



CENTRAL KAROO DISTRICT MUNICIPALITY

**AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

GENERAL INFORMATION**LEGAL FORM OF ENTITY**

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

COUNTRY OF ORIGIN AND LEGAL FORM

South Africa Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Central Karoo Municipality includes the following municipal areas:

Beaufort West Municipality

Prince Albert Municipality

Laingsburg Municipality

MUNICIPAL MANAGER

Dr SW Vatala

CHIEF FINANCE OFFICER

Ms. UM Baartman

REGISTERED OFFICE

63 Donkin Street, Beaufort West, 6970

AUDITORS

Auditor General of South Africa

BANKERS

First National Bank, Beaufort West

ABSA, Beaufort West

Nedbank, Beaufort West

ATTORNEYS

Crawfords Attorneys

Coetzee & van den Bergh Attorneys

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)

Collective Agreements

Division of Revenue Act

Employment Equity Act (Act no 55 of 1998)

Electricity Act (Act no 41 of 1987)

Housing Act (Act no 41 of 1997)

Infrastructure Grants

Municipal Finance Management Act (Act no 56 of 2003)

Municipal Planning and Performance Management Regulations

Municipal Property Rates Act (Act no 6 of 2004)

Municipal Regulations of Standard Chart of Accounts

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Occupational Health and Safety Act (Act 85 of 1993)

SALBC Leave Regulations

Skills Development Levies Act (Act No 9 of 1999)

Supply Chain Management Regulations, 2005

The Income Tax Act

Unemployment Insurance Act (Act no 30 of 1996)

Value Added Tax Act

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The following supplementary information does not form part of the audited annual financial statements and is unaudited:

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CENTRAL KAROO DISTRICT MUNICIPALITY

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APPROVAL OF ANNUAL FINANCIAL STATEMENTS

Active councillors as at 30 June 2021:

Executive Mayor	IJ Windvogel
Deputy Mayor	M Jaffa
Speaker	MS Hangana
Councillor	SM Meyers
Councillor	AM Slabbert
Councillor	M Le Roux
Councillor	AL Rabie
Councillor	J Botha
Councillor	BJ van As
Councillor	ZJD Lambert
Councillor	O Haarvoor
Councillor	Q Louw
Councillor	E Wentzel

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2021, which are set out on pages 4 to 96 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 South African 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 assurance that the financial records can be relied on.

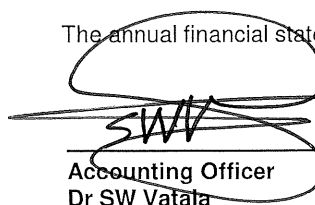
I have reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's audited annual 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 Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

In terms of Section 13G, read with regulation 12 of the B-BBEE Regulations, all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports. Please refer to note 33.

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


13/12/21
Accounting Officer
Dr SW Vatala

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

		2021	2020 Restated*
	Note(s)		
Assets			
Current Assets			
Inventories	2	1 368 630	1 175 362
Receivables from non-exchange transactions	3	979 804	1 257 267
VAT Receivable	4	796 598	334 650
Employee Benefit Receivables	5	876 234	637 000
Cash and cash equivalents	6	21 879 019	15 365 035
		25 900 285	18 769 314
Non-Current Assets			
Property, plant and equipment	7	8 515 224	8 490 398
Intangible assets	8	79 968	97 499
Employee Benefit Receivable	5	7 079 153	7 445 000
		15 674 345	16 032 897
Total Assets		41 574 630	34 802 211
Liabilities			
Current Liabilities			
Current Employee benefit obligation	9	5 460 205	6 986 500
Finance lease obligation	11	131 508	20 668
Payables from exchange transactions	12	7 301 168	4 494 173
Unspent conditional grants and receipts	10	3 873 756	4 870 885
		16 766 637	16 372 226
Non-Current Liabilities			
Finance lease obligation	11	240 644	-
Employee benefit obligation	13	14 250 491	14 563 002
		14 491 135	14 563 002
Total Liabilities		31 257 772	30 935 228
Net Assets		10 316 858	3 866 983
Accumulated surplus		10 316 858	3 866 983
Total Net Assets		10 316 858	3 866 983

* See Note 28

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

STATEMENT OF FINANCIAL PERFORMANCE

		2021	2020 Restated*
	Note(s)		
Revenue			
Revenue from exchange transactions			
Operational Revenue	15	124 930	198 245
Rental from fixed assets		51 288	119 014
Straight Service Charges	14	4 793 044	4 072 739
Licences and permits		27 100	51 165
Department of Transport - Roads Service Charges	14	51 959 456	44 405 980
Interest received	6	785 166	1 137 968
Actuarial gains	13	1 066 419	1 345 236
Reversal on impairment loss	20	3 241	-
Total revenue from exchange transactions		58 810 644	51 330 347
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	16	41 118 501	35 984 735
Total revenue		99 929 145	87 315 082
Expenditure			
Employee related costs	17	(49 091 098)	(52 427 511)
Remuneration of councillors	18	(3 774 747)	(3 845 251)
Depreciation and amortisation	19	(761 585)	(615 057)
Impairment	20	-	(822)
Finance costs	21	(893 522)	(711 480)
Debt Impairment	3	(30 467)	(48 803)
Transfers and Subsidies	44	(1 053 700)	(1 615 599)
Loss on disposal of assets and liabilities	45	(106 501)	-
Contracted services	23	(8 922 006)	(8 973 589)
Inventory Consumed	24	(9 104 379)	(7 822 791)
Operational cost	22	(19 741 265)	(14 346 074)
Total expenditure		(93 479 270)	(90 406 977)
Surplus (deficit) for the year		6 449 875	(3 091 895)

* See Note 28

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Opening balance as previously reported	8 213 252	8 213 252
Adjustments		
Correction of errors	(1 254 374)	(1 254 374)
Balance at 01 July 2019 as restated*	6 958 878	6 958 878
Changes in net assets		
Surplus for the year	(3 091 895)	(3 091 895)
Total changes	(3 091 895)	(3 091 895)
Restated* Balance at 01 July 2020	3 866 983	3 866 983
Changes in net assets		
Surplus for the year	6 449 875	6 449 875
Total changes	6 449 875	6 449 875
Balance at 30 June 2021	10 316 858	10 316 858

* See Note 28

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

CASH FLOW STATEMENT

		2021	2020 Restated*
	Note(s)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Other revenue		55 219 624	55 047 518
Government grants		41 156 382	38 501 500
Interest income		785 166	1 137 968
		<u>97 161 172</u>	<u>94 686 986</u>
Payments			
Suppliers and employees		(89 063 307)	(86 106 639)
Finance costs		(9 522)	(4 341)
Transfers and Grants		(1 053 700)	-
		<u>(90 126 529)</u>	<u>(86 110 980)</u>
Net cash flows from operating activities	27	<u>7 034 643</u>	<u>8 576 006</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment	7	(427 553)	(178 935)
Purchase of Intangible assets	8	(30 599)	(14 832)
Decrease/(Increase) in Non-Current Debtors		-	-
Net cash flows from investing activities		<u>(458 152)</u>	<u>(193 767)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in/(Repayment of) finance lease		(62 504)	(69 502)
Net cash flows from financing activities		<u>(62 504)</u>	<u>(69 502)</u>
Net increase/(decrease) in cash and cash equivalents		6 513 987	8 312 737
Cash and cash equivalents at the beginning of the year		15 365 035	7 052 298
Cash and cash equivalents at the end of the year	6	<u>21 879 022</u>	<u>15 365 035</u>

* See Note 28

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

**Statement of Comparison of Budget and Actual Amounts
Budget on Accrual Basis**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 38
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Operational revenue	118 410	100 000	218 410	124 930	(93 480)	A
Rental from fixed asset	100 000	(30 000)	70 000	51 288	(18 712)	B
Agency services	4 987 443	-	4 987 443	4 793 044	(194 399)	C
Licences and permits	-	-	-	27 100	27 100	D
Department of Transport - Roads Service Charges	51 444 000	-	51 444 000	51 959 456	515 456	E
Interest received	1 100 000	-	1 100 000	785 166	(314 834)	F
Total revenue from exchange transactions	57 749 853	70 000	57 819 853	57 740 984	(78 869)	
Revenue from non- exchange transactions						
Transfer revenue						
Government grants & subsidies	43 265 000	4 049 640	47 314 640	41 118 501	(6 196 139)	G
Total revenue	101 014 853	4 119 640	105 134 493	98 859 485	(6 275 008)	
Expenditure						
Employee related costs	(55 535 428)	2 756 082	(52 779 346)	(49 091 098)	3 688 248	H
Remuneration of councillors	(4 352 873)	(460 810)	(4 813 683)	(3 774 747)	1 038 936	I
Depreciation and amortisation	(650 655)	(106 000)	(756 655)	(761 585)	(4 930)	J
Finance costs	-	-	-	(893 522)	(893 522)	L
Operational cost	-	-	-	(30 467)	(30 467)	M
Inventory consumed	(13 771 741)	13 681 241	(90 500)	(9 104 379)	(9 013 879)	N
Transfers and Subsidies	-	-	-	(1 053 700)	(1 053 700)	
Contracted services	(9 629 993)	9 234 831	(395 162)	(8 922 006)	(8 526 844)	O
General Expenses	(16 291 256)	(28 855 101)	(45 146 357)	(19 741 265)	25 405 092	P
Total expenditure	(100 231 946)	(3 749 757)	(103 981 703)	(93 372 769)	10 608 934	
Operating surplus	782 907	369 883	1 152 790	5 486 716	4 333 926	
Loss on disposal of assets and liabilities	-	-	-	(106 501)	(106 501)	Q
Actuarial gains/losses	-	-	-	1 066 419	1 066 419	R
Reversal of impairment losses	-	-	-	3 241	3 241	S
	-	-	-	963 159	963 159	
Surplus before taxation	782 907	369 883	1 152 790	6 449 875	5 297 085	

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

**Statement of Comparison of Budget and Actual Amounts
Budget on Accrual Basis**

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 38
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	782 907	369 883	1 152 790	6 449 875	5 297 085	

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts
Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 38
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	1 368 630	1 368 630	T
Receivables from exchange transactions	2 292 326	-	2 292 326	-	(2 292 326)	U
Receivables from non-exchange transactions	2 292 326	-	2 292 326	979 804	(1 312 522)	V
VAT Receivable	-	-	-	796 598	796 598	W
Employee Benefit Receivables	-	-	-	876 234	876 234	X
Cash and cash equivalents	5 584 764	531 132	6 115 896	21 879 019	15 763 123	Y
	10 169 416	531 132	10 700 548	25 900 285	15 199 737	
Non-Current Assets						
Property, plant and equipment	10 123 428	676 000	10 799 428	8 515 224	(2 284 204)	Z
Intangible assets	92 771	-	92 771	79 968	(12 803)	AA
Employee Benefit Receivable	10 550 931	-	10 550 931	7 079 153	(3 471 778)	BB
	20 767 130	676 000	21 443 130	15 674 345	(5 768 785)	
Total Assets	30 936 546	1 207 132	32 143 678	41 574 630	9 430 952	
Liabilities						
Current Liabilities						
Current Employee benefit obligation	-	-	-	5 460 205	5 460 205	CC
Finance lease obligation	39 000	-	39 000	131 508	92 508	DD
Payables from exchange transactions	8 219 545	676 000	8 895 545	7 301 168	(1 594 377)	EE
Unspent conditional grants and receipts	-	-	-	3 873 756	3 873 756	FF
	8 258 545	676 000	8 934 545	16 766 637	7 832 092	
Non-Current Liabilities						
Finance lease obligation	53 882	-	53 882	240 644	186 762	GG
Employee benefit obligation	18 954 855	-	18 954 855	14 250 491	(4 704 364)	HH
	19 008 737	-	19 008 737	14 491 135	(4 517 602)	
Total Liabilities	27 267 282	676 000	27 943 282	31 257 772	3 314 490	
Net Assets	3 669 264	531 132	4 200 396	10 316 858	6 116 462	
Net Assets						
Reserves						
Accumulated surplus	3 669 264	531 132	4 200 396	10 316 858	6 116 462	

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 38
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Other Revenue	56 649 853	70 000	56 719 853	55 219 624	(1 500 229)	
Government grants	43 265 000	4 049 640	47 314 640	41 156 382	(6 158 258)	
Interest income	1 100 000	-	1 100 000	785 166	(314 834)	
	101 014 853	4 119 640	105 134 493	97 161 172	(7 973 321)	
Payments						
Suppliers and employees	(99 581 291)	(2 912 508)	(102 493 799)	(89 063 307)	13 430 492	
Finance costs	-	-	-	(9 522)	(9 522)	
Transfers and Grants	-	-	-	(1 053 700)	(1 053 700)	
	(99 581 291)	(2 912 508)	(102 493 799)	(90 126 529)	12 367 270	
Net cash flows from operating activities	1 433 562	1 207 132	2 640 694	7 034 643	4 393 949	
Cash flows from investing activities						
Purchase of property plant and equipment	(428 100)	(676 000)	(1 104 100)	(427 553)	676 547	
Purchase of other intangible assets	-	-	-	(30 599)	(30 599)	
Increase in non-current debtors	531 053	-	531 053	-	(531 053)	
Net cash flows from investing activities	102 953	(676 000)	(573 047)	(458 152)	114 895	
Cash flows from financing activities						
Increase in/(Repayment of) finance lease	(36 288)	-	(36 288)	(62 504)	(26 216)	
Net increase/(decrease) in cash and cash equivalents	1 500 227	531 132	2 031 359	6 513 987	4 482 628	
Cash and cash equivalents at the beginning of the year	4 084 536	-	4 084 536	15 365 035	11 280 499	
Cash and cash equivalents at the end of the year	5 584 763	531 132	6 115 895	21 879 022	15 763 127	

*Please see the budget reports submitted to Council for reasons for any adjustments made between the original and final budgets for the year.

