

CENTRAL KAROO DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 28, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements 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.

N W Nortjé
Municipal Manager

Date

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CENTRAL KAROO DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		23 723 584	24 449 627
Housing Development Fund	1	348 691	506 401
Capital replacement reserve		-	319 081
Capitalisation reserve		114 382	247 119
Government grant reserve		19 094 920	17 812 310
Accumulated Surplus/(Deficit)		4 165 591	5 564 716
Non-current liabilities		134 662	104 125
Long-term liabilities	2	134 662	104 125
Non-current provisions		-	-
Current liabilities		6 924 599	9 671 913
Consumer deposits	3	15 127	14 827
Provisions	4	289 947	168 599
Creditors	5	2 111 555	5 970 129
Unspent conditional grants and receipts	6	3 277 481	2 396 310
VAT	7	562 337	460 244
Bank overdraft	16	637 066	648 462
Current portion of long-term liabilities	2	31 086	13 342
Total Net Assets and Liabilities		<u>30 782 845</u>	<u>34 225 665</u>
ASSETS			
Non-current assets		21 947 752	21 022 856
Property, plant and equipment	8	21 908 565	20 988 244
Intangible Assets	9	39 187	22 436
Long-term receivables	10	-	12 176
Current assets		8 835 093	13 202 809
Inventory	11	609 665	828 742
Consumer debtors	12	386 961	434 918
Other debtors	13	885 049	4 848 887
Fruitless and Wasteful (Other Debtor)	32	140 000	140 000
Unpaid Conditional Grants and Receipts	14	4 598 288	-
VAT	7	77 869	122 790
Current portion of long-term debtors	10	-	72 197
Call investment deposits	15	2 137 261	6 755 275
Bank balances and cash	16	-	-
Total Assets		<u>30 782 845</u>	<u>34 225 665</u>

**CENTRAL KAROO DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2007**

	Note	Actual	
		2007 R	2006 R
REVENUE			
Property rates	17	1 022 805	778 847
Property rates - penalties imposed and collection charges		-	-
Service charges	18	2 678 840	2 154 191
Regional Services Levies – turnover			4 024 823
Regional Services Levies - remuneration			494 084
Rental of facilities and equipment		78 739	66 940
Interest earned - external investments		665 378	691 525
Interest earned - outstanding debtors		22 603	34 593
Dividends received		-	-
Fines		26 857	28 645
Licences and permits		219 239	202 592
Income for agency services		23 474 284	23 129 146
Government grants and subsidies	19	21 036 605	33 441 515
Other income		703 910	985 862
Public contributions, donated and contributed property, plant and equipment		-	-
Gains on disposal of property, plant and equipment		9 980	-
SubTotal Revenue		<u>49 939 240</u>	<u>66 032 763</u>
EXPENDITURE			
Employee related costs	20	9 109 540	12 593 232
Remuneration of Councillors	21	2 247 657	1 660 777
Bad debts		1 880 926	2 223 756
Collection costs		-	-
Depreciation		2 328 345	2 290 911
Repairs and maintenance		306 943	250 487
Interest paid	22	56 479	-
Bulk purchases	23	654 443	356 949
Contracted services		342 772	295 021
Grants and subsidies paid	24	5 357 997	21 928 522
General expenses		28 306 276	22 742 687
Loss on disposal of property, plant and equipment		73 905	-
Total Direct Operating Expenditure		<u>50 665 283</u>	<u>64 342 342</u>
SURPLUS/(DEFICIT) FOR THE YEAR		(726 043)	1 690 421
DISCONTINUED OPERATIONS			
Add: Surplus / (Deficit) for the year from discontinued operations	30	0	
Share of surplus/(deficit) of associate accounted for under the equity method		-	-
NET SURPLUS/(DEFICIT) FOR THE YEAR		<u>(726 043)</u>	<u>1 690 421</u>
Refer to Appendix E(1) for explanation of variances			

CENTRAL KAROO DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	<u>Pre-GAMAP Reserves and Funds</u> R	<u>Housing Development Fund</u> R	<u>Capital Replacement Reserve</u> R	<u>Capitalisation Reserve</u> R	<u>Government Grant Reserve</u> R	<u>Donations and Public Contribution Reserve</u> R	<u>Self-Insurance Reserve</u> R	<u>Revaluation Reserve</u> R	<u>Accumulated Surplus/(Deficit)</u> R	<u>Total</u> R
2006										
Balance at 1 July 2005	-	626 401	444 261	525 740	14 765 062	-	-	-	6 181 573	22 543 037
Correction of error (Note 27)				(145 773)					145 773	
Correction of error (Note 27)									233 293	233 293
Implementation of GAMAP (Note 25)	-	-	-	-	-	-	-	-	-	-
Offsetting of Backlog Depreciation									-	-
Change in accounting policy (Note 25)	-	-	-	-	-	-	-	-	-	-
Restated balance	-	626 401	444 261	379 967	14 765 062	-	-	-	6 560 639	22 776 330
Net surplus/(deficit) for the year (Note 28)	-	-	-	-	-	-	-	-	1 690 421	1 690 421
Transfer to CRR	-	-	139 638	-	-	-	-	-	(139 638)	-
Property, plant and equipment purchased	-	-	(264 818)	-	-	-	-	-	264 818	-
Capital grants used to purchase PPE	-	-	-	-	4 924 562	-	-	-	(4 924 562)	-
Donated/contributed PPE	-	-	-	-	-	-	-	-	-	-
Contribution to Insurance Reserve	-	-	-	-	-	-	-	-	-	-
Transfer of Reserve Fund / Assets <5000	-	-	-	-	-	-	-	-	-	-
Insurance claims processed	-	-	-	-	-	-	-	-	-	-
Transfer from Housing Development Fund	-	(120 000)	-	-	-	-	-	-	120 000	-
Offsetting of depreciation	-	-	-	(132 848)	(1 877 314)	-	-	-	2 010 162	-
Balance at 30 June 2006	-	506 401	319 081	247 119	17 812 310	-	-	-	5 581 840	24 466 751
2007										
Change in accounting policy (Note 26)	-	-	-	-	-	-	-	-	-	-
Correction of error (Note 27)	-	-	-	-	-	-	-	-	-	-
Implementation of GAMAP (Note 25)	-	-	-	-	-	-	-	-	-	-
Offsetting of Backlog Depreciation	-	-	-	-	-	-	-	-	-	-
Change in accounting policy (Note 25)	-	-	-	-	-	-	-	-	(17 124)	(17 124)
Restated balance	-	506 401	319 081	247 119	17 812 310	-	-	-	5 564 716	24 449 627
Net surplus/(deficit) for the year	-	-	-	-	-	-	-	-	(726 043)	(726 043)
Transfer of Provision for Bad Debts.	-	-	-	-	-	-	-	-	-	-
Transfer to CRR	-	-	(278 253)	-	-	-	-	-	278 253	-
Property, plant and equipment purchased	-	-	(40 828)	-	-	-	-	-	40 828	-
Capital grants used to purchase PPE	-	-	-	-	3 250 079	-	-	-	(3 250 079)	-
Transfer from Government Grants Reserve	-	-	-	-	-	-	-	-	-	-
Donated/contributed PPE	-	-	-	-	-	-	-	-	-	-
Contribution for the year	-	-	-	-	-	-	-	-	-	-
Insurance claims processed	-	-	-	-	-	-	-	-	-	-
Transfer to Housing Development Fund	-	-	-	-	-	-	-	-	-	-
Transfer from Housing Development Fund	-	(157 710)	-	-	-	-	-	-	157 710	-
Other Income	-	-	-	-	-	-	-	-	-	-
Asset disposals	-	-	-	-	(7 943)	-	-	-	7 943	-
Offsetting of depreciation	-	-	-	(132 737)	(1 959 526)	-	-	-	2 092 263	-
Balance at 30 June 2007	-	348 691	0.00	114 382	19 094 920	-	-	-	4 165 591	23 723 584

CENTRAL KAROO DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		-	-
Cash paid to suppliers and employees		-	-
Cash generated from/(utilised in) operations	28	(2 001 517)	1 782 558
Interest received		665 378	691 525
Interest paid		(56 479)	-
NET CASH FROM OPERATING ACTIVITIES		(1 392 618)	2 474 083
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3 316 498)	(5 189 380)
Purchase of Intangible Assets		(40 437)	-
Proceeds on disposal of fixed assets		9 980	-
Increase in investment properties		-	-
(Increase)/decrease in non-current loans		84 373	243 532
Increase in non-current investments		-	-
(Increase)/Decrease in call investment deposits		-	-
NET CASH FROM INVESTING ACTIVITIES		(3 262 581)	(4 945 848)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		48 281	-
Increase in consumer deposits		300	815
Decrease/(increase) in short-term loans		-	-
NET CASH FROM FINANCING ACTIVITIES		48 581	815
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(4 606 618)	(2 470 949)
Cash and cash equivalents at the beginning of the year		6 106 813	8 577 762
Cash and cash equivalents at the end of the year	29	1 500 195	6 106 813
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(4 606 618)	(2 470 949)

**CENTRAL KAROO DISTRICT MUNICIPALITY
MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention. Land and Buildings are currently stated at cost and will be revalued in the next three years, being the fair value at the date of revaluation less subsequent accumulated depreciation in respect of buildings.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The District Municipality has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 552 of 2007:

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been early adopted
GAMAP 12	Inventories	<ul style="list-style-type: none"> ▪ The entire standard as far as it relates to water stock that was not purchased by the municipality.
IAS 17 (AC 105)	Leases	<ul style="list-style-type: none"> ▪ Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11)
IAS 39 (AC 133)	Financial instruments: recognition and measurement	<ul style="list-style-type: none"> ▪ Initially measuring financial assets and liabilities at fair value (IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06)
IFRS 5 (AC 142)	Discontinued operations	<ul style="list-style-type: none"> ▪ Discontinued Operations
IFRS 7 (AC 144)	Financial instruments: disclosures	<ul style="list-style-type: none"> ▪ Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of GAMAP 3 (Accounting Policies, Changes of Accounting Estimates and Errors):

- *Identification and impact of GRAP standards that have been issued but are not yet effective and changes to accounting policies. [Paragraphs 14, 19 and 30-31]*

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 109 (Construction Contracts) in its entirety.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 140 (Business Combinations) in its entirety.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

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

4. SEGMENTAL REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 115 (Segment Reporting) and AC 146 (Operating Segments).

5. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

Housing developments both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Fund:

- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments backing up this fund is recorded as part of interest earned in the Statement of Financial Performance and is then transferred via the Statement of Changes in Net Assets to the Housing Development Fund.
- Any surplus on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

6. RESERVES

6.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR in terms of a Council resolution (Number 13.19 dated 27/05/2005) A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment, the CRR is reduced and the accumulated surplus / (deficit) is credited by a corresponding amount when the funds are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan. The following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance. The total interest earned on all the CRR investments of the municipality is transferred to the CRR.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- The CRR is reduced and the accumulated surplus / (deficit) credited with corresponding amounts when the funds are utilised.

- If a gain or loss is made on the sale of assets the gain or loss on the sale of assets is reflected in the Statement of Financial Performance. The full proceeds on the sale of all PPE are transferred to the CRR.
- The amounts transferred to the CRR are based on the Municipality's need to finance future capital projects.

6.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/ (deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this Reserve to the accumulates surplus / (deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus / (deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus / (deficit).

6.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus / (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus / (deficit).

6.4 Public Contributions and Donations Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Public Contributions and Donations Reserve equal to the Public Contributions and Donations Reserve recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Public Contributions and Donations Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Public Contributions and Donations.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Public Contributions and Donations Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

6.5 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on current values, are credited or charged to the Statement of Financial Performance.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation, including land and buildings, which will be revalued as indicated below. Heritage assets, defined as culturally significant resources, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The Municipality has adopted a capitalisation threshold whereby all expenditure below the threshold is expensed when incurred. The threshold is currently R5 000 per item of PPE.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	<u>Years</u>		<u>Years</u>
Infrastructure		Other	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipment	2-5
Recreational Facilities	15	Landfill sites	20
Security	5		
Investment Property	30		

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.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – see Accounting Policy 14 on Provisions.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of GAMAP 17 (Property, Plant and Equipment):

- *Review of useful life of item of PPE recognised in the annual financial statements. [Paragraphs 59-61 and 77]*
- *Review of the depreciation method applied to PPE recognised in the annual financial statements. [Paragraphs 62 and 77]*
- *Impairment of non-cash generating assets. [Paragraphs 64-69 and 75(e)(v) – (vi)]*
- *Impairment of cash generating assets. [Paragraphs 63 and 75(e)(v) – (vi)]*

8. INVESTMENT PROPERTY

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost. Subsequent to initial recognition investment properties are shown at fair value, based on periodic, but at least every three years, valuations by external independent valuers. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of AC 135 (Investment Property):

- *The entire standard to the extent that property is accounted for in terms of GAMAP 17.*
- *Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised investment property in terms of this standard. [Paragraphs 79(e)(i) – (iii)]*

9. REVALUATION OF LAND AND BUILDINGS

Land and buildings are currently stated at cost and will be revalued in the next three years, being the fair value at the date of revaluation less subsequent accumulated depreciation in respect of buildings.

10. INTANGIBLE ASSETS

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of AC 129 (Intangible Assets):

- *The entire standards except for the recognition, measurement and disclosure of the computer software and website costs (AC 432) and all other costs were expensed.*

11. IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

At each Statement of Financial Position date the municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance, unless the asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a Revaluation Reserve increase.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 128 (Impairment of Assets) in its entirety.

12. INVESTMENTS

12.1 Financial Instruments

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense 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 charged or credited to the Statement of Financial Performance.

12.2 Investment in Associate

An associate is an entity over which the Municipality is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying value of the investment in associates is adjusted for the municipality's share of operating surpluses/(deficits) less any dividends received.

Where the Municipality or its Municipal Entities transact with an associate, unrealised gains and losses are eliminated to the extent of the Municipality's or its Municipal Entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where the Municipality is no longer able to exercise significant influence over the associate the equity method of accounting is discontinued.

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

12.3 Investment in Municipal Entities

Investments in municipal entities under the ownership control of the Municipality are carried at cost. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post-acquisition results of these investments.

12.4 Interests in Joint Ventures

A joint venture is a contractual arrangement whereby the Municipality and other parties undertake an economic activity that is subject to joint control. Interests in joint ventures are stated at cost.

Jointly Controlled Operations

The Municipality recognises the assets that it controls, the liabilities and expenses that it incurs as well as its share in the revenue that it earned from the sale or provision of goods or services by the joint venture.

Jointly Controlled Assets

The Municipality's share of the jointly controlled assets and liabilities is recognised in the statement of financial position and is classified according to their nature. Revenue from the sale or use of the Municipality's share of the output of the jointly controlled assets, and its share of the expenses incurred is recognised in the statement of financial performance.

Jointly Controlled Entities

Interests in jointly controlled entities are stated at cost.

13. INVENTORIES

Consumable stores are valued at the lower of cost and current replacement cost. In general, the basis of determining cost is the average weighted method.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to current replacement cost.

14. ACCOUNTS RECEIVABLE

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. 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) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. 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. When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

15. LEASES

15.1 Lessee Accounting

Amounts held under finance leases are initially recognised as assets of the Municipality at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Municipality's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

15.2 Lessor Accounting

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

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

16. BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

17. TRADE AND OTHER PAYABLES

Trade payables and other receivables are originally carried at fair value and subsequently remeasured at amortised cost using the effective interest method

18. UNUTILISED CONDITIONAL GRANTS

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unutilised conditional grants. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue. Thereafter an equal amount is transferred on the Statement of changes in net assets to a Government Grant Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unutilised Conditional Grants. The Government Grant Reserve is used to offset depreciation charged on assets purchased out of the Unutilised Conditional Grants.

19. VALUE ADDED TAX

The Council accounts for Value Added Tax on the cash basis.

20. REVENUE RECOGNITION

20.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying a fixed rate.

In the case of schools, hostels and old age homes service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly. In all other cases a fixed rate is levied on a monthly basis.

Interest and rentals are recognised on a time proportion basis.

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

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

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions 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 is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

20.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable.

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis. Where declarations have not been submitted, estimated levies based on average data is accrued. Estimates are reviewed regularly to ensure that average data is appropriate.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

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.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of GAMAP 9 (Revenue):

- *Initial measurement of fair value discounting all future receipts using an imputed rate of interest. [SIACA Circular 09/06 and paragraph 12]*

21. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of AC 134 (Accounting for Government Grants):

- *Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9.*

22. PROVISIONS

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

22.1 Employee Benefits

(a) Pension obligations

The Municipality operate 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 Group 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.

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 bi-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 to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

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.

(b) Post Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its retirees. 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 expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to the Statement of Financial Performance over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 116 (Employee Benefits) with regards to defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. (paragraphs 29, 48-119, 120A(c) – (q))

(c) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. Provision 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.

(d) Provision for Bonuses, Performance Bonuses and Long Service Bonuses

The Municipality makes provision for bonuses payable where at year end minimum bonus amounts owing to officials are contractually payable in the next financial year.

22.2 Provision for the rehabilitation of landfill sites

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

23. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments 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, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

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 the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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 (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

27. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

28. COMPARATIVE INFORMATION

28.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

28.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund	348 691	506 401
Unappropriated Surplus	348 691	506 401
Loans extinguished by Government on 1 April 1998	-	-
The Housing Development Fund is represented by the following assets and liabilities		
Bank and cash	348 691	506 401
Sub-total	348 691	506 401
Total Housing Development Fund Assets and Liabilities	348 691	506 401

	2007 R	2006 R
2 LONG-TERM LIABILITIES		
Local Registered Stock Loans	-	-
Annuity Loans	-	-
Capitalised Lease Liability	165 748	117 467
Government Loans : Other	-	-
Sub-total	165 748	117 467
Less : Current portion transferred to current liabilities	31 086	13 342
Local Registered Stock Loans	-	-
Annuity Loans	-	-
Capitalised Lease Liability	31 086	13 342
Government Loans : Other	-	-
Total External Loans	134 662	104 125

The future payments on the leases are as follows:

	Within 1 Year	Rest of period.
Interest Payments	53 132	113 859
Redemption	31 086	134 662
	84 218	248 521

More information on Appendix "A"

The capitalised lease liability is secured over the item of Office Machines leased.

