nel	5 939.28	Exceptional
2019-11-19	CP Nel	12 816.86	Exceptional
2019-12-17	XYX Construction	6 550.00	Exceptional
2019-12-17	XYX Construction	5 080.00	Exceptional
2020-01-07	Honeywell	4 203.58	Exceptional
2020-01-17	Leon Swanepoel	13 182.45	Exceptional
2020-01-20	Van Niekerk Coetzee	3 826.37	Exceptional
2020-01-20	Motus Kimberley	2 716.40	Exceptional
2020-01-23	CSB Handel	2 736.24	Exceptional
2020-01-27	BKB Beperk	8 724.22	Exceptional
2020-01-23	Boland Fire	9 057.11	Exceptional
2020-02-24	BKB Beperk	8 430.00	Exceptional
2020-02-17	XYX Construction	3 830.00	Exceptional
2020-03-03	Karoo Vleisboere	2 095.55	Exceptional
2020-03-05	Lizemare's Catering	6 650.00	Exceptional
2020-03-13	Karoo Vleisboere	2 019.79	Exceptional
2020-03-20	CSB Handel	4 562.26	Exceptional
2020-04-09	Camaron Boukontraktsure	3 000.54	Exceptional
2020-05-07	Leon Swanepoel	6 227.25	Exceptional
2020-05-27	John Kemp Angeling and Hunting	2 190.00	Exceptional
2020-06-10	Spar	2 199.60	Exceptional
2020-06-11	Wildman Hunting & Outdoor	4 753.00	Exceptional
2020-06-25	Spar	3 489.10	Exceptional
		230 570.96	

APPENDIX E - Unaudited
KAREEBERG LOCAL MUNICIPALITY
DEVIATIONS ACCORDING TO SECTION 38(2) - SUPPLY CHAIN MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2020

R20,001 - R200,000			
Date of tender committee	Supplier	Amount	Reason
	Wholehearted Music cc	64 800.00	Sole provider
	Profound	129 560.00	Exceptional
		<u>194 360.00</u>	

SERVICE PROVIDER

R2,001 - R30,000			
Date of tender committee	Supplier	Amount	Reason
	Afrinost	23 004.00	Sole provider
	CSB Handel	15 390.00	Exceptional
2019-07-01	Fantique Trade 1215 cc	6 558.66	Sole provider
2019-07-11	Dr AJ Vorster	5 040.00	Sole provider
2019-07-26	SAGE VIP	4 945.50	Sole provider
2019-07-30	SAGE VIP	2 109.10	Sole provider
2019-09-23	Bester's Auto	4 855.30	Sole provider
2019-10-24	Konica Minolta	3 312.00	Sole provider
2019-10-28	Arbeidswetseminaar	2 162.00	Sole provider
2019-10-30	UCLG Conference	12 826.00	Sole provider
2019-10-31	GB Kempen en De Wet Nel	13 497.93	Exceptional
2019-11-05	SAGE	8 818.78	Sole provider
2019-11-14	Super Armature Winding Africa	8 765.30	Exceptional
2020-11-26	Arch Actuarial Consulting	5 750.00	Sole provider
2020-01-05	SAFWATER	8 477.80	Sole provider
2020-01-08	SAGE VIP	4 588.50	Sole provider
2020-01-15	GB Kempen en De Wet Nel	3 500.00	Exceptional
2020-01-24	SAGE VIP	4 071.00	Sole provider
2020-03-25	Bester's Auto	3 692.20	Sole provider
2020-04-14	SAGE	3 277.50	Sole provider
2020-04-28	Mubesko Afrika	23 184.00	Sole provider
		<u>167 825.57</u>	

R30,001 - R200,000			
Date of tender committee	Supplier	Amount	Reason
	Fantique Trade	88 907.62	Sole provider
16-08-2019	GB Kempen en De Wet Nel	58 503.65	Exceptional
02-07-2019	Conlog	154 074.38	Sole provider
30-10-2019	Sebata Municipal Solutions	78 868.26	Sole provider
19-12-2019	Ignite	60 145.00	Exceptional
07-02-2020	SAGE VIP	39 095.40	Sole provider
23-04-2020	Ignite	110 400.00	Sole provider
		<u>589 889.31</u>	

TOTAL DEVIATIONS

2 684 304.56