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

APPROPRIATION STATEMENT

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorise d expenditur e	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Investment revenue	1 100 000	-	1 100 000	-		1 100 000	785 166		(314 834)	71 %	71 %
Transfers recognised - operational	43 265 000	3 333 640	46 598 640	-		46 598 640	41 118 501		(5 480 139)	88 %	95 %
Other own revenue	56 649 853	70 000	56 719 853	-		56 719 853	58 022 237		1 302 384	102 %	102 %
Total revenue (excluding capital transfers and contributions)	101 014 853	3 403 640	104 418 493	-		104 418 493	99 925 904		(4 492 589)	96 %	99 %
Employee costs	(52 716 146)	(63 200)	(52 779 346)	-	-	(52 779 346)	(49 091 098)	-	3 688 248	93 %	93 %
Remuneration of councillors	(4 813 683)	-	(4 813 683)	-	-	(4 813 683)	(3 774 747)	-	1 038 936	78 %	78 %
Debt impairment	-	-	-			-	(30 467)	-	(30 467)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(650 655)	(106 000)	(756 655)			(756 655)	(761 585)	-	(4 930)	101 %	117 %
Finance charges	-	-	-	-	-	-	(893 522)	-	(893 522)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(75 500)	(15 000)	(90 500)	-	-	(90 500)	(9 104 379)	-	(9 013 879)	10 060 %	12 059 %
Transfers and grants	-	-	-	-	-	-	(1 053 700)	-	(1 053 700)	DIV/0 %	DIV/0 %
Other expenditure	(42 137 212)	(3 404 308)	(45 541 520)	-	-	(45 541 520)	(28 769 772)	-	16 771 748	63 %	68 %
Total expenditure	(100 393 196)	(3 588 508)	(103 981 704)	-	-	(103 981 704)	(93 479 270)	-	10 502 434	90 %	93 %
Surplus/(Deficit)	621 657	(184 868)	436 789	-		436 789	6 446 634		6 009 845	1 476 %	1 037 %

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	716 000	716 000	-		716 000	-		(716 000)	- %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	621 657	531 132	1 152 789	-		1 152 789	6 446 634		5 293 845	559 %	1 037 %
Reversal of Impairment loss	-	-	-	-		-	(3 241)		(3 241)	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	621 657	531 132	1 152 789	-		1 152 789	6 449 875		5 297 086	560 %	1 038 %

Capital expenditure and funds sources

Total capital expenditure	428 100	676 000	1 104 100	-		1 104 100	872 139		(231 961)	79 %	204 %
Sources of capital funds											
Transfers recognised - capital	-	676 000	676 000	-		676 000	-		(676 000)	- %	DIV/0 %
Public contributions and donations	-	-	-	-		-	413 988		413 988	DIV/0 %	DIV/0 %
Internally generated funds	428 100	-	428 100	-		428 100	458 151		30 051	107 %	107 %
Total sources of capital funds	428 100	676 000	1 104 100	-		1 104 100	872 139		(231 961)	79 %	204 %

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorise d expenditur e	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	1 433 562	1 207 132	2 640 694	-		2 640 694	7 034 643		4 393 949	266 %	491 %
Net cash from (used) investing	102 953	(676 000)	(573 047)	-		(573 047)	(458 152)		114 895	80 %	(445)%
Net cash from (used) financing	(36 288)	-	(36 288)	-		(36 288)	(62 504)		(26 216)	172 %	172 %
Net increase/(decrease) in cash and cash equivalents	1 500 227	531 132	2 031 359	-		2 031 359	6 513 987		4 482 628	321 %	434 %
Cash and cash equivalents at the beginning of the year	4 084 536	-	4 084 536	-		4 084 536	15 365 035		11 280 499	376 %	376 %
Cash and cash equivalents at year end	5 584 763	531 132	6 115 895	-		6 115 895	21 879 022		(15 763 127)	358 %	392 %

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

APPROPRIATION STATEMENT

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2020				
Financial Performance				
Service charges				-
Investment revenue				1 137 968
Transfers recognised - operational				35 984 735
Other own revenue				50 192 379
Total revenue (excluding capital transfers and contributions)				87 315 082
Employee costs	-	-	-	(52 427 511)
Remuneration of councillors	-	-	-	(3 845 251)
Debt impairment	-	-	-	(48 803)
Depreciation and asset impairment	-	-	-	(615 879)
Finance charges	-	-	-	(711 480)
Transfers and grants	-	-	-	(1 615 599)
Other expenditure	(1 435 349)	-	(1 435 349)	(31 142 454)
Total expenditure	(1 435 349)	-	(1 435 349)	(90 406 977)
Surplus/(Deficit)				(3 091 895)
Surplus/(Deficit) for the year				(3 091 895)
Capital expenditure and funds sources				
Total capital expenditure				193 767
Sources of capital funds				
Internally generated funds				193 767
Cash flows				
Net cash from (used) operating				8 576 007
Net cash from (used) investing				(193 767)
Net cash from (used) financing				(69 502)
Net increase/(decrease) in cash and cash equivalents				8 312 738
Cash and cash equivalents at the beginning of the year				7 052 298
Cash and cash equivalents at year end				15 365 036

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

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

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

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

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

Assets, liabilities, revenue and expenditure 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.

In terms of Directive 11: "Changes in Measurement Bases following the Initial Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality elected to change the measurement bases selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the initial adoption of Standards of GRAP.

1.1 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.

1.2 Going concern assumption

These audited annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. Management considers key financial metrics and approved medium-term budgets to conclude that the going concern assumption used in the compiling of the Annual Financial Statements is appropriate. The recent COVID-19 pandemic and its effect on the Municipality's current and expected performance has been considered by management in the Going concern assumption.

CENTRAL KAROO DISTRICT MUNICIPALITY

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ACCOUNTING POLICIES

1.3 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 restatement 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 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.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality is continually busy during the year with a process to align items in the annual financial statements with the Item Segment of mSCOA. The result of this process results in reclassifications and naming of items in the annual financial statements.

1.4 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 prior period error disclosure.

1.5 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. 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.

1.6 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 is disclosed as separate additional financial statements, namely Statements 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 Notes to the annual Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the notes to the annual financial statements.

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

CENTRAL KAROO DISTRICT MUNICIPALITY

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ACCOUNTING POLICIES**1.7 Consistent and new accounting policies**

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 will be adjusted in accordance with GRAP 3.

The following GRAP standards became effective on 1 April 2020:

- GRAP 18 Segment Reporting
- GRAP 110 Living and non-living resources
- GRAP 34 Separate financial statements
- GRAP 35 Consolidated financial statements
- GRAP 36 Investment in Associates and Joint Ventures
- GRAP 37 Joint Arrangements
- GRAP 38 Disclosure of Interest in Other Entities

GRAP 110 and 34 - 38 will not have an influence on the operations of the municipality.

1.8 Standards, amendments to standards and interpretations issued but not yet effective

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

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 104 (Revised – April 2020)	<u>Financial Instruments</u> The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
Guideline	<u>Application of Materiality of Financial Statements</u> The guideline is not authoritative but only encourage. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown

CENTRAL KAROO DISTRICT MUNICIPALITY

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ACCOUNTING POLICIES

1.9 Leases

Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment 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 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.

Municipality as Lessor

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

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 revenue and actual payments received will give rise to an asset. The Municipality shall recognise 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.

1.10 Borrowing cost

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

1.11 Unspent conditional government grants and receipts

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

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

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

CENTRAL KAROO DISTRICT MUNICIPALITY

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ACCOUNTING POLICIES

1.11 Unspent conditional government grants and receipts (continued)

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

1.12 Unpaid conditional government grants and receipts

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in 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 grant conditions being met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.13 Unspent public contributions

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

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

- Unspent public contributions 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.

CENTRAL KAROO DISTRICT MUNICIPALITY

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ACCOUNTING POLICIES

1.14 Provisions

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources 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 pre-tax 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 possibility 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.

The amount recognised as a provision shall be 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 derecognised.

1.15 Employee benefits

Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which 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 charged against income in the year they become payable.

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

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually using the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality contributes to various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

CENTRAL KAROO DISTRICT MUNICIPALITY

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ACCOUNTING POLICIES

1.15 Employee benefits (continued)

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms of maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Post-Retirement Medical Obligations

The Municipality provided 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 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 - Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability is calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

CENTRAL KAROO DISTRICT MUNICIPALITY

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ACCOUNTING POLICIES

1.15 Employee benefits (continued)

Ex-Gratia Pension Benefits

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries, and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as financial cost upon valuation as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

Staff Leave

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

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

Staff Bonuses

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

Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.16 Property, Plant and Equipment

Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for used 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 shall be 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 entity, 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.

CENTRAL KAROO DISTRICT MUNICIPALITY

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ACCOUNTING POLICIES**1.16 Property, Plant and Equipment (continued)**

Where an item of property, plant and equipment is acquired in exchange for non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets required is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of an 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.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred is recognised as part of the cost of the asset.

Subsequent Measurement - Cost Model

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

Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

	Years
<u>Land and Buildings</u>	
Land	Indefinite
Buildings (Civic and Other)	100
<u>Other Assets</u>	
Machinery and equipment	9 - 41
Disaster Management equipment	10 - 28
Furniture and office equipment	5 - 50
Computer equipment	5 - 25
Transport assets (General vehicles)	11 - 25
Transport assets (Fire Engines)	18 - 25
<u>Leased Assets</u>	
Furniture and office equipment	3 - 5

CENTRAL KAROO DISTRICT MUNICIPALITY

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ACCOUNTING POLICIES

1.16 Property, Plant and Equipment (continued)

The depreciation charge is recognised in the Statement of Financial Performance.

Changes to the useful life of assets and residual value 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 is reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

De-recognition

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

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 the Other Asset the depreciation cost method was used to establish the deemed cost as at 1 July 2007.

1.17 Intangible assets

Initial Recognition

An intangible asset is an identifiable asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding agreements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;

CENTRAL KAROO DISTRICT MUNICIPALITY

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ACCOUNTING POLICIES

1.17 Intangible assets (continued)

- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

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

Subsequent Measurement – Cost Model

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

Amortisation and Impairment

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

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	1 - 5

The amortisation charge is recognised in the Statement of Financial Performance.

Changes to the useful life and residual values 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.

De-recognition

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

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 depreciation cost method was used to establish the deemed cost as at 1 July 2007.

1.18 Impairment of non-financial asset

Cash Generating Assets

CENTRAL KAROO DISTRICT MUNICIPALITY

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ACCOUNTING POLICIES

1.18 Impairment of non-financial asset (continued)

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

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

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

a) External sources of information

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

b) Internal sources of information

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

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

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

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

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ACCOUNTING POLICIES

1.18 Impairment of non-financial asset (continued)

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

Non-Cash-Generating Assets

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

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

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

a) External sources of information

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

b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- 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 recorded in the Statement of Financial Performance.

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

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ACCOUNTING POLICIES

1.18 Impairment of non-financial asset (continued)

- 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 to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP.

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.

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ACCOUNTING POLICIES

1.19 Inventories

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.

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.

Subsequent Measurement

Inventories, consisting of consumable stores, finished goods, materials and supplies and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.20 Financial Instruments

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

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.

CENTRAL KAROO DISTRICT MUNICIPALITY

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ACCOUNTING POLICIES

1.20 Financial Instruments (continued)

Subsequent Measurement

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

Receivables

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowances 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.

Payables and Annuity Loans

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

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.

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ACCOUNTING POLICIES

1.20 Financial Instruments (continued)

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

Non-Current Investments

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

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

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

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

De-recognition

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 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.

Financial Liabilities

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

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ACCOUNTING POLICIES

1.20 Financial Instruments (continued)

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.

Offsetting of Financial Instruments

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

1.21 Statutory receivables

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

Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition and recognition criteria of asset is met.

Subsequent Measurement

The Municipality initially measures statutory receivables at their transaction amount. The Municipality measures 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 reversed 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.

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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ACCOUNTING POLICIES

1.21 Statutory receivables (continued)

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. derecognises the receivable; and
- ii recognises separately any rights and obligations created or retained in the transfer.

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. Over time our understanding and insights as to the requirements of a new standard improves, therefore the municipality is choosing to make use of the transitional provision.