	2007 R	2006 R
3 CONSUMER DEPOSITS		
Electricity and Water	15 127	14 827
Interest	-	-
Total Consumer Deposits	15 127	14 827

Guarantees held in lieu of Electricity and Water Deposits	-	-
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	2007 R	2006 R
4 PROVISIONS		
Performance bonus	289 947	168 599
Total Provisions	289 947	168 599

Performance bonuses accrue to employees on a quarterly basis, subject to certain conditions. The provision is an estimate of the amount due to staff at the reporting date.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

5 CREDITORS	2007 R	2006 R
Staff Leave	442 997	274 605
State departments / Staatsdepartemente		
Subsidie: Ambulansdienste		14 722
Surplus: RSC 5 Werktuigvervanging		131 591
Surplus: Werktuigrekening		-
Subsidy: Nutrition Development / Subsidie: Voedingskema		7 510
Subsidy: Department Transport / Subsidie: Departement Vervoer		74 000
Subsidy: Department of the Premier / Subsidie: Departement van die Premier		15 475
Subsidy: Department Transport Mobility / Subsidie: Departement Vervoer "Mobility"		178 433
Subsidy: Roads / Subsidie: Paaie	-	2 978 980
Current creditors / Lopende krediteure	763 344	306 871
Deposits - Other / Deposit's - Ander	9 324	9 074
Amounts received in advance / Bedrae vooruitontvang	130 374	53 225
Salary Control / Salaris Kontrole	370 327	127 504
Suspense Account / Afwagrekening :		
Social Services / Maatskaplike Dienste	-	950 000
Surplus: PMU Funds / Surplus: PMU Fondse	-	200 151
Legal Cost: H T Prince / Regskoste: H T Prince	120 000	204 702
Training / Opleiding	-	107 245
Ongevallesekering	143 920	46 820
Retensie: ASLA - Busroete	131 269	131 269
Subsidie: Lekeberaders	-	22 000
Toerisme Help Desk Program	-	31 357
Herwiningsprojek	-	54 228
Diskresionêre Fondse	-	50 367
Total Creditors	2 111 555	5 970 129

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2007 R	2006 R
6.1 Conditional Grants from other spheres of Government	3 277 481	2 396 310
MIG Grants	-	551 566
Finance Management Grant	38 321	-
Housing Project:Trust / Behuisingsprojek:Trust	34 882	34 882
Job Creation:Trust / Werkskepping:Trust	-	99 928
Ontwikkelingsbeplannings Raamwerk	37 558	51 058
Dept. of Water affairs / Dept. van Waterwese	21 286	11 447
Murraysburg -VOR / Murraysburg-"VOR"	15 353	15 353
Land Reformation / Grondhervorming	-	3 491
ISRDS / "ISRDS"	186 639	229 211
PIMSS / "PIMSS"	325 718	448 034
Tourism (ITDF) / Toerisme (ITDF)	188 777	188 777
Tourismplan / Toerisme Plan	73 635	104 051
Tourism:Biosfeer / Toerisme:Biosfeer	112 903	112 903
Tourism:Sustainability / Toerisme:Volhoubaarheid	156 077	156 077
Distrikraad Skema Regulasies	449 532	389 532
Work for Water Project / Werk vir Water Projek	270 775	
Subsidie:Ambulansdienste	16 158	
Surplus:RSC 5 Werktuigvervanging	131 591	
Subsidy:Nutrition Development / Subsidie:Voedingskema	7 510	
Subsidy:Department of the Premier / Subsidie:Departement van die Premier	13 475	
Subsidy:Department Transport Mobility / Subsidie:Departement Vervoer "Mobility"	163 708	
Social Services / Maatskaplike Dienste	935 022	
Subsidie:Lekeberaders	29 151	
Toerisme Help Desk Program	5 784	
Herwiningsprojek	28 027	
Tourism / Toerisme	35 599	-
6.2 Other Conditional Receipts	-	-
Developers Contributions – Electricity	-	-
Public contributions	-	-
Total Conditional Grants and Receipts	3 277 481	2 396 310

See Note 19 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of AC 134 (Accounting for Government Grants):

- Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9.

7 VAT

	2007 R	2006 R
VAT payable	562 337	460 244
VAT receivable	77 869	122 790

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

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

9 INTANGIBLE ASSETS

	2007 R	2006 R
Cost	152 943	112 506
Balance 1 July 2006	112 506	-
Transferred from Property, Plant and Equipment - At cost (Note 27)	-	112 506
Acquisitions for the year - At cost	40 437	-
Less: Accumulated Amortisation	(113 756)	(90 070)
Balance 1 July 2006	(90 070)	-
Transferred from Property, Plant and Equipment (Note 27)	-	(90 070)
Accumulated Amortisation for the year	(23 686)	-
Total Intangible Assets	39 187	22 436

The Municipality transferred Intangible Assets (Computer Software) from Property, Plant and Equipment.

10 LONG-TERM RECEIVABLES

	2007 R	2006 R
Loans for personal computers	-	9 201
Housing selling scheme loans	-	-
	-	84 373
Car loans	-	-
Vehicle and Computer Loans	-	72 197
Total	-	12 176
Included in long-term receivables are the following amounts due by related parties:		
W H Terbalnche - PMU Manager	-	15 758
C J Kymdell - Director Finance	-	7 480
J Phillips - Director Health	-	51 934

CAR LOANS

Senior staff are entitled to car loans which attract interest at 8% per annum and which are repayable over a period of 3 years. Housing loans are granted to qualifying individuals in terms of the provincial administrations housing programme.

11 INVENTORY

	2007 R	2006 R
Stores consist of fuel, tyres and tubes and parts needed mainly for services on vehicles used by the Roads department.	609 665	828 742
Water for resale – at cost	-	-
Unsold properties held for resale – at realisable value	-	-
Total Inventory	609 665	828 742

All saleable properties are currently included as assets in Appendix B as Council is currently busy investigating the use of all its properties. Inventories are carried at the lower of cost and net realisable value.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of GAMAP 12 (Inventories):

- The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17.
- The entire standard to the extent that it relates to water stock that was not purchased by the municipality.

12 CONSUMER DEBTORS

	2007 R	2006 R
Service debtors	386 961	434 918
Rates	478 107	421 000
Electricity	439 336	511 125
Water	1 994 815	1 582 459
Refuse	949 724	628 478
Sewerage	787 288	533 778
Other	276 635	246 127
Less: Provision for Bad Debts	-4 538 944	-3 488 049
Housing rentals	-	-
Total	386 961	434 918

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

12 CONSUMER DEBTORS (continued)	2007	2006
<u>Levy Debtors: Ageing</u>	R	R
Current (0 – 30 days)	159 046	178 943
31 - 60 Days	144 859	143 448
61 - 90 Days	147 666	112 527
91 - 120 Days	142 703	124 916
121 - 365 Days	4 331 631	3 363 133
+ 365 Days	-	-
Total	4 925 905	3 922 967

<u>Summary of Debtors by Customer Classification</u>	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2007	R	R	R
Current (0 – 30 days)	127 212	7 272	24 562
31 - 60 Days	121 895	6 493	16 471
61 - 90+ Days	132 563	5 128	9 974
91 - 120 Days	4 394 830	35 804	43 700
121 - 365 Days	-	-	-
+ 365 Days	-	-	-
Sub-total	4 776 500	54 697	94 708
Less: Provision for bad debts	(4 538 944)	0	0
Total debtors by customer classification	237 556	54 697	94 708

<u>Summary of Debtors by Customer Classification</u>	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2006	R	R	R
Current	134 992	9 379	34 573
Current (0 – 30 days)	123 658	6 351	13 439
31 - 60 Days	3 431 528	33 970	135 077
61 - 90+ Days	-	-	-
91 - 120 Days	-	-	-
121 - 365 Days	-	-	-
Sub-total	3 690 178	49 700	183 090
Less: Provision for bad debts	(3 365 601)	(21 568)	(100 880)
Total debtors by customer classification	324 577	28 132	82 210

13 OTHER DEBTORS	2007	2006
	R	R
Payments made in advance	130 374	53 225
Unauthorized expenditure (see Note 32)	-	-
Fruitless and wasteful expenditure (see Note 32)	140 000	140 000
Control Account	-	-
Current debtors RSC Levies / Lopende debiteure Distrikraadheffings (Note 26.1)	519 315	1 213 052
Sundry Debtors	1 069 793	217 184
Electricity deposit / Elektriesiteitdeposito	295	295
ISRDS:Minister Besoek	-	-
Eskom / Eskom	-	-
Subsidie:Omvattende en Omgewings Gesondheid	-	2 143 202
Subsidie:PEW-Skema	-	-
Subsidie:Voedingskema	-	3 910
Subsidie:Ambulansdienste	-	263
Subsidie:Paaie	-	-
Subsidie:Global Fund	-	40 563
Subsidie:MTCT - Melk	-	-
Subsidie:Lekeberaders	-	99 264
Department Transport / Departement Vervoer.	-	138 842
Tekort Werktuigrekening	-	705 513
Laingsburg:Bydrae Interne Ouditeur	-	60 000
Beaufort-Wes:Bydrae Omvattende Gesondheid	-	-
Prins Albert:Bydrae Interne Ouditeur	-	60 000
Grootpad 58/1:Onderhoud	-	113 574
Government subsidies	-	-
Less: Provision for bad debts	(834 728)	-
Total Other Debtors	1 025 049	4 988 887

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

14 UNPAID CONDITIONAL GRANTS AND RECEIPTS	2007 R	2006 R
Subsidie:Voedingskema	19 950	
Subsidie:Ambulansdienste	2 058	
Subsidie:Omvattende en Omgewings Gesondheid	1 611 240	
Subsidie:Paaie	1 319 386	
Subsidie:Global Fund	21 489	
Subsidie:Lekeberaders	120 453	
Tekort Werktuigrekening	1 430 219	
Grootpad 58/1:Onderhoud	73 493	
	4 598 288	-

15 CALL INVESTMENT DEPOSITS	2007 R	2006 R
Aanvraagdeposito's/Call deposits	2 137 261	-
Capital Replacement Reserve		2 023 014
Transport Fund	-	-
Surplus Funds		4 732 261
Other Deposits	-	-
	2 137 261	6 755 275
Average Rate of Return on Investments	7,9%	6,7%

Deposits of R 2 137 261 (2006: R4 578 545) are ring-fenced and attributable to the Housing Development Fund and Unspent Conditional Grants. Fixed deposits amounting to R 0 (2006: R319 081) have also been ring-fenced for the purposes of Capital Replacement Reserve.