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

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.22 Revenue

Revenue from Non-Exchange Transactions

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

Revenue from non-exchange transactions is recognised when:

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

Grants, transfers and donations received, or receivable, are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue when the asset is recognised.

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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.

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

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

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

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

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.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

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- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

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.

Interest revenue is recognised using the effective interest rate method.

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue 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. The Municipality performs an function on behalf of the Provincial Administration: Western Cape for the proclaimed roads within its area.

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 entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

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

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

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

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.

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ACCOUNTING POLICIES

1.23 Related parties

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipality.
Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

b) An entity is related to the Municipality if any of the following conditions apply:

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

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

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

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:

- all members of the governing body of the Municipality;

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ACCOUNTING POLICIES

1.23 Related parties (continued)

- a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- the senior management team of the Municipality, including the Chief Executive Officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

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

1.24 Unauthorised Expenditure

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

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ACCOUNTING POLICIES

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 entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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.

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

Management judgement is required when recognising and measuring contingent liabilities.

1.28 Significant accounting judgements and estimates

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

Post-retirement Medical Obligations, Long Service Awards and Ex Gratia Gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 13 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

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

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.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

CENTRAL KAROO DISTRICT MUNICIPALITY

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ACCOUNTING POLICIES

1.28 Significant accounting judgements and estimates (continued)

- 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.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement 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.

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.

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

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

Provisions and Contingent Liabilities

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

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.

In terms of the Collective Agreement for Local Government annual leave shall only be accumulated to a maximum of forty-eight (48) working days. The provision for annual leave is limited to a maximum of 48 days per employee. This provision will be realised as employees take leave or when employment is terminated.

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 an evaluation by Council.

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

ACCOUNTING POLICIES

1.28 Significant accounting judgements and estimates (continued)

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy 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. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

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 balance committed to capital projects on reporting date that will be incurred subsequent to the specific reporting date.

1.31 Events after reporting date

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

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

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

1.32 Segment Reporting

A segment is an activity of an entity:

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

Management identifies reportable segments in accordance with the monthly section 71 report, which are regularly reviewed by management. Management reviews the performance on an aggregated basis of total revenue and total expenditure.

The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

The measurement basis per the monthly reports is the same as the annual financial statements

On the first-time adoption of GRAP 18, comparative segment information is not required in terms of the transitional provisions.

CENTRAL KAROO DISTRICT MUNICIPALITY
Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
2. Inventories		
Maintenance Materials - At cost	1 368 630	1 175 362
Inventories recognised as an expense during the year	9 104 379	7 822 791
Inventory pledged as security		
No Inventories have been pledged as collateral for liabilities of the Municipality.		
3. Receivables from non-exchange transactions		
Other receivables	1 062 059	1 309 056
Less: Provision for debt impairment	(82 255)	(51 789)
	979 804	1 257 267
Balance previously reported		1 768 055
Correction of error - refer to note 28		(510 788)
Restated balance		1 257 267
Other receivables (Ageing)		
Debtors are payable with 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.		
The ageing of amounts past due but not impaired is as follows:		
Current (0-30 days)	175 498	627 619
31 - 60 Days	266 908	8 433
61 - 90 Days	69 952	13 169
+ 90 Days	467 446	608 046
	979 804	1 257 267
Reconciliation of Provision for Debt Impairment		
Balance at the beginning of year	51 789	2 986
Contribution to provision/(Reversal of provision)	30 466	48 803
	82 255	51 789

Provisions are made for all debtors handed over to lawyers for collection, except for debtors disclosed in note 32 which have to be collected in terms of the MFMA.

The fair value of other receivables approximate their carrying value.

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
4. VAT Receivables		
VAT	796 598	334 650
Balance previously reported		69 794
Correction of error - refer to note 28		264 856
Restated balance		334 650
5. Employee Benefit Receivable		
Actual		
Department of Transport: Roads - Post Employment Health Care Benefits	6 105 000	6 028 000
Department of Transport: Roads - Long Service Awards	1 681 000	1 653 000
Department of Transport: Roads - Ex Gratia Pension Benefits	169 387	401 000
	7 955 387	8 082 000
Less: Current portion transferred to current receivables		
Departement of Transport: Roads - Post Employment Health Care Benefits	(393 871)	(418 000)
Department of Transport: Roads - Long Service Awards	(331 465)	(120 000)
Department of Transport: Roads - Ex-Gratia Pension Benefits Municipal	(150 898)	(99 000)
	-	-
	(876 234)	(637 000)
Total Non-current Employee benefit receivables	7 079 153	7 445 000
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1 300	1 300
Bank balances	10 635 167	2 808 573
Call Investments Deposits	11 242 552	12 555 162
	21 879 019	15 365 035
The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.		
No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalent. Except for cash and cash equivalents that relate to unspent conditional grants, it has to remain cash backed.		
The carrying value approximates the fair value of the asset.		

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**2021****2020****6. Cash and cash equivalents (continued)****The municipality had the following bank accounts**

Account description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
ABSA Bank Account Number 1540 0000 14 (Cheque account)	952 948	535 155	745 958	952 948	373 662	745 958
First National Bank Account Number 6206 2151 429 (Cheque Account)	342 936	797 902	28 167	342 936	1 425 395	28 167
Nedbank Account Number 1178835510 (Cheque Account)	9 335 868	3 529 959	389 886	9 339 284	1 009 516	389 193
Total	10 631 752	4 863 016	1 164 011	10 635 168	2 808 573	1 163 318

Call Investment deposits

Nedbank - 03/7881114568	2 305 221	2 227 030
First Rand Bank Limited - 6223 6004 355	-	97
Nedbank - 03/7881125551	2 187 609	2 107 123
Nedbank - 03/7881121858	3 754 398	3 627 052
Nedbank - 03/7881150777	1 503 208	1 452 221
Nedbank - 03/7881151625	1 463 016	3 113 598
First Rand Bank Limited - 628 352 72361	29 003	28 041
	11 242 455	12 555 162

Interest Received for the year

Bank Balances	183 327	258 339
Call Investment Deposits	601 839	879 628
	785 166	1 137 967

CENTRAL KAROO DISTRICT MUNICIPALITY
Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS
Figures in Rand

7. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 207 650	-	1 207 650	1 207 650	-	1 207 650
Buildings	5 940 333	(2 390 835)	3 549 498	5 940 333	(2 331 889)	3 608 444
Machinery and Equipment	714 338	(364 680)	349 658	990 132	(415 160)	574 972
Furniture and Office Equipment	2 408 600	(1 322 858)	1 085 742	2 227 342	(1 288 463)	938 879
Transport Assets	3 088 731	(1 667 658)	1 421 073	3 088 731	(1 481 993)	1 606 738
Computer Equipment	1 267 811	(734 469)	533 342	1 323 827	(783 365)	540 462
Leased Furniture and Office Equipment	413 988	(45 727)	368 261	204 369	(191 116)	13 253
Total	15 041 451	(6 526 227)	8 515 224	14 982 384	(6 491 986)	8 490 398

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Impairment reversal	Total
Land	1 207 650	-	-	-	-	1 207 650
Buildings	3 608 444	-	-	(58 946)	-	3 549 498
Machinery and equipment	574 972	4 218	(68 178)	(161 354)	-	349 658
Furniture and Office Equipment	938 879	315 652	(10 275)	(159 006)	492	1 085 742
Transport Assets	1 606 738	-	-	(185 665)	-	1 421 073
Computer Equipment	540 462	107 682	(16 063)	(101 488)	2 749	533 342
Leased Furniture and Office equipment	13 253	413 988	-	(58 980)	-	368 261
Total	8 490 398	841 540	(94 516)	(725 439)	3 241	8 515 224

CENTRAL KAROO DISTRICT MUNICIPALITY
Audited Annual Financial Statements for the year ended 30 June 2021
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS
Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	1 207 650	-	-	-	1 207 650
Buildings	3 667 553	-	(59 109)	-	3 608 444
Machinery and Equipment	672 077	-	(97 105)	-	574 972
Furniture and Office Equipment	919 964	133 411	(113 972)	(524)	938 879
Transport Assets	1 791 727	-	(184 989)	-	1 606 738
Computer Equipment	577 287	45 524	(82 051)	(298)	540 462
Leased Furniture and Office equipment	61 254	-	(48 001)	-	13 253
	8 897 512	178 935	(585 227)	(822)	8 490 398

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**2021****2020****7. Property, plant and equipment (continued)****Pledged as security**

Leased Property, Plant and Equipment of R372 152 is secured for leases as set out in Note 11.

There are no contractual commitments for the acquisition of property.

Property, plant and equipment in the process of being constructed or developed

There are no Property, Plant and Equipment in the process of being constructed or developed.

Expenditure incurred to repair and maintain property, plant and equipment**Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance**

Contracted services	102 613	19 617
Sale of goods/Inventory	19 336	-
	<u>121 949</u>	<u>19 617</u>

Other Information

No service concession arrangements are applicable to the municipality.

There is no Land appointed in terms of legislation which CKDM controls without legal ownership or custodianship.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Change in Estimate

The useful lives of certain plant and equipment were estimated in 2019/20 to be a certain number of years as per the Fixed asset register. In the current period management have revised their estimate. The effect of this revision has caused the depreciation charges for the current and future periods to be affected as follows:

Asset type	2019/2020	2020/2021	2021/2022
Computer equipment	(10 688)	(21 443)	(17 561)
Furniture and office equipment	(26 779)	(52 564)	(35 804)
Machinery and equipment	(64 462)	(129 302)	(105 765)
	<u>(101 929)</u>	<u>(203 309)</u>	<u>(159 130)</u>

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS
Figures in Rand

8. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	134 612	(54 644)	79 968	299 237	(201 738)	97 499

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	97 499	30 599	(11 984)	(36 146)	79 968

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	112 241	14 832	(29 574)	97 499

Intangible assets in the process of being constructed or developed

There are no Intangible assets in the process of being constructed or developed.

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

Microsoft software and other software. - 97 499

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**2021****2020****8. Intangible assets (continued)****Other Information**

No Intangible assets were assessed as having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title are restricted.

There are no intangible assets pledged as security for liabilities

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

No service concession arrangements are applicable to the municipality.

9. Current employee benefits**Designated at fair value**

Current Portion of Ex Gratia Benefits - Refer to Note 13	150 898	99 000
Current Portion of Long Service Provisions - Refer to Note 13	504 000	194 000
Current Portion of Post Retirement Benefits - Refer to Note 13	840 000	970 000
Provision for Performance Bonusses	623 364	394 027
Provision for Severance Pay	-	2 033 641
Provision for Staff Leave	2 129 676	2 197 838
Staff Bonusses Accrued	1 212 267	1 097 994
	<u>5 460 205</u>	<u>6 986 500</u>

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
9. Current employee benefits (continued)		
The movement in current employee benefits are reconciled as follows:		
Provision for Staff Leave		
Balance at beginning of year	2 197 838	1 932 846
Contribution to current portion	184 220	431 985
Expenditure incurred	(252 382)	(166 993)
	2 129 676	2 197 838
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or resign.		
Provision for Performance Bonusses		
Balance at beginning of year	394 027	368 567
Contribution to current portion	229 337	470 155
Expenditure incurred	-	(444 695)
	623 364	394 027
The performance bonus for the 2019/2020 financial year will only be paid out in the 2021/2022 financial year contingent upon the 2020/2021 Annual report being approved. The same will apply to the 2020/2021 performance bonus.		
Staff Bonusses Accrued		
Balance at beginning of year	1 097 994	1 026 867
Contribution to current portion	2 154 310	2 493 228
Expenditure incurred	(2 040 037)	(2 422 101)
	1 212 267	1 097 994
Bonusses are being paid to all permanent municipal staff, excluding the bonus payable to section 57 Managers. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle.		
Provision for Termination of Contract		
Balance at beginning of year	2 033 641	-
Contribution to current portion	-	2 033 641
Expenditure incurred	(2 033 641)	-
	-	2 033 641
Council resolved to terminate the contract of employment of the Municipal Manager, Mr S Jooste as a result of breach of the relationship of trust between the Municipal Manger and the Council from 30 June 2020. Council resolved to pay a final severance amount of 18 months cost to company to Mr S Jooste.		

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
10. Unspent conditional grants and receipts		
National Government Grants	1 967 193	2 014 037
Provincial Government Grants	1 633 368	2 257 649
Other Grant Providers	273 195	599 199
	3 873 756	4 870 885

Reconciliation of Unspent Conditional Grants and Receipts

Rural Roads Asset Management Grant	1 967 192	2 014 037
FMG Graduate Internship Programme (Disaster Management)	9 448	75 201
Financial Management Capacity Building Grant	583 375	430 166
WCFMSG Internal Audit and Risk Management	-	390 819
Safety implementation - whole of society approach (WOSA)	1 040 546	768 439
FMG ERM System	-	173 000
WC PDO Compliance	-	220 025
FMG Audit System	-	200 000
CHIETA	71 411	397 415
LGSETA	201 784	201 783
	3 873 756	4 870 885

All the unspent conditional grants are cash backed. Due to the Covid-19 lockdown, spending targets could not be met.

The Municipality is currently busy with the Roll-over application process.

11. Finance lease obligation

Minimum lease payments due		
- within one year	153 393	20 761
- in second to fifth year inclusive	255 655	-
	409 048	20 761
less: future finance charges	(36 896)	(93)
Present value of minimum lease payments	372 152	20 668
Present value of minimum lease payments due		
- within one year	131 508	-
- in second to fifth year inclusive	240 644	-
	372 152	-
Non-current liabilities	240 644	-
Current liabilities	131 508	20 668
	372 152	20 668

Refer to Appendix A for the detailed capitalised lease liability.

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
12. Payables from exchange transactions		
Trade payables	5 275 010	2 065 868
Debtors with credit balances	24 319	7 694
Sundry creditors	587 604	878 928
Department of transport and public works	1 414 235	1 541 683
	7 301 168	4 494 173
Balance previously reported		2 444 791
Correction of error - refer to note 28		2 049 381
Restated balance		4 494 172
Payables are being recognised net of any discounts.		
Payables are being paid within 30 days of receipt of invoice or statement as prescribed by the MFMA, unless the account is in dispute.		
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. Interest and penalties on late payments may arise if payment is not done within 30 days.		
13. Employee benefit obligations		
Post Retirement Medical Aid Benefits		
Present value of fund obligation at the beginning of the year	12 772 000	13 921 487
Contribution for the year	205 000	333 054
Interest cost	1 516 000	1 235 596
Benefits paid	(864 182)	(868 322)
Actuarial (Gain)/Loss	(608 818)	(1 849 815)
Less: Transfer of Current Portion - Refer to Note 9	(840 000)	(970 000)
	12 180 000	11 802 000
Long Service Awards		
Present value of fund obligation at the beginning of the year	2 653 000	2 207 518
Contribution for the year	251 000	223 346
Interest cost	222 000	170 380
Benefits paid	(220 749)	(249 778)
Actuarial (Gain)/Loss	(349 251)	301 534
Less: Transfer of Current Portion - Refer to Note 9	(504 000)	(194 000)
	2 052 000	2 459 000

CENTRAL KAROO DISTRICT MUNICIPALITY

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2021

2020

13. Employee benefit obligations (continued)

Ex-Gratia Benefits

Present value of fund obligation at the beginning of the year	401 000	372 396
Interest Cost	22 000	22 000
Benefits paid	(145 263)	(196 441)
Actuarial Loss/(Gain)	(108 350)	203 045
Less: Transfer of Current Portion - Refer to Note 9	(150 898)	(99 000)
	18 489	302 000

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Opening balance	15 826 000	16 501 401
Contribution for the year	456 000	556 400
Interest cost - Refer to Note 21	1 760 000	1 427 976
Benefits paid	(1 230 194)	(1 314 539)
Actuarial Gain for the year	(1 066 419)	(1 345 236)
Transfer of Current portion - Note 9	(1 494 898)	(1 263 000)
	14 250 489	14 563 002

13.1 Post Retirement Benefits

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

Current (In Service) Members	32	30
Continuation members (e.g. Retirees, widows, orphans)	22	25
Total members	32	30

The amount recognised in the Statement of Financial Position:

Current (In Service) members	2 918 000	3 723 000
Continuation members	9 151 000	9 049 000
	12 069 000	12 772 000

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

	2019	2018	2017
Total liability	13 921 000	16 087 000	16 359 000

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

Bonitas;
 LA Health;
 Samwymed; and

Key Actuarial assumptions used:

CENTRAL KAROO DISTRICT MUNICIPALITY

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**2021****2020****13. Employee benefit obligations (continued)****Rate of Interest**

Discount rate	Yield curve	9,65 %
Health Care Cost Inflation Rate	CPI + 1,5%	6,55 %
Net-of-health-care-cost-inflation Discount Rate	Yield curve based	2,91 %

Grap 25 defines the determination of the Discount rate assumption to be used as follow:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates for longer maturities by extrapolating current market rates along the yield curve."

Consequently, a discount rate of 9.65% per annum has been used. The corresponding index-linked yield at this term is 2.91%. 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 30 June 2021.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables, adjusted for female lives.

These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA(90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement.

Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

Continuation of Membership

It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Family Profile

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**2021****2020****13. Employee benefit obligations (continued)**

It has been assumed that female spouses will be four years younger than their male counterparts.

Furthermore, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have a subsidised spouse dependent. For current retiree members, actual subsidised spouse dependents were used and the potential for remarriage was ignored.

Reconciliation of present value of fund obligation

Present value of fund obligation at the beginning of the year	12 772 000	13 921 487
Current service cost	205 000	333 054
Interest cost	1 516 000	1 235 596
Benefits paid	(866 439)	(868 322)
Actuarial (Gains)/Losses	(606 561)	(1 849 815)
Transfer of Current Portion - Note 9	(840 000)	(970 000)
Non - current Portion	12 180 000	11 802 000

Sensitivity Analysis on the Accrued Liability**Mortality Rate:**

Illustrated is the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 1 year respectively.

	-1 year Mortality Rate	Valuation Assumption	+1 year Mortality Rate
Total Accrued Liability	13 427 000	13 020 000	12 612 000
Current Service Cost	218 000	205 000	193 000
Interest Cost	1 630 000	1 516 000	1 422 000

Health care inflation:

The effect of a 1% per annum change in the health care inflation assumption is as follows:

	-1% Health Care Inflation	Valuation Assumption	+1% Health Care Inflation
Total Accrued Liability	11 866 000	13 020 000	14 073 000
Current Service Cost	193 000	205 000	213 000
Interest Cost	R 1 437 000	R 1 516 000	R 1 578 000

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage.

There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**2021****2020****13. Employee benefit obligations (continued)****13.2 Long Service Awards**

The Long service awards (LSA) plans are defined benefit plans.

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.

Employees eligible for Long service awards:

Roads	103	111
Other	43	45
As at year end, the following number of employees were eligible for Long Service Bonuses	146	156

Key Actuarial assumptions used:**Rate of Interest**

Discount rate	Yield Curve	9,20%
General earnings Inflation rate (long-term)	Equal to CPI+1%	5,78%
Net Effective Discount Rate applied to earning-related Long Service Bonuses	Yield curve based	3,23%

Grap 25 defines the determination of the Discount rate assumption to be used as follow:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Consequently, a discount rate of 9.20% per annum has been used. This yield was obtained by calculating the duration of the liability and then taking the yield from the yield curve at that duration using an iterative process (because the yield depends on the duration, which in turn depends on the liability). The corresponding liability-weighted index-linked yield is 3.74%. These rates do not reflect any adjustment for taxation, and were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2021. The duration of the total liability was estimated to be 9.25 years.

Average Retirement age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2021

2020

13. Employee benefit obligations (continued)

Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

		2021	2020
13. Employee benefit obligations (continued)			
The amount recognised in the Statement of Financial Position are as follows:			
Present value of fund obligations		2 556 000	2 653 000
		2 556 000	2 653 000
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
	2019	2018	2017
	2 208 000	2 119 000	1 778 965
Reconciliation of present value of fund obligation (LSA):			
Present value of fund obligation at the beginning of the year		2 653 000	2 207 518
Current service cost		251 000	223 346
Interest cost		222 000	170 380
Benefits paid		(247 793)	(249 778)
Actuarial losses		(322 207)	301 534
Transfer of Current Portion - Note 9		(504 000)	(194 000)
Non - current Portion		2 052 000	2 459 000

Sensitivity Analysis on the Unfunded Accrued Liability

Withdrawal Rate:

Illustrated is the effect of a higher and lower withdrawal rates by increasing two-fold and decreasing the withdrawal rate by 50%:

	-50% Withdrawal Rate	Valuation Assumption	Two fold increase Withdrawal Rate
Total Accrued Liability	2 848 000	2 556 000	2 127 000
Current Service cost	284 000	231 000	163 000
Interest cost	239 000	222 000	173 000

General earnings inflation rate:

The effect of a 1% per annum change in the general earnings inflation assumption:

	-1% Normal Salary inflation	Valuation Assumption	+1% Normal Salary inflation
Total Accrued Liability	2 426 000	2 556 000	2 698 000
Current Service cost	213 000	231 000	252 000
Interest cost	201 000	212 000	(226 000)

It is difficult to estimate what impact the pandemic is likely to have on the Municipality's liability at this stage. There is still much uncertainty as to how it will affect mortality in the medium to long term, and what effect treatments and/or vaccines will have.

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**2021****2020****13. Employee benefit obligations (continued)**

Once any long-term impacts of COVID-19 on the various valuation parameters becomes more evident, appropriate adjustments to the parameters will be feasible. In the meanwhile, any short-term impacts of actual experience being different to the current long-term assumptions will contribute to actuarial gain/loss items.

13.3 Ex Gratia Benefits

The Ex-Gratia plans are defined benefit plans..

Number of employees eligible for Ex-Gratia Benefits:

Roads

4

7

Key actuarial assumptions used:

Discount rate

8,34%

7,35%

Benefit increase rate (CPI inflation)

4,49%

3,14%

Net Effective Discount Rate

3,68%

3,08%

Grap 25 defines the determination of the Discount rate assumption to be used as follow:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Consequently, a discount rate of 8.34% per annum has been used. The corresponding index-linked yield at this term is 3.21%. 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 30 June 2021.

Average retirement age

The normal retirement age of employees is 65.

It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed retirement age, have been assumed to retire at their next birthday.

Pre-retirement Mortality

SA85-90 ultimate table was used, adjusted for female lives.

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**2021****2020****13. Employee benefit obligations (continued)****Mortality Rates and Spouses**

Mortality before retirement has been based on the PA(90) mortality tables. These are the most commonly used tables in the industry. It was assumed that female spouses would be five years younger than their male spouses and vice versa.

Reconciliation of present value of fund obligation (Ex-Gratia)

Present value of fund obligation at the beginning of the year	401 000	372 396
Interest paid	22 000	22 000
Benefits paid	(145 263)	(196 441)
Actuarial losses/(gains)	(108 350)	203 045
Transfer of Current Portion - Note 11	(150 898)	(99 000)
	18 489	302 000

Sensitivity Analysis on the Unfunded Accrued Liability

The effect of a 1% increase and decrease in the assumed general salary inflation rate:

	-1% Pension inflation	Valuation Assumption	+1% Pension inflation
Total Accrued liability	167 393	169 387	171 477
Interest Cost	22 000	22 000	23 000

13.4 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 claimed that the pensioner data is confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

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

CONSOLIDATED RETIREMENT FUND FOR LOCAL GOVERNMENT

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2020 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2019 - 100,7%)

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
13. Employee benefit obligations (continued)		
Contributions paid recognised in the Statement of Financial Performance	6 757 764	6 505 583
CONSOLIDATED PENSION FUND FOR LOCAL GOVERNMENT		
<p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2017 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2016 - 100%). Whilst this has increased since the previous actuarial valuations it is still within the Registrar's normally acceptable range of at least a 95%.</p>		
Contributions paid recognised in the Statement of Financial Performance	193 685	175 386
SAMWU PROVIDENT FUND		
<p>The contribution rate payable is 7.50% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2015 - 100%). funding level, provided that the previous statutory valuation reflected at least a 100% funding level.</p>		
Contributions paid recognised in the Statement of Financial Performance	926 625	970 210
14. Straight Service Charge		
Department of Transport and Public Works	4 793 044	4 072 739
<p>The Municipality has a service level agreement with the Department of Transport Western Cape for rendering of services regarding the roads function within the jurisdiction of the Central Karoo District Municipality. The commission is calculated at a pre-determined rate on the total received from the Department of Transport of Public Works. The amount received for the current financial year amounted to R 51 959 456.</p>		
<p>Grap 109 is not applicable as the relationship between the municipality and the Department of Public Works and Transport of the Western Cape, does not meet the principal agent criteria as determined by the standard.</p>		
<p>To align to the accounting treatment for the funding received from the Department of Transport and Public Works with regards to the road maintenance, the prior year naming convention for this funding source was changed from agency services to Straight service charge. Both the prior year and current year naming convention is therefore consistent. This allows the users of the Annual Financial Statements to have a clear understanding of the substance to this funding.</p>		

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
15. Operational Revenue		
Admin fee	8 765	75 788
Commission	38 013	35 560
LG Seta admin fee	53 395	79 741
Sale of tender documents	24 670	6 805
Photocopies and faxes	87	351
	124 930	198 245
Balance previously reported		195 254
Correction of error - refer to note 28		2 991
Restated balance		198 245
16. Government grants and subsidies		
Operating grants		
Government Grants and Subsidies - Operational	41 118 501	35 984 735
Capital grants		
Government Grants and Subsidies - Capital	-	-
	41 118 501	35 984 735
Conditional and Unconditional Government Grants:		
Included in above are the following grants and subsidies received:		
Conditional grants received	32 792 000	30 642 000
Unconditional grants received	8 326 501	5 342 736
	41 118 501	35 984 736
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Equitable share	32 792 000	30 642 000
Public safety	-	4 800
Executive and Council	250 000	561 835
Budget and Treasury	-	1 280 000
Corporate services	4 986 032	753 565
Planning and Development	-	2 742 536
Finance	1 000 000	-
Municipal Manager	2 090 469	-
	41 118 501	35 984 736
Conditions still to be met - remain liabilities (see note 10).		