16 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

First National Bank

Account Number 6206 2151 429

ABSA

Account Number 1540 0000 14

	2007 R	2006 R
Cash book balance at beginning of year	(648 462)	1 562 506
Cash book balance at end of year	-637 066	(648 462)
Bank statement balance at beginning of year - First National Bank	1 260 410	9 232 958
Bank statement balance at beginning of year - ABSA	511 713	17 505
	1 772 123	9 250 463
Bank statement balance at end of year - First National Bank	1 335 032	1 260 410
Bank statement balance at end of year - ABSA	7 074	511 713
	1 342 106	1 772 123
Cash Floats to cashiers	2 430	2 430

17 PROPERTY RATES

Actual

	2007 R	2006 R
Residential	455 644	425 365
Commercial	-	-
Government	102 250	95 433
Municipal	45 285	42 266
Rural Area	419 493	215 650
Exceedings	133	133
Total Assessment Rates	1 022 805	778 847

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

17 PROPERTY RATES (continued)

Valuations

	July 2006	July 2005
	R	R
Residential	15 188 040	15 188 040
Commercial	-	-
Government	4 260 400	4 260 400
Municipal	1 509 500	1 509 500
Rural Area	104 873 359	105 388 019
Total Property Valuations	125 831 299	126 345 959

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2003. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.030 (2006: R0.028) is applied to property valuations to determine assessment rates and R0.004 on Rural Areas. Rebates of 20% are granted to state property owners and 75% to Rural Areas.

18 SERVICE CHARGES

	2007	2006
	R	R
Sale of electricity	987 443	876 413
Swimming Bath	2 078	5 082
Refuse, sewerage and sanitation charges	885 720	657 833
Total Service Charges	2 678 840	2 154 191

19 GOVERNMENT GRANTS AND SUBSIDIES

	2007	2006
	R	R
Equitable share	9 897 145	5 442 816
Finance Management Grant	461 679	396 494
MSIG	1 122 315	1 488 406
ISRDP	42 572	499 394
MIG	3 209 566	21 739 079
Department Transport	1 310 000	450 000
Department of the Premier	2 000	33 300
Department Transport Mobility / Non-Motorised	14 725	2 121 567
Department Mineral and Energy	360 000	1 240 000
Department Water Affairs	116 041	
Department Local Government and Housing	326 000	
Department Health	440 245	
Department Health Global Fund	1 390 528	
Development Planning	13 500	
Department Tourism - Plan	30 416	
Department Tourism	23 601	
Department Local Government and Housing	199 970	
Capital Contributions - Priorities	48 605	30 459
Housing Top Structures	2 027 697	-
Total Government Grant and Subsidies	21 036 605	33 441 515

19.1 Equitable Share

In terms of the Constitution, this grant is used for Councillors Allowances, Operating Expenditure and to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R166.35 (2006: R144.33), which is funded from this grant.

19.2 Provincial Health Subsidies

	2007	2006
	R	R
Balance unspent at beginning of year	(2 143 202)	(3 348 196)
Current year receipts - included in public health vote	4 603 748	5 756 730
Conditions met - transferred to revenue (Note 30)	(4 071 786)	(4 551 736)
Conditions still to be met - transferred to debtors (see note 12)	(1 611 240)	(2 143 202)

The Municipality renders health services on behalf of the Provincial Government and is refunded 100% of total expenditure incurred. This grant has been used exclusively to fund clinic services (included in the public health vote in Appendix D). The conditions of the grant have been met. There was a delay or withholding of the subsidy of R2 143 202 for 2002/2003, 2003/2004 and 2004/2005 financial years.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

19 GOVERNMENT GRANTS AND SUBSIDIES (continued)

19.3 Provincial Roads Subsidies

	2007	2006
	R	R
Balance unspent at beginning of year	2 978 980	784 054
Current year receipts	19 673 192	19 861 389
Conditions met - transferred to revenue	<u>(23 971 558)</u>	<u>(17 666 463)</u>
Conditions met/ still to be met - transferred (note 14) - (2006 note 5)	<u>(1 319 386)</u>	<u>2 978 980</u>

This grant was used to maintain roads infrastructure. No funds have been withheld.

19.4 Finance Management Grant

	2007	2006
	R	R
Balance unspent at beginning of year	-	146 494
Current year receipts	500 000	250 000
Conditions met - transferred to revenue	<u>(461 679)</u>	<u>(396 494)</u>
Conditions still to be met - transferred to liabilities (see note 6)	<u>38 321</u>	<u>-</u>

This grant was used for implement the MFMA, GRAP and Training of Interns. No funds have been withheld.

19.5 Municipal Systems Improvement Grant

	2007	2006
	R	R
Balance unspent at beginning of year	448 034	936 439
Current year receipts	1 199 970	1 000 000
Conditions met - transferred to revenue	<u>(1 322 286)</u>	<u>(1 488 405)</u>
Conditions still to be met - transferred to liabilities (see note 6)	<u>325 718</u>	<u>448 034</u>

This grant was used for the appointment of a Senior and Junior Planner to so create a planning capacity in the district. PIMSS is at present assisting with the IDP's of municipalities in the district, and in time the operational scope of this centre will be expanded to include assistance with, for instance, performance management and economic development. No funds have been withheld.

19.6 Integrated Sustainable Rural Development Program (ISRDP)

	2007	2006
	R	R
Balance unspent at beginning of year	229 211	528 604
Current year receipts	-	200 000
Conditions met - transferred to revenue	<u>(42 572)</u>	<u>(499 393)</u>
Conditions still to be met - transferred to liabilities (see note 6)	<u>186 639</u>	<u>229 211</u>

The purpose of this programme is to bring about sustainable rural development. Funding has been received for the appointment of personnel to implement this programme on a local level. No funds have been withheld.

19.7 MIG Grant

	2007	2006
	R	R
Balance unspent at beginning of year	551 566	5 325 655
Current year receipts	2 658 000	16 964 990
Conditions met - transferred to revenue	<u>(3 209 566)</u>	<u>(21 739 079)</u>
Conditions still to be met - transferred to liabilities (see note 6)	<u>-</u>	<u>551 566</u>

This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas (included in the roads and sewerage votes in Appendix B), and infrastructure grants for B-Municipalities. No funds have been withheld.

19.8 Department Transport

	2007	2006
	R	R
Balance unspent at beginning of year	(138 842)	-
Current year receipts	1 310 000	450 000
Conditions met - transferred to revenue	<u>(1 171 158)</u>	<u>(588 842)</u>
Conditions still to be met - transferred to liabilities (see note 12)	<u>-</u>	<u>(138 842)</u>

This grant was used to maintain roads and stormwater at the DMA Murraysburg. No funds have been withheld.

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

19 GOVERNMENT GRANTS AND SUBSIDIES (continued)

19.9 Department of the Premier

	2007	2006
	R	R
Balance unspent at beginning of year	15 475	48 775
Current year receipts	-	-
Conditions met - transferred to revenue	(2 000)	(33 300)
Conditions still to be met - transferred to liabilities (see note 6)	<u>13 475</u>	<u>15 475</u>

This grant was used for Youth and Gender. No funds have been withheld.

19.10 Department Transport Mobility / Non-Motorised

	2007	2006
	R	R
Balance unspent at beginning of year	178 433	-
Current year receipts	-	2 300 000
Conditions met - transferred to revenue	(14 725)	(2 121 567)
Conditions still to be met - transferred to liabilities (see note 6)	<u>163 708</u>	<u>178 433</u>

This grant was allocated to Beaufort West Municipality. No funds have been withheld.

19.11 Department Mineral and Energy

	2007	2006
	R	R
Balance unspent at beginning of year	-	-
Current year receipts	360 000	1 240 000
Conditions met - transferred to revenue	(360 000)	(1 240 000)
Conditions still to be met - transferred to liabilities (see note 6)	<u>-</u>	<u>-</u>

This grant was used for electricity infrastructure at Muurraaysburg for the new Housing Scheme. No funds have been withheld.

19.12 Capital Contributions - Priorities

	2007	2006
	R	R
Balance unspent at beginning of year	50 367	80 826
Current year receipts	-	-
Conditions met - transferred to revenue	(50 367)	(30 459)
Conditions still to be met - transferred to liabilities (see note 6)	<u>-</u>	<u>50 367</u>

This grant was used for the Growth and Development Summit of Tourism and LED Departments. No funds have been withheld.