CENTRAL KAROO DISTRICT MUNICIPALITY
Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
16. Government grants and subsidies (continued)		
Local Government Financial Management Grant (FMG)		
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 10).		
Other Grants		
Balance unspent at beginning of year	4 870 838	2 372 848
Current-year receipts	8 364 382	4 342 736
Conditions met - transferred to revenue	(8 326 501)	(1 844 746)
Repayments during the year	(1 035 010)	-
	<u>3 873 709</u>	<u>4 870 838</u>
Various grants were received from other spheres of Government.		
Refer to Appendix E for the detailed disclosure of Grants and Subsidies.		

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
17. Employee related costs		
Employee Related Costs - Salaries and Wages	35 244 234	36 866 750
Bonuses	2 383 647	2 782 322
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	7 925 687	8 992 944
Overtime payments	1 381 172	1 297 067
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 260 213	1 518 995
Current service cost	211 000	251 774
Housing Benefits and Allowances	336 910	334 247
Leave Provision	144 622	446 300
Provision adjustment - Employee benefits	203 613	(62 888)
	49 091 098	52 427 511
Remuneration of Municipal Manager		
Annual Remuneration	596 641	994 095
Car Allowance	36 000	240 000
Performance Bonuses	-	123 255
Cellphone allowance	21 000	40 500
Contributions to UIF, Medical and Pension Funds	892	35 387
Other benefits and allowances	44 347	86 279
Severance pay	-	2 033 641
	698 880	3 553 157
Remuneration of the Chief Financial Officer		
Annual Remuneration	692 677	692 898
Car Allowance	159 018	159 350
Performance Bonuses	-	187 020
Cellphone allowance	35 000	22 500
Contributions to UIF, Medical and Pension Funds	164 930	172 332
Other benefits and allowances	91 729	66 070
Acting Allowance - Municipal Manager	2 712	-
	1 146 066	1 300 170
Remuneration of Manager: Corporate Services		
Annual Remuneration	781 174	769 618
Car Allowance	144 000	144 000
Cellphone allowance	35 000	22 500
Performance Bonuses	-	134 420
Contributions to UIF, Medical and Pension Funds	100 277	113 213
Other benefits and allowances	82 725	63 819
Acting Allowance - Municipal Manager	28 294	44 077
	1 171 470	1 291 647

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
18. Remuneration of councillors		
Executive Mayor	906 635	914 753
Executive Committee Members	1 135 719	1 123 643
Councillors	1 732 393	1 806 855
	<u>3 774 747</u>	<u>3 845 251</u>
In-kind benefits		
The Councillors occupying the positions of Mayor, Speaker and certain members of the Executive Committee of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.		
19. Depreciation and amortisation		
Property, plant and equipment	725 439	585 483
Intangible assets	36 146	29 574
	<u>761 585</u>	<u>615 057</u>
Balance previously reported		610 188
Correction of error - refer to note 28		4 869
Restated balance		<u>615 057</u>
20. Impairment of assets		
Impairments		
Property, plant and equipment	-	822
Due to wear and tear the condition of Property, Plant and Equipment was re-evaluated.		
Reversal of impairments		
Property, plant and equipment	(3 241)	-
Total impairment losses (recognised) reversed	<u>(3 241)</u>	<u>822</u>
21. Finance costs		
Employee benefits	1 760 000	1 427 976
Less: Employee benefits transferred to Roads	(876 000)	(720 837)
Finance leases	9 522	4 341
	<u>893 522</u>	<u>711 480</u>

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
22. Operational cost		
Administration costs - Roads	5 512 000	4 683 650
Advertising	148 496	40 090
Auditors remuneration	3 252 043	2 007 154
Bank charges	26 820	32 386
Bursaries (Employees)	100 050	48 582
Computer expenses	2 635 509	1 241 890
Resettlement Costs	27 145	75
Disallowed VAT claims	-	148 130
Electricity, water & sanitation	685 667	606 612
Employee wellness	1 250	20 129
Entertainment	7 386	-
Insurance	534 709	414 540
Courier Fees	75 840	-
Membership fees	589 935	607 658
Printing	501 860	365 266
Rates	227 388	164 289
Registration and Congress Fees	81 987	2 200
Samples and specimens	30 085	-
Sundry Projects	2 765 637	968 522
Telephone & postage	618 543	609 960
Travel and Subsistence	1 286 837	1 275 354
Travel and Subsistence: Council	359 280	878 940
Vehicle licences	24 453	5 207
Workmen's Compensation Contributions	248 345	225 440
	19 741 265	14 346 074
Balance previously reported		13 787 600
Correction of error - refer to note 28		558 474
Restated balance		14 346 074
23. Contracted services		
Presented previously		
Other Contractors	8 922 006	8 973 589
Balance previously reported		11 196 389
Correction of error - refer to note 28		(2 222 800)
Restated balance		8 973 589
24. Inventory Consumed		
Materials, supplies and other consumables	(9 104 379)	(7 822 791)
	(9 104 379)	(7 822 791)

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
25. Settlement by National Treasury		
The Auditor General - Audit fees over and above 1% contributed by National Treasury	-	-
Balance previously reported		993 252
Correction of error - refer to note 28		(993 252)
Restated balance		-
26. Auditors' remuneration		
Fees	3 252 043	2 007 154
27. Cash generated from operations		
Surplus (deficit)	6 449 875	(3 091 895)
Adjustments for:		
Depreciation and amortisation	761 585	615 058
(Gain)/Loss on disposal of assets and liabilities	106 501	-
NTs audit fee assistance above 1% no longer received	-	993 252
Contribution to provisions – bad debt	30 467	-
Interest on employee benefits	-	1 427 976
Impairment of PPE	-	822
Reversal of impairment loss	(3 241)	-
Government Grants and Subsidies paid back	(1 035 010)	-
Contribution to current employee benefits	(1 526 294)	5 429 009
Benefits paid current employee benefits	-	(3 033 789)
Contribution to non-current employee benefits	753 908	18 400
Benefits paid non-current employee benefits	-	(1 314 541)
Actuarial (Gains)/Losses	(1 066 419)	(1 345 236)
Non - cash movement employee benefits	365 847	1 856 817
Government Grants and Subsidies received	41 156 382	38 501 500
Government Grants and Subsidies recognised as revenue	(41 118 501)	(35 984 735)
Changes in working capital:		
Inventories	(193 267)	(193 421)
Receivables from exchange transactions	-	5 266 160
Receivables from non-exchange transactions	(239 234)	(59 037)
Employee Benefit Receivables	246 997	-
Payables from exchange transactions	2 806 995	(518 258)
Decrease in taxes	(461 948)	7 924
	7 034 643	8 576 006

CENTRAL KAROO DISTRICT MUNICIPALITY

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
28. Prior period errors		
Accumulated Surplus		
Balance previously reported		5 578 488
Correction made to Outstanding audit fees due to National Treasury no longer paying a portion thereof and not notifying the municipality		(1 765 705)
Correction made due to Sebata Credit note not qualifying as a debtor during the previous years audit		(532 599)
Correction to operational income - LGSETA revenue		21 811
Correction to Diverse income amount incorrectly posted		(10 566)
Unallocated deposits incorrectly posted to income		(8 253)
Correction made to the Employee benefit receivable debtor, where the current portion was deducted twice.		538 000
First time recognition of assets		50 678
Depreciation on first time recognition assets		(4 869)
Restated Balance		3 866 985
Property, plant and equipment		
Balance previously reported		8 444 589
First time recognition of assets		50 678
Depreciation on first time recognition assets		(4 869)
Restated Balance		8 490 398
Receivables from non-exchange transactions		
Balance previously reported		1 768 055
Correction made due to Sebata Credit note not qualifying as a debtor during the previous years audit		(532 599)
Correction to operational income - LGSETA revenue		21 811
Restated Balance		1 257 267
Payables from exchange transactions		
Balance previously reported		2 444 791
Correction made to Outstanding audit fees due to National Treasury no longer paying a portion thereof and not notifying the municipality		2 030 560
Correction to Diverse income amount incorrectly posted		10 566
Unallocated deposits incorrectly posted to income		8 253
Restated Balance		4 494 170
VAT		
Balance previously reported		69 794
Correction made to Outstanding audit fees due to National Treasury no longer paying a portion thereof and not notifying the municipality		264 856
Restated Balance		334 650

CENTRAL KAROO DISTRICT MUNICIPALITY

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
28. Prior period errors (continued)		
Settlement by National Treasury		
Balance previously reported		993 252
National treasury no longer contributed to the payment of audit fees.		(993 252)
Restated Balance		<u>-</u>
Operational Revenue		
Balance previously reported		195 254
LGSETA revenue from 2019/20 posted in current year		21 811
Correction to Diverse income amount incorrectly posted		(10 566)
Unallocated deposits incorrectly posted to income		(8 253)
Restated Balance		<u>198 246</u>
Contracted services		
Balance previously reported		11 196 389
Transfers and subsidies now separately disclosed		(215 647)
Moved Audit Remuneration to Operational cost due to MSCOA		(2 007 154)
Restated Balance		<u>8 973 588</u>
Operational Cost		
Balance previously reported		13 787 040
Moving Debt impairment to the face of the Statement of financial performance		(48 803)
Moving Bursaries and allocations to B Municipalities to Transfers and subsidies		(1 399 953)
Moved Audit Remuneration to Operational cost due to MSCOA		2 007 154
Resettlement fees corrected		75
Restated Balance		<u>14 345 513</u>
Depreciation		
Balance previously reported		610 188
Depreciation on first time recognition assets		4 869
Restated Balance		<u>615 057</u>

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**2021****2020****28. Prior period errors (continued)****Transfers and Subsidies**

Balance previously reported

Accounting for Bursaries and allocations to B Municipality's separately

-

1 615 599

Restated Balance1 615 599**Employee Benefit Receivable**

Balance previously reported

Correction made to the Employee benefit receivable debtor, where the current portion was deducted twice.

6 907 000

538 000

Restated Balance7 445 000**Disclosure amendments made relating to the prior year:**

Statutory receivables is no longer shown on the face of the Statement of Financial Position. According to GRAP108 only note disclosure is required. Taxes have now been disclosed on the face of the Statement of financial position.

The prior years Financial instrument note was updated to agree to the restated Balance sheet amounts.

The prior years COVID 19 note was updated to be in line with this years disclosure.

The Operational Revenue note has amendments to revenue item descriptions within the note in order to be more accurate.

The contribution to debt impairment for the year is now disclosed on the face of the Statement of Financial Performance.

See below for a summary of GRAP 3 amendments effect on the financial statements:

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2021

2020

28. Prior period errors (continued)

Statement of financial performance	Balance as previously reported	Re-classifications	Prior period errors	Restated Balance
	-	-	-	-
	-	-	-	-
Actuarial gains	1 345 236	-	-	1 345 236
Straight service charges	4 072 739	-	-	4 072 739
Department of Transport - Roads Service Charges	44 405 980	-	-	44 405 980
Interest received	1 137 968	-	-	1 137 968
Licences and permits	51 165	-	-	51 165
Operational Revenue	195 254	-	2 992	198 246
Rental from fixed assets	119 014	-	-	119 014
Settlement by National Treasury	993 252	-	(993 252)	-
Government grants and subsidies	35 984 735	-	-	35 984 735
Employee related cost	(52 965 586)	75	538 000	(52 427 511)
Remuneration of Councillors	(3 845 251)	-	-	(3 845 251)
Depreciation and amortisation	(610 188)	-	(4 869)	(615 057)
Impairment	(822)	-	-	(822)
Finance costs	(711 480)	-	-	(711 480)
Debt Impairment	-	-	(48 803)	(48 803)
Transfers and Subsidies	-	-	(1 615 599)	(1 615 599)
Inventory consumed	(7 822 791)	-	-	(7 822 791)
Contracted services	(11 196 389)	2 007 154	215 647	(8 973 588)
Operational Cost	(13 787 600)	(2 007 228)	1 448 756	(14 346 072)
	(2 634 764)	1	(457 128)	(3 091 891)

29. Unauthorised expenditure

Opening balance as previously reported	8 795 509	7 360 160
Opening balance as restated	8 795 509	7 360 160
Add: Current Year Operating Expenditure	69 693	1 435 349
Add: Expenditure identified - prior period	-	-
Less: Approved/condoned/authorised by council	-	-
Closing balance	8 865 202	8 795 509

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

2021

2020

29. Unauthorised expenditure (continued)

Unauthorised expenditure for the year can be summarised as follows:

2021	Budget Expenditure	Actual Expenditure	Variance	Recalculate Unauthorised
Finance	13 159 144	10 441 565	2 717 579	-
Corporate Services	28 826 318	24 104 556	4 721 762	-
Municipal Manager	4 446 048	2 268 281	2 177 767	-
Executive and Council	5 992 164	5 037 384	954 780	-
Technical Services	51 558 030	51 627 723	(69 693)	(69 693)
	103 981 704	93 479 509	10 502 195	(69 693)
2020	Budget Expenditure	Actual Expenditure	Variance	Recalculate Unauthorised
Budget and Treasury	13 674 946	10 752 267	2 922 679	-
Corporate Services	12 357 809	10 914 411	1 443 398	-
Public Safety	1 685 374	1 651 079	34 295	-
Executive and Council	10 802 214	12 237 563	(1 435 349)	(1 435 349)
Health	4 323 256	4 173 970	149 286	-
Planning and Development	7 707 556	6 101 084	1 606 472	-
Road Transport	50 144 424	45 109 735	5 034 689	-
	100 695 579	90 940 109	9 755 470	(1 435 349)

30. Fruitless and wasteful expenditure

Opening balance as previously reported	165 885	165 885
Opening balance as restated	165 885	165 885
Add: Expenditure identified - current	343	-
Add: Expenditure identified - prior period	353	-
Less: Amounts recoverable - current	(343)	-
Less: Amounts recoverable - prior period	(353)	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	165 885	165 885

The opening balance of Fruitless and wasteful expenditure formed part of a forensic investigation into Unauthorised, Irregular, Fruitless and Wasteful expenditure performed during the past financial year - in which amounts are being recovered from certain individuals in the Irregular expenditure note 31.