19.13 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act ...of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years, except for Health subsidies where the function was discontinued.

20 EMPLOYEE RELATED COSTS

	2007	2006
	R	R
Employee related costs - Salaries and Wages	6 387 524	8 142 586
Employee related costs - Contributions for UIF, pensions and medical	1 276 307	1 855 324
Travel, motor car, accommodation, subsistence and other allowances	787 835	867 687
Housing benefits and allowances	67 784	99 578
Assurance Contributions	69 802	102 138
Overtime Payments	97 668	109 843
Performance bonus	533 752	881 872
Leave Payments	251	197 995
Long-service awards	41 519	64 727
Insurance Compensation	51 800	66 780
Less: Employee costs capitalised to Property, Plant and Equipment	-	-
Less: Employee costs included in other expenses	-	-
Sub Total Employee Related Costs	<u>9 314 241</u>	<u>12 388 530</u>
Add: Discontinued Operations	3 476 368	-
Total Employee Related Costs	<u>12 790 609</u>	<u>12 388 530</u>

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

20 EMPLOYEE RELATED COSTS (continued)

Remuneration of the Municipal Manager

	2007	2006
	R	R
Annual Remuneration	653 879	614 105
Performance Bonuses	-	49 186
Car Allowance	-	-
Contributions to UIF, Medical and Pension funds	-	-
Total	653 879	663 291

Remuneration of the Chief Finance Officer

	2007	2006
	R	R
Annual Remuneration	523 105	491 285
Performance Bonuses	42 349	35 085
Car Allowance	-	-
Contributions to UIF, Medical and Pension funds	-	-
Total	565 454	526 370

Remuneration of Individual Executive Directors

30 June 2007

	<u>Technical</u> <u>Services</u>	<u>Corporate</u> <u>Services</u>	<u>Health</u> <u>Services</u>
	R	R	R
Annual Remuneration	523 105	555 799	464 981
Performance Bonuses	43 479	44 474	38 298
Car Allowance	-	-	-
Medical and pension funds	-	-	-
Total	566 584	600 273	503 279

30 June 2006

	<u>Technical</u> <u>Services</u>	<u>Corporate</u> <u>Services</u>	<u>Community</u> <u>Services</u>
	R	R	R
Annual Remuneration	491 285	521 990	436 697
Performance Bonuses	38 469	41 464	35 801
Car Allowance	-	-	-
Medical and pension funds	-	-	-
Total	529 754	563 454	472 498

21 REMUNERATION OF COUNCILLORS

	2007	2006
	R	R
Executive Mayor	392 594	382 089
Deputy Executive Mayor	-	-
Speaker	-	-
Mayoral Committee Members	922 046	454 812
Councillors	933 017	823 876
Councillors' pension contribution	-	-
Telephone Allowance	-	-
Medical Fund Contributions	-	-
Travelling allowance	-	-
Housing allowance	-	-
Personal Facility allowance	-	-
Total Councillors' Remuneration	2 247 657	1 660 777

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is full-time. The Executive Mayor has two full-time bodyguards.

22 INTEREST PAID

	2007	2006
	R	R
Long-term liabilities	-	-
Interest Paid	-	-
Consumer deposits	-	-
Interest External Loans	56 479	-
Bank overdrafts	-	-
Total Interest on External Borrowings	56 479	-

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

23 BULK PURCHASES

	2007	2006
	R	R
Electricity	654 443	356 949
Water	-	-
Total Bulk Purchases	654 443	356 949

24 GRANTS AND SUBSIDIES PAID

	2007	2006
	R	R
Equitable Share	1 019 034	1 078 479
Grants and Subsidies	-	2 604 867
Beaufort West Municipality	1 175 494	11 241 428
Prince Albert Municipality	778 063	3 636 671
Laingsburg Municipality	200 000	3 312 651
DMA Murraysburg	-	54 426
Housing	2 185 406	-
Total Grants and Subsidies	5 357 997	21 928 522

R

25 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP: -

25.1 Statutory Funds

Balance previously reported: -

Capital Development Fund	-
Revolving Fund	-
Housing operating Fund	-
Total	-

Implementation of GAMAP

Transferred to the Capital Replacement Reserve	-
Transferred to the Capitalisation Reserve	-
Transferred to the Housing Development Fund	-
Transferred to Accumulated Surplus/(Deficit) (see 25.8 below)	-
Total	-

25.2 Loans Redeemed and Other Capital Receipts

Balance previously reported

	-
--	---

Implementation of GAMAP

Transferred to Government Grant Reserve	-
Assets transferred to B-Municipalities	-
Assets transferred from B-Municipalities	-
Transferred to Donations and Public Contribution Reserve	-
Transferred to Accumulated Surplus/(Deficit) (see 25.8 below)	-
Total	-

25.3 Provisions and Reserves

Audit Fees	-
Transport Fund	-
Staff Bursary Reserve	-
Total	-

Implementation of GAMAP

Transferred to Accumulated Surplus/(Deficit) (see 25.8 below)	-
---	---

25.4 Inventory

Balance previously reported	-
------------------------------------	---

Implementation of GAMAP

Transferred to Accumulated Surplus/(Deficit) (see 25.8 below)	-
---	---

Water previously expensed now shown as inventory	-
--	---

Write-down of spare parts to realisable value	-
---	---

Write-down of unsold properties to realisable value	-
---	---

Total	-
--------------	----------

	2006 R
25 CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP (continued)	
25.5 Long-Term Liabilities	
Balance previously reported	-
Implementation of GAMAP	
Transferred from Accumulated Surplus/(Deficit) (see 25.8 below)	117 467
Capitalised Lease Liabilities	125 260
Interest that should have been recorded under finance lease	(7 793)
Total	117 467
25.6 Property, plant and equipment	
Balance previously reported	36 410 735
Implementation of GAMAP	
Assets	
Capitalised Lease Liabilities	125 260
Accumulated Surplus/(Deficit) (see 25.8 below)	
Total	36 535 995
25.7 Accumulated Depreciation	
Balance previously reported	15 759 612
Implementation of GAMAP	
Backlog depreciation: Land and buildings	-
Backlog depreciation: Infrastructure	-
Backlog depreciation: Community	-
Backlog depreciation: Other	(24 917)
Backlog depreciation: Housing Development Fund	-
Total (debited to Accumulated Surplus/(Deficit)) (see 25.8 below)	(24 917)
25.8 Accumulated Surplus/(Deficit)	
Implementation of GAMAP	
Adjustments to inventory (see 25.4 above)	-
Excessive provisions and reserves no longer permitted (see 25.3 above)	-
Long-term liabilities previously not recognised (see 25.5 above)	(117 467)
Transferred from statutory funds (see 25.1 above)	-
Transferred from Loans Redeemed and Other Capital Receipts (see 25.2 above)	-
Fair value of Property, Plant and Equipment previously not recorded (see 25.6 above)	125 260
Backlog depreciation (see 25.7 above)	(24 917)
Total	(17 124)

26 CHANGE IN ACCOUNTING POLICY – LEVY INCOME RECOGNITION

During the year, the Municipality changed its accounting policy in respect of Regional Service Levies from the cash received basis to the payment due basis. The reason for the change in accounting policy is to comply with the requirements of GAMAP 9 on revenue recognition which requires municipalities to use the payment due basis.

	2007 R	2006 R
26.1 Increase in Regional Services Levies and surplus/(deficit) for the year 2005/2006 - included in Revenue	-	658 234
26.1 Increase in Regional Services Levies and surplus/(deficit) for the year 2006/2007 - Included in Statement of Changes to Nett Assets		-
Nett effect on Surplus / Deficit		658 234
27 CORRECTION OF ERROR	2007 R	2006 R
During the year ended 30 June 2006, Intangible Assets were treated as Property, Plant and Equipment.		
The comparative amounts have been restated as follows: -		
27.1 Intangible Assets		
Transfer from Property, Plant and Equipment - Note 9		112 506
Transfer from Accumulated Depreciation - Note 9		(90 070)
Nett increase in Intangible Assets - Note 9		22 436
27.2 Property, Plant and Equipment		
Transfer to Intangible Assets - Note 8		(112 506)
Accumulated Depreciation - Transfer to Accumulated Amortisation - Intangible Assets - Note 8		90 070
Nett decrease in Property, Plant and Equipment - Note 8		(22 436)

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
27.3 Property, Plant and Equipment		
Offsetting of Depreciation from Capitalisation Reserve not unbundled at conversion	-	145 773
Net effect on surplus/(deficit) for the year	-	145 773
27.4 Capitalisation Reserve		
Offsetting of Depreciation from Capitalisation Reserve not unbundled at conversion	-	(145 773)
Net effect on Capitalisation Reserve for the year	-	(145 773)
27.5 Salary of Municipal Manager		
Salary of Municipal Manager was paid for March 2006 - June 2006 in 2007:Now restated	-	(204 702)
Net effect on Surplus / Deficit for the year	-	(204 702)
27.6 Property, Plant and Equipment		
Depreciation of Land	-	10 233
Residual Values Restated	-	15 688
Net effect on Surplus / Deficit for the year	-	25 921
Depreciation of Land	-	92 100
Residual Values Restated	-	141 193
Net effect on Surplus / Deficit for the year	-	233 293
Net effect on Surplus / Deficit for the year	-	259 214
27.7 Regional Services Levies		
Increase in Regional Services Levies and surplus/(deficit) for the year 2006/2007 - Included in Statement of Changes to Nett Assets	-	554 818
Net effect on Surplus / Deficit for the year	-	554 818
28 CASH GENERATED BY OPERATIONS		
	2007 R	2006 R
Surplus for the year	(726 043)	1 690 421
Adjustment for:-		
Depreciation	2 343 770	2 290 911
Gain on disposal of property, plant and equipment	(9 980)	-
Loss on disposal of property, plant and equipment	76 094	-
Contribution to provisions - non-current	-	-
Contribution to provisions – current	-	-
Contribution to bad debt provision	-	-
Expenditure from Housing Development Fund	-	-
Investment income	(665 378)	(691 525)
Interest paid	56 479	-
	1 074 942	3 289 807
Non-Operating Transactions		
Non-Operating Income	-	-
Non-Operating Expenditure	-	-
Operating surplus before working capital changes:	1 074 942	3 289 807
(Increase)/Decrease in inventories	219 077	(250 181)
(Increase)/decrease in debtors	47 957	1 491 818
(Increase)/decrease in other debtors	3 963 835	(858 099)
(Decrease)/increase in unpaid conditional grants and receipts	881 171	(5 737 192)
(Increase)/decrease in unspent conditional grants and receipts	(4 598 288)	-
Increase/(Decrease) in creditors	(3 858 574)	3 690 047
Increase / (Decrease) in provisions	121 348	168 599
(Increase)/decrease in VAT	147 015	(12 240)
Cash generated by/(utilised in) operations	(2 001 517)	1 782 558
29 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
	2007 R	2006 R
Balances at the beginning of the year - Bank	(648 462)	1 562 506
Balances at the beginning of the year - Cash	-	-
Balances at the beginning of the year - Call Deposits	6 755 275	7 015 256
	6 106 813	8 577 762
Balance at the end of the year - Bank	(637 066)	(648 462)
Balance at the end of the year - Cash	-	-
Balance at the end of the year - Call deposits	2 137 261	6 755 275
Total cash and cash equivalents	1 500 195	6 106 813

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

30 DISCONTINUED OPERATIONS

	2007 R	2006 R
REVENUE		
Income for Agency Services	4 071 786	-
Total Revenue	4 071 786	-
EXPENDITURE		
Employee related costs	3 476 368	-
Depreciation	15 425	-
Repairs and Maintenance	41 936	-
Contracted Services	4 429	-
General Expenses	533 628	-
Total Expenditure	4 071 786	-
SURPLUS / (DEFICIT) FOR THE YEAR	0	-

31 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2007 R	2006 R
Long-term liabilities (see Note 2)	165 748	117 467
Used Leased to finance property, plant and equipment – at cost	165 748	117 467
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash

32 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

	2007 R	2006 R
Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery (note 22)	-	-
Unauthorised expenditure awaiting authorisation	-	-

Incident	Disciplinary steps/criminal proceedings

	2007 R	2006 R
Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	140 000	-
Fruitless and wasteful expenditure current year	65 000	140 000
Condoned or written off by Council	(65 000)	-
To be recovered – contingent asset (see note 40)	-	-
Fruitless and wasteful expenditure awaiting condonement	140 000	140 000

Incident	Disciplinary steps/criminal proceedings
<i>Internet Banking Fraud by unknown external party</i>	<i>Take Disciplinary actions regarding R140 000</i>
<i>Land were incorrect sold in previous years.Property of School.</i>	<i>Council decided to pay back Owners and written off expenditure</i>

	2007 R	2006 R
Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	-	-

Incident	Disciplinary steps/criminal proceedings

33 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

33.1 Contributions to organized local government

	2007 R	2006 R
Opening balance	-	-
Council subscriptions	-	-
Amount paid - current year	-	-
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

**33 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
MANAGEMENT ACT (continued)**

33.2 Audit fees

	2007 R	2006 R
Opening balance	-	-
Current year audit fee	408 240	331 161
Amount paid - current year	(408 240)	(331 161)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

No Balance outstanding

33.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 7. All VAT returns have been submitted by the due date throughout the year.

33.4 PAYE and UIF

	2007 R	2006 R
Opening balance	-	-
Current year payroll deductions	2 835 730	2 566 206
Amount paid - current year	(2 468 824)	(2 566 206)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	366 906	-

The balance represents PAYE and UIF deducted from the June 2007 payroll. These amounts were paid during July 2007.

33.5 Pension and Medical Aid Deductions

	2007 R	2006 R
Opening balance	-	-
Current year payroll deductions and Council Contributions	5 128 171	2 888 443
Amount paid - current year	(5 127 854)	(2 888 443)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	317	-

The balance represents pension and medical aid contributions deducted from employees in the June 2007 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2007.

33.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days and only Alderman Hugo,

	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
	30 June 2007		
Alderman D Hugo	98	98	-
Total Councillor Arrear Consumer Accounts	98	98	-
30 June 2006			
Alderman D Hugo	72	72	-
Total Councillor Arrear Consumer Accounts	72	72	-

**33 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
MANAGEMENT ACT (continued)**

	<u>Highest Amount Outstanding</u>	<u>Ageing</u>
30 June 2007		
Councillor	-	+90 days
Councillor	-	+90 days
Councillor	-	+90 days

33.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has developed a supply chain management policy but supplier database still need to be updated.

34 CAPITAL COMMITMENTS

	2007 R	2006 R
Commitments in respect of capital expenditure:		
- Approved and contracted for	-	2 430 000
Infrastructure	-	2 430 000
Community	-	-
Heritage	-	-
Other	-	-
Housing Development Fund	-	-
Investment Properties	-	-
- Approved but not yet contracted for	4 510 000	-
Infrastructure	4 510 000	-
Community	-	-
Heritage	-	-
Other	-	-
Housing Development Fund	-	-
Investment Properties	-	-
Total	4 510 000	2 430 000
This expenditure will be financed from:		
- External Loans	1 500 000	-
- Capital Replacement Reserve	-	-
- Government Grants	3 010 000	2 430 000
- Own resources	-	-
- Housing Development Fund	-	-

35 RETIREMENT BENEFIT CONTRIBUTION

All Employees and some of our Councillors belong to one of the following 4 Pension Funds: Cape Joint Retirement Fund; Cape Joint Pension Fund; SAMWU National Provident Fund and Municipal Councillors Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in June 2006.

A contract to the value of > R2000 has been awarded to Soap, son of Tom Soap, who has been employed by DWAF for the past 8 months as a director in water resource division (Section 4 of SCM Regulations) These contributions have been expensed.

The last actuarial valuation of the Cape Joint Retirement Fund was performed on 30 June 2006. The estimated liability of the funds is R 5 796 million which is adequately financed by assets of R 5 810 million.

The last actuarial valuation of the Cape Joint Pension Fund was performed on 30 June 2006. The estimated liability of the funds is R 2 923 million which is adequately financed by assets of R 3 235 million.

The last actuarial valuation of the Municipal Councillors Pension Fund was performed on 30 June 2005. The estimated liability of the funds is R 4 694 million which is adequately financed by assets of R 6 919 million.

The actuarial valuation of the SAMWU National Provident Fund was not available.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 116 (Employee Benefits) with regards to defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. (paragraphs 29, 48-119, 120A(c) – (q))

36 FINANCIAL RISK MANAGEMENT

The Municipality's activities expose it to a variety of financial risks: market risk (including Currency risk and interest rate risk), credit risk and liquidity risk.

Currency Risk

The Municipality does not purchase any items un foreign currency.

Credit Risk

Credit risk is the risk that a counter-party to a financial instrument will fail to discharge an obligation and cause the Municipality to incur a financial loss.

The Council monitors receivable balances on an ongoing basis. An appropriate level of provision is maintained.

Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Municipality's liabilities are backed by appropriate assets and it has liquid resources. The Council monitors the cash projections and by ensuring that adequate borrowing facilities is available to meet cash requirements.