The effect of the investigation on fruitless and wasteful expenditure's recoverability is not known at this time.

The Fruitless and Wasteful expenditure noted in this financial year related to interest and penalty's on the EMPISA statements from SARS. This is recoverable from the responsible employees and has been treated accordingly.

CENTRAL KAROO DISTRICT MUNICIPALITY

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
31. Irregular expenditure		
Opening balance as previously reported	30 959 244	30 959 244
Opening balance as restated	30 959 244	30 959 244
Add: Irregular Expenditure - current	-	-
Add: Irregular Expenditure - prior period	-	-
Less: Amounts recoverable - current	-	-
Less: Amounts recoverable - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	30 959 244	30 959 244

Amounts recoverable

After a forensic investigation into Unauthorised, Irregular, Fruitless and Wasteful expenditure was performed during the financial year, the council decided to follow the recommendations and commence proceedings to recover the following amounts from these parties:

Mr S Jooste (Previous Municipal Manager)	5 119 500	-
Africa Creek Investment (Pty) Ltd	4 507 500	-
Mr Jonton Snyman	4 507 500	-
NB Wilson & Associates	612 000	-
Mr Lance Wilson	612 000	-
Mrs Lorraine Wilson	612 000	-
	15 970 500	-

Recoverability, condonement and disciplinary steps of all other irregular expenditure will be evaluated by Council in terms of section 32 of MFMA.

R3 068 154 of this amount is Irregular expenditure identified in the 2019 financial year relating to the previous years. The total amount disclosed relates to a technical interpretation difference as identified by the Auditor General. All these contracts were entered into during the 2017 year.

There was no further movement with regards to Irregular expenditure for the current financial year.

32. Additional disclosure in terms of Municipal Finance Management Act**Contributions to organised local government - [MFMA 125 (1)(c)] - SALGA**

Opening balance		
Current year subscription / fee	534 805	553 924
Amount paid - current year	(534 805)	(553 924)
Amount paid - previous years	-	-
	-	-

CENTRAL KAROO DISTRICT MUNICIPALITY

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	2021	2020
32. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Audit fees - [MFMA 125 (1)(c)]		
Opening balance	1 765 705	-
Correction of prior period error	-	772 453
Restated opening balance	1 765 705	772 453
Current year fee	3 252 043	2 007 154
Amount paid - current year	(877 487)	(1 013 902)
Amount paid - previous years	-	-
	<u>4 140 261</u>	<u>1 765 705</u>
PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
Opening balance	790 363	582 348
Current year subscription / fee	8 420 657	7 753 755
Amount paid - current year	(8 420 657)	(7 545 740)
Amount paid - previous years	(790 363)	-
	<u>-</u>	<u>790 363</u>
Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Opening balance	-	-
Current year subscription / fee	10 820 544	10 759 234
Amount paid - current year	(10 820 544)	(10 759 234)
Amount paid - previous years	-	-
	<u>-</u>	<u>-</u>
VAT - [MFMA 125 (1)(c)]		
VAT receivable	<u>796 598</u>	<u>334 650</u>

VAT output payables and VAT input receivables are shown in note 4.

All VAT returns have been submitted by the due date throughout the year.

CENTRAL KAROO DISTRICT MUNICIPALITY

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**2021****2020****32. Additional disclosure in terms of Municipal Finance Management Act (continued)****Councillors' outstanding debt to municipality**

The following Councillors and former Councillors had arrear amounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor J Bostander	-	46 714	46 714
Councillor M Furman	-	22 552	22 552
Councillor EZ Njadu	-	43 388	43 388
Councillor G de Vos	-	6 923	6 923
Councillor M Daniels	-	737	737
Councillor J Jonas	-	4 515	4 515
Councillor T Prince	-	439	439
Councillor GP Adolph	-	2 511	2 511
	-	127 779	127 779
30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor MS Hangana	-	22 301	22 301
Councillor J Bostander	-	46 714	46 714
Councillor M Furmen	-	22 552	22 552
Councillor EZ Njadu	-	44 944	44 944
Councillor G de Vos	-	13 905	13 905
Councillor J Jonas	-	4 515	4 515
Councillor T Prince	-	439	439
Councillor GP Adolph	-	2 511	2 511
	-	157 881	157 881

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**2021****2020****32. Additional disclosure in terms of Municipal Finance Management Act (continued)****Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005**

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b).

2021

	Up to R30 000	Between R30 000 and R200 000
Emergency	17 240	778 016
Impractical	574 943	1 674 239
Sole Supplier	1 198 262	868 320
Prior period regulation 32 contract continuation	47 985	30 382
	1 838 430	3 350 957

	Amount	Sole Supplier/ Agent	Impractical	Emergency
July	709 196	15	8	2
August	819 589	11	2	1
September	140 117	14	3	0
October	75 012	5	4	1
November	625 982	11	7	0
December	295 999	13	4	0
January	186 428	11	5	0
February	217 136	11	10	0
March	1 083 933	28	20	1
April	132 692	10	4	0
May	271 780	16	7	1
June	631 522	18	10	0
	5 189 386	163	84	6

2020

	Up to R30 000	Between R30 000 and R200 000
Emergency	426 212	57 760
Impractical	700 344	868 427
Sole Supplier	545 295	831 758
Prior period regulation 32 contract continuation	310 088	4 202 407
	1 981 939	5 960 352

CENTRAL KAROO DISTRICT MUNICIPALITY

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

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2020

32. Additional disclosure in terms of Municipal Finance Management Act (continued)

	Amount	Sole Supplier/ Agent	Impractical	Emergency
Prior period regulation 32 contracts	431 180	0	6	0
July	409 180	12	12	0
August	737 577	12	13	0
September	330 202	18	10	0
October	355 213	14	20	0
November	318 657	9	18	0
December	59 062	2	5	0
January	926 437	7	18	2
February	2 784 475	23	24	0
March	826 126	11	19	3
April	261 981	1	4	1
May	363 956	2	12	4
June	138 245	8	7	1
	7 942 291	119	168	11

The ten major deviations, in total, for the current financial year were as follows:

SMEC South Africa	Sole Implementing agent for the Rural Roads Asset Management Programme	1 083 887
Bell Equipment sales SA	Agent for the supply of specific parts	934 581
Buffelsdrift Clay Mine	Emergency flood damage repairs	721 564
ELB Equipment Holdings	Agent for the supply of specific parts	203 099
Ignite	Original contract ended 30 June 2020, Due to the national lockdown, no tenders could be advertised.	197 616
Elandsvlei Sand	Only one quotation received.	193 381
Short's Commercial Vehicle	Agent for the supply of specific parts	136 514
Ilanja Sweisingenieurswerke	Only supplier in town to quote.	119 426
Hino George	Agent for the supply of specific parts	116 767
Arctipoint t/a Civil designer	Sole supplier of civil designer software.	95 325

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**2021****2020****32. Additional disclosure in terms of Municipal Finance Management Act (continued)****The ten major deviations, in total, for the previous financial year were as follows:**

Moore Consulting George (Pty) Ltd	Prior period regulation 32 contract continuation	3 204 727
Ignite advisory	Prior period regulation 32 contract continuation	710 350
Barloworld Equipment	Agent for the supply of specific parts	329 632
M & M Eiendomme	There are only two suppliers for fuel in Murraysburg	315 187
Bell Equipment Sales Limited	Agent for the supply of specific parts	299 964
Mubesko Africa (Pty) Ltd	Prior period regulation 32 contract continuation	240 151
Buffelsdrift Clay Mine CC	Emergency flood damage repair	229 954
Nuweveld Aptek	Urgent requirement of thermometers	147 121
Hino George	Agent for the supply of specific parts	139 241
Beaufort Wes Presisie Motor Ingenieurswerke	Strip & quote	114 758

The following purchases were made during the year where a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months:

Ann's Deli and Projects	15 905	1 345
Beaufort West Luxury Coaches	89 600	18 950
Admiror Trading	31 929	-
AH Enterprises	110 078	-
Clear-cut events	10 125	-
Mubesko Africa	490 230	1 055 495
Illanja Sweiswerke t/a B en B Sweiswerke	180 181	45 273
	928 048	1 121 063

33. BBBEE Performance

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

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

	2021	2020
34. Financial instruments disclosure		
Financial assets		
Receivables from non-exchange transactions	979 804	1 257 267
Call Investment Deposits	11 242 552	12 555 162
Bank balances	10 635 167	2 808 573
Cash on hand	1 300	1 300
	22 858 823	16 622 302
Balance previously reported		17 100 875
Correction of error - refer to note 28		(478 573)
Restated balance		16 622 302
Financial liabilities		
Non-current Capitalised Lease Liability	240 644	-
Trade payables	5 275 010	2 065 868
Sundry creditors	587 604	878 928
Debtors with credit balances	24 319	7 694
Current capitalised lease liability	131 508	20 668
	6 259 085	2 973 158
Balance previously reported		943 329
Correction of error - refer to note 28		2 029 829
Restated balance		2 973 158

35. Financial sustainability

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

Current assets exceeded current liabilities with the current ratio being 1.54:1 (2021)
Current assets exceeded current liabilities with the current ratio being 1.15:1 (2020)
Liquidity ratio of 1.41:1 (2021)
Liquidity ratio of 1.04:1 (2020)
Accumulated surplus of R10 316 858 (2021)
Accumulated surplus of R3 866 983 (2020)

The definition of going concern is that there is no reason to believe that an institution will have to close down or liquidate in the foreseeable future and at least, but not limited to 12 months. The financial statements for this Municipality has been prepared, as indicated in the accounting policy, on a going concern assumption as allocations of equitable share have been promulgated in the Division of Revenue Act for the three financial years following the reporting date.

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

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**2021****2020****35. Financial sustainability (continued)****COVID-19 Background**

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.

Since this time there have been various levels of lockdown announced.

COVID-19 Impact on Municipality

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 however, 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.

COVID-19 - Response Expenditure

Type of expenditure	Nature of expenditure		
Cloth masks	Inventory consumed	28 480	22 552
Sanitiser, sanitiser dispensers and equipment	Inventory consumed	90 809	85 997
Disinfection of premises	Contracted services	44 976	-
Disposable and surgical masks	Inventory consumed	40 880	28 600
Face Shields	Inventory consumed	5 217	4 250
Gloves	Inventory consumed	1 767	-
Paper towels	Inventory consumed	3 679	-
Protective Clothing	Inventory consumed	170	-
Soap	Inventory consumed	1 121	-
Surface Cleaner	Inventory consumed	12 426	-
Thermometers	Inventory consumed	11 680	43 846
Covid Law Enforcement Monitoring Officers	Employee Related Cost	204 000	-
		445 205	185 245

The COVID-19 response expenditure is funded from the following sources:

Type of expenditure		
Own Funding	-	-
Department of Transport - Roads	65 000	65 000
Grant funding	380 205	120 245
	445 205	185 245

CENTRAL KAROO DISTRICT MUNICIPALITY

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

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36. Contingent Liabilities

**CKDM//DEPARTMENT OF TRANSPORT AND PUBLIC WORKS -
WESTERN CAPE GOVERNMENT**

Case no: 550/19

PA 190415 - 18 August 2016,

Ford Bakkie swept away in river current: R139 025.52

Case no: 222/19

PA 180 217 & PA 180 220 - 14 April 2016,

Collision of Swartberg Pass: R184 904.41

Both claims are being opposed by the Municipality and further engagement will be taking place in terms of Section 41 of the Constitution 1996, Section 40(b) of intergovernmental regulation framework Act, 2005 and clause 29 of the Agreement.

**CKDM // CAPX INVOICE DISCOUNTING (PTY) LTD HIGH COURT CASE
NO: 6615/2017**

CKDM has been summonsed by the Plaintiff for payment of the amount of R 2 000 000, alternatively R 1 000 000. The cause of the action relates to the LGSETA project, in terms of which the implementing agent (Africa Creek) ceded its rights in terms of the Turnkey Service Level Agreement between CKDM and Africa Creek to CAPX Invoice Discounting (Pty) Ltd. The Plaintiff now wishes to enforce its rights in terms of the Session Agreement for monies which is due to them by Africa Creek.

This claim is being defended by CKDM on the basis that the Turnkey Service Agreement between itself and Africa Creek has been validly terminated and that there is accordingly no funds payable to Africa Creek. The prospects in defending this claim is very good and there has been no movement on this matter for almost over a year now.

This matter is still ongoing and we are still awaiting a trial date in the High Court.

CENTRAL KAROO DISTRICT MUNICIPALITY

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36. Contingent Liabilities (continued)

CKDM & AFRICA CREEK // ENTREPRENEURIAL BUSINESS SCHOOL (PTY) LTD / CB WILLIAMS TRAINING CC / BRIGHT IDEA PROJECTS 447 (PTY) LTD HIGH COURT CASE NO:1723/2018

The Plaintiff's cause of action against CKDM also relates to the LGSETA project, where Africa Creek was appointed as implementing agent and Africa Creek failed to pay the three Plaintiffs (Training Providers), monies which was due to the Plaintiff.

This claim has been defended by CKDM on the basis that Africa Creek is the party that is responsible for the payment of the Training Providers and not CKDM.

With regards to the prospects of success it is difficult to make a pronouncement of our prospects, as the Plaintiffs hold the municipality liable on the basis that Africa Creek acted as its agent and that the Central Karoo District Municipality as principal is therefore responsible for paying the Plaintiff's fees. This matter could go either way and it will in all probability have to be tried in Court.

The Plaintiff's attorneys have filed a Notice of Condonation, to condone the lateness and we have after thorough research found that they do not have to file a Notice of Condonation. We have in the meantime filed a Notice of Withdrawal of our Opposition.

The costs exposure for the Central Karoo District Municipality could range between R100 000.00 and R300 000.00.

FINANCIAL PERFORMANCE GUARANTEES FOR THE REHABILITATION OF LAND DISTURBED BY PROSPECT MINING IN TERMS OF THE EXECUTION OF ENVIRONMENTAL MANAGEMENT PLAN/PROGRAMME

On 12 September 2012 the municipality entered into 16 financial performance guarantees with the Department of Mineral Resources amounting to R1 301 980 relating to the future rehabilitation of burrow pits. No movement on any of the guarantees have taken place since 2012 and there is no expectation that it will be taken up in the foreseeable future.

CKDM//AFRICA CREEK HIGH COURT CASE NO:21067/2019

In this matter the Central Karoo District Municipality received a Summons for the amount of R2 595 750.00.

The cause of action relates to the LG SETA project in terms of which Africa Creek was appointed as the Implementing Agent.

The cause of action relates to monies that is due to Africa Creek as a result of certain services that was rendered to CKDM by Africa Creek.

We confirm that we have served a Notice of Intention to defend the matter and a few Special Plea's as well as our Plea of Plaintiff's legal representatives.

CENTRAL KAROO DISTRICT MUNICIPALITY

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

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36. Contingent Liabilities (continued)

Up until date we have not received any further pleadings or correspondence from the Plaintiff's legal representatives and at this stage it is unclear if the Plaintiff's will proceed with litigation in respect of this claim.

The financial exposure for the Central Karoo District Municipality could range between R100 000.00 and R250 000.00

37. Risk management**Financial risk management**

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash or the availability of funding through proper budgeting.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

At 30 June 2021	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
Payables from exchange transactions	7 301 168	-	-	-
Unspent Conditional Government Grants and Receipts	3 873 756	-	-	-
Short-term Liabilities	131 508	240 644	-	-
• Capital repayments	153 393	255 655	-	-
• Finance cost	(21 885)	(15 011)	-	-
At 30 June 2020	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
Long-term Liabilities	-	-	-	-
Payables from exchange transactions	4 494 173	-	-	-
Unspent Conditional Government Grants and Receipts	4 870 885	-	-	-
Short-term Liabilities	20 668	-	-	-
• Capital repayments	20 761	-	-	-
• Finance cost	(93)	-	-	-

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS**2021****2020****37. Risk management (continued)****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 consists mainly of cash deposits, cash equivalents, trade and other receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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.

Unspent government grants have to be cash-backed and as a result R3 873 756 are pledged as security for financial liabilities.

Long-term Receivables and Other receivables are individually evaluated annually at reporting date for impairment.

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

	2021	2020
Cash and Cash equivalents	21 877 719	15 363 735
Receivables from non-exchange transactions	954 582	1 225 053

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. 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 following was taken into consideration when determining interest rate risk:

Cash and Cash Equivalents
Long term Finance Lease Obligation

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

(2021: 0,50%) (2020: 1%) Increase in interest rates	108 185	153 650
(2021: -0,25%) (2020: 0,5%) Decrease in interest rates	(54 093)	(76 825)

CENTRAL KAROO DISTRICT MUNICIPALITY
Audited Annual Financial Statements for the year ended 30 June 2021
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37. Risk management (continued)

Foreign exchange risk

The Municipality does not engage in foreign currency transactions.

Price risk

The Municipality is not exposed to price risks.

CENTRAL KAROO DISTRICT MUNICIPALITY

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38. Budget versus Actual information

Explanation of variances between final budget and actual amount. Amounts under R5 000 or a percentage change of less than 10% were seen as not material.

STATEMENT OF FINANCIAL PERFORMANCE

- A** Impact of covid-19 on functions of municipality.
- B** Covid-19 relief given to renters.
- C** Acceptable difference
- D** Budget was included in operational revenue.
- E** Acceptable difference
- F** Impact of covid-19 on interest rates in South Africa
- G** Underspending of conditional grants due to covid-19
- H** Appointments could not be made in vacant posts due to covid-19
- I** No increase on allowances was given to councillors
- J** Acceptable variance
- L** Actuarial movements unpredictable because of external factors impacting on variables used in calculations.
- M** Budget included under general expenditure
- N** Budget included under general expenditure
- O** Inventory consumed and contracted services budget included here
- P** Budget included inventory costs and operational expenditure.
- Q** Asset adjustment for 3 years
- R** Actuarial movements unpredictable because of external factors impacting on variables used in calculations.
- S** Acceptable variance

STATEMENT OF FINANCIAL POSITION

- T** Actual expenditure did not meet projections due to COVID-19 National Disaster and lockdown
- U** Roads sundry debtor less than normal due to COVID-19 lockdown and impact on operations
- V** Impact of Covid-19 on operations
- W** SARS payment delayed due to audit
- X** Actuarial movements unpredictable because of external factors impacting on variables used in calculations
- Y** Growth in bank by surplus amount
- Z** Underspending on capital budget due to COVID-19
- AA** Acceptable difference
- BB** Actuarial movements unpredictable because of external factors impacting on variables used in calculations.
- CC** Actuarial movements unpredictable because of external factors impacting on variables used in calculations.
- DD** Photocopiers tender impacted actuals
- EE** Actual expenditure did not meet projections due to COVID-19 National Disaster and lockdown
- GG** Photocopiers tender impacted actuals
- HH** Actuarial movements unpredictable because of external factors impacting on variables used in calculations.

CASH FLOW STATEMENT

Motivations for amendments made to the original budget is present in the Adjustment Budget report.

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

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Figures in Rand

39. Related parties**Related party balances**

Amounts included in Trade receivables are outstanding money(s) to be recovered from Councillors, and mayor, due to upper limits changes and travel and lodging claimed, but not spent:

Councillor MS Hangana	-	22 301
Councillor J Bostander	46 714	46 714
Councillor M Furmen	22 552	22 552
Councillor M Daniels	737	-
Councillor EZ Njadu	43 388	44 944
Councillor G de Vos	6 923	13 905
Councillor J Jonas	4 515	4 515
Councillor T Prince	439	439
Councillor GP Adolph	2 511	2 511
	127 779	157 881

Related party loans

The following are persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. Including any director of Central Karoo District Municipality.

Compensation of key management personnel

The compensation of key management personnel is set out in note 17 to the Annual Financial Statements.

Remuneration of management**Current Employee Benefits**

The Municipality has the following current employee benefit obligation and made other non-Employee Related Cost payments towards senior management.

2021	Staff Leave Obligation	Staff Bonus Obligation	Travel and Subsistence	Total
Municipal Manager	-	-	48 897	48 897
Chief Financial Officer	12 100	311 682	11 023	334 805
Head Corporate Services	15 710	311 682	22 405	349 797
	27 810	623 364	82 325	733 499
2020	Staff Leave Obligation	Staff Bonus Obligation	Travel and Subsistence	Total
Municipal Manager	41 304	149 135	53 284	243 723
Chief Financial Officer	24 135	122 446	92 654	239 235
Head Corporate Services	39 780	122 446	108 191	270 417
	105 219	394 027	254 129	753 375

CENTRAL KAROO DISTRICT MUNICIPALITY

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Figures in Rand

40. Commitments

The Municipality did not have any outstanding capital commitments as at 30 June 2021.

41. Events after the reporting date

Within the municipal space, the effects of COVID-19 is ongoing and will require constant evaluation to determine the extent to which developments after the reporting date, should be recognised in the current reporting period.

National Treasury came to a decision to no longer contribute to paying the audit fees of the municipality. This has resulted in the Municipality now being liable for audit fees going back to the financial year of 2017/2018. The municipality negotiated with the Department of Road Transport after year end to pay a portion of these audit fees amounting to R2 627 645.64, and they agreed to do so. The payment was made in August 2021

The South African Revenue Service selected the municipality for a VAT audit of period 202106. During this audit certain input tax was denied that will be reclaimed in the new financial year. This resulted in an understatement penalty of R10 933 that will be disputed by the municipality and further disclosed accordingly in the new year once finalised.

The MTREF 2021/2022 Budget was not approved by Council in terms of the MFMA section 24, this resulted in the Municipality being placed under provisional administration in July 2021. This came to an end when council approved the budget on 27 July 2021.

The Accounting Officer further is not aware of any other matter or circumstance arising since the end of the financial year.

42. Statutory Receivables**Statutory receivables general information****Transaction(s) arising from statute**

Statutory Receivables applicable to Central Karoo District Municipality arises from the Value Added Tax Act (89 of 1991)

Taxes		
Vat Receivable	796 598	334 650
	<u>796 598</u>	<u>334 650</u>
Balance previously reported		69 794
Correction of error - refer to note 28		264 856
Restated balance		<u>334 650</u>

Determination of transaction amount

Statutory receivables are initially measured at transaction value, and subsequently at cost.

CENTRAL KAROO DISTRICT MUNICIPALITY

Audited Annual Financial Statements for the year ended 30 June 2021

NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS

Figures in Rand

43. Contingent Assets

During the past financial year an investigation into Unauthorised, Irregular, Fruitless and Wasteful expenditure was performed and the Council decided that the following amounts are recoverable from the individuals/party's listed below.

Summons have been issued, but the process has been slowed down due to Covid 19 impacting the tender process for legal services required by the Municipality.

Mr S Jooste (Previous Municipal Manager)	5 119 500	-
Africa Creek Investment (Pty) Ltd	4 507 500	-
Mr Jonton Snyman	4 507 500	-
NB Wilson & Associates	612 000	-
Mr Lance Wilson	612 000	-
Mrs Lorraine Wilson	612 000	-
	15 970 500	-

44. Transfers and Subsidies**Other subsidies**

Bursaries and study assistance provided	253 700	415 599
Money allocations to B Municipalities	800 000	1 200 000
	1 053 700	1 615 599
Balance previously reported		-
Correction of error - refer to note 28		1 615 599
Restated balance		1 615 599

45. Loss on disposal of assets and liabilities

Intangible assets	11 984	-
Property, plant and equipment	94 516	-
	106 500	-

46 REPORTABLE SEGMENTS REPORT FOR THE YEAR ENDED 30 JUNE 2021

For management purposes, the municipality is organised and operates in key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.

Management receives on a monthly basis a C Schedule that provides actual amounts at that time per both the department and function.