Interest Rate Risk

The Municipality is mainly exposed to interest rate risk due to the movements in long-term and short term interest rates. This risk is managed on an ongoing basis.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 144 (Financial Instruments: Disclosure). For AC 133 (Financial Instruments: Recognition and Measurement) the initial measurement of financial assets and liabilities at fair value is exempted. [SAICA Circular 09/06 paragraphs 43, AG 79, AG 64 and AG 65 of AC 133]

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

8. PROPERTY, PLANT AND EQUIPMENT

30 June 2007

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Housing Develop. Fund</u>	<u>Leased infrastructure</u>	<u>Total</u>
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2006	1 780 521	15 515 058	1 833 499	-	1 859 166	-	-	20 988 244
Cost	2 734 465	25 356 898	2 489 673	-	5 829 699	-	-	36 410 735
Correction of error (note 27)	-	-	-	-	(112 506)	-	-	(112 506)
Change in Accounting Policy (Note 25)	-	-	-	-	125 260	-	-	125 260
Accumulated depreciation	(953 944)	(9 841 840)	(656 174)	-	(3 983 287)	-	-	(15 435 245)
- Cost	(953 944)	(9 841 840)	(656 174)	-	(4 048 440)	-	-	(15 500 398)
Change in Accounting Policy (Note 25)	-	-	-	-	(24 917)	-	-	(24 917)
Correction of error (note 27)	-	-	-	-	90 070	-	-	90 070
Acquisitions	-	3 147 457	-	-	169 041	-	-	3 316 498
Transfers - at cost	510 011	-	-	-	(510 011)	-	-	-
Transfers - Accumulated depreciation	(244 440)	-	-	-	244 440	-	-	-
Depreciation	(96 046)	(1 581 894)	(180 471)	-	(461 673)	-	-	(2 320 084)
- based on cost	(96 046)	(1 581 894)	(180 471)	-	(461 673)	-	-	(2 320 084)
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value of disposals	(68 151)	-	-	-	(7 943)	-	-	(76 094)
Cost/revaluation	(254 334)	-	-	-	(1 131 481)	-	-	(1 385 815)
Non-Capital	-	-	-	-	-	-	-	-
Accumulated depreciation	186 183	-	-	-	1 123 538	-	-	1 309 721
Impairment losses	-	-	-	-	-	-	-	-
Correction of error	-	-	-	-	-	-	-	-
Carrying values at 30 June 2007	1 881 895	17 080 621	1 653 028	-	1 293 021	-	-	21 908 565
Cost	2 990 142	28 504 355	2 489 673	-	4 370 002	-	-	38 354 173
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(1 108 247)	(11 423 734)	(836 645)	-	(3 076 982)	-	-	(16 445 608)
- Cost	(1 108 247)	(11 423 734)	(836 645)	-	(3 076 982)	-	-	(16 445 608)
- Revaluation	-	-	-	-	-	-	-	-

CENTRAL KAROO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

9. PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2006

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Housing Develop. Fund</u>	<u>Leased infrastructre</u>	<u>Total</u>
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2005	1 319 181	12 528 898	1 831 288	-	2 099 208	-	-	17 778 575
Cost	2 406 717	20 836 313	2 318 217	-	5 660 108	-	-	31 221 355
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(1 087 536)	(8 307 415)	(486 929)	-	(3 560 900)	-	-	(13 442 780)
- Cost	(1 087 536)	(8 307 415)	(486 929)	-	(3 560 900)	-	-	(13 442 780)
- Revaluation	-	-	-	-	-	-	-	-
Acquisitions	327 748	4 520 585	171 456	-	169 591	-	-	5 189 380
Correction of error (note 27)	259 214	-	-	-	-	-	-	259 214
Increases/decreases in revaluation	-	-	-	-	-	-	-	-
Depreciation	(125 622)	(1 534 425)	(169 245)	-	(487 540)	-	-	(2 316 832)
- based on cost	(125 622)	(1 534 425)	(169 245)	-	(487 540)	-	-	(2 316 832)
- based on revaluation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/revaluation	-	-	-	-	-	-	-	-
Non-Capital	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Carrying values at 30 June 2006	1 780 521	15 515 058	1 833 499	-	1 781 259	-	-	20 910 337
Cost	2 734 465	25 356 898	2 489 673	-	5 829 699	-	-	36 410 735
Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation	(953 944)	(9 841 840)	(656 174)	-	(4 048 440)	-	-	(15 500 398)
- Cost	(953 944)	(9 841 840)	(656 174)	-	(4 048 440)	-	-	(15 500 398)
- Revaluation	-	-	-	-	-	-	-	-

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2008. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2007. Land and Buildings are currently stated at cost and will be revalued in the next three years. (Note 8 Accounting Policy)

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of GAMAP 17 (Property, Plant and Equipment):

- Review of useful life of item of PPE recognised in the annual financial statements. [Paragraphs 59-61 and 77]
- Review of the depreciation method applied to PPE recognised in the annual financial statements. [Paragraphs 62 and 77]
- Impairment of non-cash generating assets. [Paragraphs 64-69 and 75(e)(v) – (vi)]
- Impairment of cash generating assets. [Paragraphs 63 and 75(e)(v) – (vi)]

APPENDIX A
CENTRAL KAROO DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/06	Received during the period	Redeemed written off during the period	Balance at 30/06/07	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG-TERM LOANS			-	-	-	-	-	-
Total long-term loans			-	-	-	-	-	-
ANNUITY LOAN			-	-	-	-	-	-
Annuity Loans			-	-	-	-	-	-
Total annuity loans			-	-	-	-	-	-
GOVERNMENT LOANS			-	-	-	-	-	-
Total Government Loans			-	-	-	-	-	-
LEASE LIABILITY								
Gestetner DSM 660			107 207	-	11 859	95 348	67 083	-
Xerox M151			10 260	-	1 483	8 777	8 208	-
Gestetner MPC 2500			-	52 000	3 746	48 254	46 800	-
Gestetner DSM 415P			-	14 028	659	13 369	12 859	-
Total Capitalised Lease Liability			117 467	66 028	17 747	165 748	134 950	-
TOTAL EXTERNAL LOANS			117 467	66 028	17 747	165 748	134 950	-

APPENDIX B
CENTRAL KAROO DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost/Revaluation				Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Corrections	Disposals	Closing Balance	Opening Balance	Additions	Corrections	Disposals		Closing Balance
Land and Buildings											
Office Building	319 039	-	510 011	-	829 050	15 133	41 453	244 440	-	301 026	528 024
Land and Buildings	2 415 426	-	-	254 334	2 161 092	1 198 025	54 593	(259 214)	186 183	807 221	1 353 871
	2 734 465	-	510 011	254 334	2 990 142	1 213 158	96 046	(14 774)	186 183	1 108 247	1 881 895
Infrastructure											
Electricity meters	13 002	-	-	-	13 002	650	650	-	-	1 300	11 702
Electricity Reticulation	2 519 178	271 720	-	-	2 790 898	442 475	127 076	-	-	569 551	2 221 347
Other Roads	6 871 594	1 780 548	-	-	8 652 142	5 219 180	362 125	-	-	5 581 305	3 070 837
Street Lighting	732 876	-	-	-	732 876	356 539	42 128	-	-	398 667	334 209
Storm water Drains	4 502 875	-	-	-	4 502 875	183 214	450 287	-	-	633 501	3 869 374
Sewers	6 373 820	-	-	-	6 373 820	2 597 281	318 691	-	-	2 915 972	3 457 848
Outfall Sewers	83 847	-	-	-	83 847	41 946	4 192	-	-	46 138	37 709
Purification Works	87 800	212 400	-	-	300 200	4 390	13 204	-	-	17 594	282 606
Sewer Pumps	458 800	-	-	-	458 800	89 250	41 061	-	-	130 311	328 489
Water Meters	23 000	-	-	-	23 000	7 671	1 533	-	-	9 204	13 796
Water Reticulation	3 690 106	287 624	-	-	3 977 730	899 244	209 563	-	-	1 108 807	2 868 923
Water Reservoirs and Tanks	-	595 165	-	-	595 165	-	11 384	-	-	11 384	583 781
	25 356 898	3 147 457	-	-	28 504 355	9 841 840	1 581 894	-	-	11 423 734	17 080 621
Community Assets											
Land/Buildings - Public Conveniences	59 514	-	-	-	59 514	59 514	-	-	-	59 514	(0)
Land/Buildings - Stadiums	432 766	-	-	-	432 766	28 851	28 851	-	-	57 702	375 064
Recreation Facilities - Outdoor Facilities	962 379	-	-	-	962 379	481 453	48 119	-	-	529 572	432 807
Recreation Facilities - Floodlights	1 035 014	-	-	-	1 035 014	86 356	103 501	-	-	189 857	845 157
	-	-	-	-	-	-	-	-	-	-	-
	2 489 673	-	-	-	2 489 673	656 174	180 471	-	-	836 645	1 653 028
Heritage Assets											
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-
Painting & Art Galleries	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	30 581 037	3 147 457	510 011	254 334	33 984 170	11 711 172	1 858 411	(14 774)	186 183	13 368 626	20 615 544

* Includes correction of error referred to in Note 32.