The key functional segments comprise of:

PRIMARY SEGMENTS				
Functional Segments	Sub vote	Aggregation	Reportable Segment	Types of Goods/Services delivered
Vote 1 - Executive & Council	1.1 - Council General Expenses	Aggregated	Governance and Administration	Supporting service departments
	1.2 - EDA	Aggregated	Governance and Administration	Supporting service departments
Vote 2 - Municipal Manager	2.1 - Municipal Manager	Aggregated	Governance and Administration	Supporting service departments
	2.2 - Internal Audit	Aggregated	Governance and Administration	Supporting service departments
Vote 3 - Financial Services	3.1 - Financial Services	Aggregated	Governance and Administration	Supporting service departments
	3.2 - District Council Levies	Aggregated	Governance and Administration	Supporting service departments
	3.3 - Finance Management Grant	Aggregated	Governance and Administration	Supporting service departments
Vote 4 - Corporate Services	4.1 - Corporate Services	Aggregated	Governance and Administration	Supporting service departments
	4.2 - Tourism	Aggregated	Governance and Administration	Supporting service departments
	4.3 - Strategic Planning	Aggregated	Governance and Administration	Supporting service departments
	4.4 - Environmental health	Individually Reported	Environment health	Inspected landfills sites, air quality monitoring, health inspections at shops
	4.5 - Civil Defence	Individually Reported	Disaster Management	Fire Service Support
	4.6 - LED	Aggregated	Governance and Administration	Supporting service departments
	4.7 - Work for water	Aggregated	Governance and Administration	Supporting service departments
	4.8 - IDP	Aggregated	Governance and Administration	Supporting service departments
	4.8 - Human Resources	Aggregated	Governance and Administration	Supporting service departments
Vote 5 - Technical Services	5.1 - Roads	Individually Reported	Roads Function	Administering the roads function on behalf of Province.

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

Management does not monitor performance geographically as it does not at present have reliable separate financial information for decision making purposes. The Cost to develop this separately would be excessive.

CENTRAL KAROO DISTRICT MUNICIPALITY

PRIMARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Governance and Administration	Environment health	Disaster Management	Roads Function	Non-Reportable	Total
	R	R	R	R	R	R
SEGMENT REVENUE						
External revenue from exchange transactions	6 742 931	27 100	216	52 040 354	-	58 810 641
Rental of Facilities and Equipment	51 288	-	-	-	-	51 288
Interest Earned - External Investments	704 227	-	-	80 939	-	785 166
Licences and Permits	-	27 100	-	-	-	27 100
Other Revenue	5 987 416	-	216	51 959 456	-	57 947 087
External revenue from non-exchange transactions	41 052 748	-	65 753	-	-	41 118 501
Licences and Permits	-	-	-	-	-	-
Transfers Recognised - Operational	41 052 748	-	65 753	-	-	41 118 501
Other Revenue	-	-	-	-	-	-
Revenue from transactions with other segments	-	-	-	-	-	-
Internal Revenue	-	-	-	-	-	-
Total Segment Revenue (excluding capital transfers and contributions)	47 795 679	27 100	65 969	52 040 354	-	99 929 142
SEGMENT EXPENDITURE						
Employee Related Costs	16 754 943	3 719 322	1 023 949	27 593 483	-	49 091 697
Remuneration of Councilors	3 774 747	-	-	-	-	3 774 747
Debt Impairment	30 467	-	-	-	-	30 467
Depreciation and Asset Impairment	376 860	15 166	344 201	25 358	-	761 585
Finance Charges	893 522	-	-	-	-	893 522
Other Materials	620 171	-	-	8 304 208	-	8 924 379
Contracted Services	4 074 452	150	2 673	4 844 301	-	8 922 056
Transfers and Grants	1 053 700	-	-	-	-	1 053 700
Other Expenditure	8 693 732	159 075	134 787	10 660 172	-	19 847 766
Internal charges	-	-	-	-	-	-
Total Segment Expenditure	36 452 193	3 893 743	1 505 611	51 627 722	-	93 479 269
Surplus/(Deficit)	11 343 485	(3 866 643)	(1 439 641)	412 673	-	6 449 873
Transfers Recognised - Capital	-	-	-	-	-	-
Surplus/(Deficit) after Capital Transfers & Contributions	11 343 485	(3 866 643)	(1 439 641)	412 673	-	6 449 873
Taxation	-	-	-	-	-	-
Surplus/(Deficit) after Taxation	11 343 485	(3 866 643)	(1 439 641)	412 673	-	6 449 873
Attributable to M-entities	-	-	-	-	-	-
Surplus/(Deficit) Attributable to Municipality	11 343 485	(3 866 643)	(1 439 641)	412 673	-	6 449 873
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-
Surplus/(Deficit) for the year	11 343 485	(3 866 643)	(1 439 641)	412 673	-	6 449 873

* A reconciliation is not required between the Segment Report's revenue and expenditure and that of the Annual Financial Statements, as they are in balance.

APPENDIX A - Unaudited
CENTRAL KAROO DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2021

EXTERNAL LOANS	Rate	Redeemable	Balance at 30 June 2020	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2021
LEASE LIABILITY							
Ricoh MPC 2003 SP	13.00%	21/03/2021	11 099	-	-	(11 098)	-
Ricoh MPC 6003 SP	13.00%	26/09/2020	7 079	-	-	(7 079)	-
Nashau E 337M320248	10.50%	31/07/2020	498	-	-	(498)	-
Nashua E 337M320229	10.50%	31/07/2020	498	-	-	(498)	-
Nashua E 337M320249	10.50%	31/07/2020	498	-	-	(498)	-
Nashau E 337M320230	10.50%	31/07/2020	498	-	-	(498)	-
Nashua E 337M320252	10.50%	31/07/2020	498	-	-	(498)	-
Ricoh IMC3500 3110R610607	7.00%	01/03/2021	-	-	84 225	(8 511)	75 714
Ricoh IMC3500 3110R610518	7.00%	01/03/2021	-	-	84 225	(8 511)	75 714
Ricoh IMC3500 3110R610806	7.00%	01/03/2021	-	-	84 224	(8 511)	75 712
Ricoh MP6503SP G659C970117	7.00%	01/03/2021	-	-	161 314	(16 302)	145 013
Total Lease Liabilities			20 668	-	413 988	(62 504)	372 152
TOTAL EXTERNAL LOANS			20 668	-	413 988	(62 504)	372 152

APPENDIX B - Unaudited
CENTRAL KAROO DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R		2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R
14 859 133	(11 378 016)	3 481 117	Governance and Administration	39 977 554	(6 277 875)	33 699 679
25 251 469	(22 021 674)	3 229 795	Executive and council	4 728 231	(22 089 696)	(17 361 465)
			Finance and administration			
			Community and Public Safety			
4 800	(1 622 385)	(1 617 585)	Public safety	65 969	(1 601 664)	(1 535 695)
51 165	(4 174 084)	(4 122 919)	Health	27 100	(3 925 228)	(3 898 128)
			Economic and Environmental Services			
2 742 536	(6 058 629)	(3 316 093)	Planning and development	3 089 893	(7 940 299)	(4 850 405)
44 405 980	(45 109 735)	(703 755)	Road transport	52 040 394	(51 627 723)	412 672
-	(42 455)	(42 455)	Other	-	(16 785)	(16 785)
87 315 082	(90 406 978)	(3 091 895)	Sub Total	99 929 142	(93 479 270)	6 449 872
-	-	-	Less Inter-Departmental Charges	-	-	-
87 315 082	(90 406 978)	(3 091 895)	Total	99 929 142	(93 479 270)	6 449 872

APPENDIX C - Unaudited
CENTRAL KAROO DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021
MUNICIPAL VOTES CLASSIFICATIONS

2020 Actual Income R	2020 Actual Expenditure R	2020 Surplus/ (Deficit) R		2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R
10 433 000	(7 117 806)	3 315 194	Executive and Council	33 042 754	(5 037 202)	28 005 552
-	-	-	Council General Expenses	-	-	-
			EDA			
			Municipal Manager			
4 426 133	(4 260 210)	165 923	Municipal Manager	6 934 800	(1 240 673)	5 694 127
125 000	(889 157)	(764 157)	Internal Audit	-	(1 027 608)	(1 027 608)
			Finance			
20 743 560	(9 804 238)	10 939 322	Financial Services	38 055	(9 490 633)	(9 452 579)
-	-	-	District Council Levies	-	-	-
1 000 000	(949 248)	50 751	Finance Management Grant	1 000 000	(950 932)	49 068
			Corporate Services			
58 309	(6 270 161)	(6 211 853)	Corporate Services	2 466	(5 243 496)	(5 241 031)
-	(42 455)	(42 455)	Tourism	-	(16 785)	(16 785)
2 742 536	(5 350 275)	(2 607 739)	Strategic Planning	3 089 893	(7 671 965)	(4 582 072)
51 165	(4 174 084)	(4 122 919)	Environmental Health	27 100	(3 925 228)	(3 898 128)
4 800	(1 622 385)	(1 617 585)	Civil Defence	65 969	(1 601 664)	(1 535 695)
-	(338 037)	(338 037)	LED	-	136	136
-	-	-	Work for Water	-	-	-
-	(370 318)	(370 318)	IDP	-	(268 469)	(268 469)
3 324 601	(4 108 869)	(784 269)	Human Resources	3 687 711	(5 377 028)	(1 689 316)
			Technical Services			
44 405 980	(45 109 735)	(703 755)	Roads	52 040 394	(51 627 723)	412 672
87 315 082	(90 406 978)	(3 091 895)	Sub Total	99 929 142	(93 479 270)	6 449 872
-	-	-	Less Inter-Departmental Charges	-	-	-
87 315 082	(90 406 978)	(3 091 895)	Total	99 929 142	(93 479 270)	6 449 872

APPENDIX D - Unaudited
CENTRAL KAROO DISTRICT MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, INTANGIBLE ASSETS, BIOLOGICAL ASSETS AND HERITAGE ASSETS AS AT 30 JUNE 2021
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation						Accumulated Depreciation					Carrying Value
	Opening Balance	Correction of Error	Additions	Under Construction	Disposals/ Impairment	Closing Balance	Opening Balance	Correction of Error	Depreciation	Disposals/ Impairment	Closing Balance	
Executive and council	2 552 571	-	240 777	-	(145 351)	2 647 997	917 405	-	116 144	(133 710)	899 639	1 748 159
Finance and administration	4 282 061	-	615 078	-	(492 779)	4 404 360	2 438 626	-	257 821	(471 562)	2 224 884	2 179 476
Internal audit	36 555	-	-	-	(496)	36 059	17 883	-	2 895	(448)	20 340	15 719
Public safety	4 890 877	-	2 981	-	(294 011)	4 599 848	2 265 204	-	344 201	(225 271)	2 384 134	2 215 714
Health	19 852	-	-	-	-	19 852	470	-	2 743	-	3 213	16 639
Road transport	3 250 500	-	-	-	-	3 250 500	888 806	-	25 358	-	914 164	2 336 336
Environmental protection	242 445	-	13 303	-	(38 280)	216 469	159 554	-	11 988	(38 088)	133 454	83 015
Other	6 759	-	-	-	(5 782)	978	5 767	-	436	(5 358)	845	133
	15 281 620	-	872 140	-	(977 697)	15 176 063	6 693 725	-	761 585	(874 437)	6 580 873	8 595 190

APPENDIX E - Unaudited
CENTRAL KAROO DISTRICT MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2020	Contributions during the year	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Impairment of Grant	Balance 30 June 2021	Unspent 30 June 2021 (Creditor)	Unpaid 30 June 2021 (Debtor)
National Government Grants									
Equitable Share	-	32 792 000	-	(32 792 000)	-	-	-	-	-
Finance Management Grant	-	1 000 000	-	(1 000 000)	-	-	-	-	-
EPWP	-	1 262 000	-	(1 262 000)	-	-	-	-	-
Rural Asset Management Grant (RAMS)	2 014 037	1 948 000	-	(1 994 844)	-	-	1 967 193	1 967 193	-
Total National Government Grants	2 014 037	37 002 000	-	(37 048 844)	-	-	1 967 193	1 967 193	-
Provincial Government Grants									
Financial Management Capacity Building Grant	430 166	300 000	(51 166)	(95 625)	-	-	583 375	583 375	-
Safety Implementation - whole of society approach (WOSA)	768 439	2 100 000	-	(1 827 893)	-	-	1 040 545,82	1 040 546	-
Municipal Drought Relief Grant	-	250 000	-	(250 000)	-	-	-	-	-
Western Cape Financial Management Support Grant (Audit System)	200 000	-	(200 000)	-	-	-	-	-	-
Western Cape Financial Management Support Grant (ERM System)	173 000	-	(173 000)	-	-	-	-	-	-
Western Cape Financial Management Support Grant (PDO Compliance)	220 025	-	(220 025)	-	-	-	-	-	-
Western Cape Financial Management Support Grant (IA & RM)	390 819	-	(390 819)	-	-	-	-	-	-
LG Internship Grant (Disaster Management)	75 201	-	-	(65 753)	-	-	9 448	9 448	-
Total Provincial Government Grants	2 257 650	2 650 000	(1 035 010)	(2 239 272)	-	-	1 633 368	1 633 368	-
Other Grant Providers									
CHIETA	397 415	1 504 382	-	(1 830 386)	-	-	71 411	71 411	-
LG SETA	201 784	-	-	-	-	-	201 784	201 784	-
Total Other Grant Providers	599 199	1 504 382	-	(1 830 386)	-	-	273 195	273 195	-
Total Grants	4 870 885	41 156 382	(1 035 010)	(41 118 501)	-	-	3 873 756	3 873 756	-