APPENDIX B
CENTRAL KAROO DISTRICT MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Corrections	Disposals	Closing Balance	Opening Balance	Additions	Corrections	Disposals	Closing Balance	
Total brought forward	30 581 037	3 147 457	510 011	254 334	33 984 170	11 711 172	1 858 411	(14 774)	186 183	13 368 626	20 615 544
Housing Rental Stock											
Housing Rental 1	-	-	-	-	-	-	-	-	-	-	-
Housing Rental 2	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Leased Assets (Infrastructure)											
Sewerage Mains & Purify	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Other Assets											
Land/Buildings - Tip sites	136 216	-	-	-	136 216	56 885	6 811	-	-	63 696	72 520
Land/Buildings - Municipal Buildings	510 011	-	(510 011)	-	-	244 440	-	(244 440)	-	-	-
Office Equipment - Machines Leased	-	66 028	125 260	-	191 288	-	31 421	24 917	-	56 338	134 950
Office Equipment - Machines	102 253	10 500	-	-	112 753	102 253	2 905	-	-	105 159	7 595
Office Equipment - Computers	990 882	86 979	-	19 929	1 057 932	643 307	158 077	-	15 537	785 847	272 085
Office Equipment - Equipment	189 321	5 534	-	33 370	161 485	168 872	9 932	-	33 370	145 434	16 051
Furniture and Equipment	62 657	-	-	19 158	43 499	51 959	4 094	-	15 607	40 447	3 053
Kitchen Equipment	-	-	-	-	-	-	-	-	-	-	-
Communication Equipment	120 000	-	-	36 923	83 077	120 000	-	-	36 923	83 077	-
Fire Arms	-	-	-	-	-	-	-	-	-	-	-
Laboratory Equipment	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	1 284 731	-	-	-	1 284 731	537 129	128 473	-	-	665 602	619 129
Inventory Items	60 281	-	-	-	60 281	53 489	4 582	-	-	58 071	2 210
Vehicles - Sedans	687 284	-	-	264 146	423 138	640 291	39 668	-	264 146	415 813	7 325
Vehicles - LDV	1 286 506	-	-	711 475	575 031	1 134 947	41 502	-	711 475	464 975	110 057
Vehicles - Construction	-	-	-	-	-	-	-	-	-	-	-
Vehicles - Agriculture	89 165	-	-	-	89 165	44 186	7 500	-	-	51 686	37 479
Vehicles - Trailer and Various	99 293	-	-	-	99 293	88 257	11 036	-	-	99 293	0
Plant and Equipment	98 593	-	-	46 480	52 113	72 354	15 672	-	46 480	41 546	10 567
Medical Equipment	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	5 717 193	169 041	(384 751)	1 131 481	4 370 002	3 958 370	461 673	(219 523)	1 123 538	3 076 982	1 293 021
Sub Total	36 298 230	3 316 498	125 260	1 385 815	38 354 172	15 669 542	2 320 084	(234 297)	1 309 721	16 445 608	21 908 565
INTANGIBLE ASSETS:											
Computer Software	112 506	40 437	-	-	152 943	90 070	23 686	-	-	113 756	39 187
Sub Total	112 506	40 437	-	-	152 943	90 070	23 686	-	-	113 756	39 187
Total	36 410 736	3 356 935	125 260	1 385 815	38 507 115	15 759 611	2 343 770	(234 297)	1 309 721	16 559 363	21 947 752

APPENDIX C
CENTRAL KAROO DISTRICT MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
30 June 2007

	Cost					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Corrections	Disposals	Closing Balance	Opening Balance	Additions	Corrections	Disposals	Closing Balance	
Executive & Council	221 022	5 534	-	-	226 556	167 854	35 520	-	-	203 374	23 182
Finance & Admin	3 905 812	101 322	12 754	(2 108)	4 017 780	2 132 461	221 185	(324 367)	(9 532)	2 019 747	1 998 033
Planning & Development	340 012	13 500	-	-	353 512	274 128	27 778	-	-	301 906	51 606
Health	1 315 402	-	-	(1 085 996)	229 406	1 271 478	18 372	-	(1 079 415)	210 434	18 972
Community & Social Services	7 809	-	-	-	7 809	2 858	1 562	-	-	4 420	3 389
Housing	252 226	-	-	(252 226)	0	176 651	-	-	(176 651)	-	0
Public Safety	1 711 967	-	-	-	1 711 967	829 345	177 580	-	-	1 006 925	705 042
Sport & Recreation	2 430 159	-	-	-	2 430 159	596 660	180 471	-	-	777 131	1 653 028
Environmental Protection	119 692	-	-	(45 485)	74 207	79 763	15 766	-	(44 123)	51 406	22 802
Waste Management	7 215 483	212 400	-	-	7 427 883	2 819 773	391 460	-	-	3 211 233	4 216 650
Road Transport	11 705 157	1 802 235	-	-	13 507 392	5 616 945	851 076	-	-	6 468 021	7 039 371
Water	3 753 802	882 789	-	-	4 636 591	947 610	222 481	-	-	1 170 091	3 466 500
Electricity	3 279 891	271 720	-	-	3 551 611	824 888	168 387	-	-	993 275	2 558 336
Other	152 300	26 998	-	-	179 298	19 197	8 447	-	-	27 644	151 654
SUB TOTAL	36 410 735	3 316 498	12 754	(1 385 815)	38 354 172	15 759 611	2 320 084	(324 367)	(1 309 721)	16 445 607	21 908 565
INTANGIBLE ASSETS:											
Finance & Admin	-	-	112 506	-	112 506	-	22 436	90 070	-	112 506	(0)
Other	-	40 437	-	-	40 437	-	1 250	-	-	1 250	39 187
SUB TOTAL	-	40 437	112 506	-	152 943	-	23 686	90 070	-	113 756	39 187
TOTAL	36 410 735	3 356 935	125 260	(1 385 815)	38 507 115	15 759 612	2 343 770	(234 297)	(1 309 721)	16 559 362	21 947 752

APPENDIX D
CENTRAL KAROO DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 June 2007

2006 Actual Income R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R		2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R
-	3 221 658	(3 221 658)	Executive & Council	728 000	3 357 348	(2 629 348)
7 302 370	9 743 772	(2 441 402)	Finance & Admin	6 326 475	12 023 334	(5 696 859)
24 136 543	20 989 614	3 146 929	Planning & Development	4 875 702	4 670 975	204 727
5 272 819	6 547 496	(1 274 677)	Health	52 031	1 587 033	(1 535 002)
5 057	182 076	(177 019)	Community & Social Services	2 162	183 109	(180 947)
-	479 725	(479 725)	Public Safety	-	507 526	(507 526)
5 082	239 952	(234 870)	Sport & Recreation	2 078	201 922	(199 844)
-	-	-	Environmental Protection	-	-	-
1 018 050	1 402 392	(384 342)	Waste Management	985 719	1 349 149	(363 430)
17 891 958	19 376 836	(1 484 878)	Road Transport	23 431 753	24 746 808	(1 315 055)
707 189	856 065	(148 876)	Water	803 600	977 984	(174 384)
876 414	934 372	(57 958)	Electricity	1 208 443	1 362 020	(153 577)
8 817 281	5 557 876	3 259 405	Other	11 523 277	5 725 700	5 797 577
66 032 763	69 531 834	(3 499 071)	Sub Total	49 939 240	56 692 908	(6 753 668)
-	(5 189 492)	5 189 492	Less Inter-Dep Charges	-	(6 027 625)	6 027 625
66 032 763	64 342 342	1 690 421	Total	49 939 240	50 665 283	(726 043)
		-	Add: Share of Associate			-
			DISCONTINUED OPERATIONS			
			Add: Surplus / (deficit): from			
			Discontinued Operations	-	-	-
		1 690 421				(726 043)

APPENDIX E(1)
CENTRAL KAROO DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

REVENUE	2007	2007	2007	2007	Explanation of Significant Variances greater than 10% versus Budget <i>(Explanations to be recorded)</i>
	Actual (R)	Un-audited Budget (R)	Variance (R)	Variance (%)	
Property rates	1 022 805	1 072 730	(49 925)	-4.65%	
Property rates - penalties imposed and collection charges	-	-	-	0.00%	
Service charges	2 678 840	3 154 164	(475 324)	-15.07%	
Regional Services Levies - turnover	-	510 000	(510 000)	-100.00%	Income was restated in 2005/2006 year.
Regional Services Levies - remuneration	-	90 000	(90 000)	-100.00%	Income was restated in 2005/2006 year.
Rental of facilities and equipment	78 739	79 900	(1 161)	-1.45%	
Interest earned - external investments	665 378	480 000	185 378	38.62%	More investments were made during the year
Interest earned - outstanding debtors	22 603	15 000	7 603	50.69%	More outstanding Debtors were collected
Dividends received	-	-	-	0.00%	
Fines	26 857	20 000	6 857	34.29%	More were received than budget for.
Licences and permits	219 239	227 300	(8 061)	-3.55%	
Income for agency services	23 474 284	24 174 647	(700 363)	-2.90%	
Government grants and subsidies	21 036 605	20 455 805	580 800	2.84%	
Other income	703 910	856 380	(152 470)	-17.80%	Less were received for PMU Unit
Public contributions, donated/contributed PPE	-	-	-	0.00%	
Gains on disposal of property, plant and equipment	9 980	-	9 980	100.00%	Gain on disposal of assets were not budget for.
Total Revenue	49 939 240	51 135 926	(1 196 687)	-2.34%	
EXPENDITURE					
Executive & Council	3 357 348	4 065 648	(708 300)	-17.42%	Did not utilised all general expenditure.
Finance & Admin	12 023 334	11 382 765	640 569	5.63%	
Planning & Development	4 670 975	6 717 249	(2 046 274)	-30.46%	Did not utilised Provincial Grants and Included in budget were capital projects for DMA Murraysburg.
Health	1 587 033	2 033 668	(446 635)	-21.96%	Included in budget is HIV & AIDS, transferred to Other
Community & Social Services	183 109	188 748	(5 639)	-2.99%	
Public Safety	507 526	592 911	(85 385)	-14.40%	Did not utilised all general expenditure.
Sport & Recreation	201 922	286 016	(84 094)	-29.40%	Did not utilised all general expenditure.
Environmental Protection	-	-	-	0.00%	
Waste Management	1 349 149	1 536 976	(187 827)	-12.22%	Did not utilised all general expenditure.
Road Transport	24 746 808	25 475 764	(728 956)	-2.86%	
Water	977 984	1 256 153	(278 169)	-22.14%	Did not utilised all general expenditure.
Electricity	1 362 020	1 778 593	(416 573)	-23.42%	Did not utilised all general expenditure.
Other	5 725 700	5 209 930	515 770	9.90%	Housing project was budget as capital expenditure.
Total Direct Operating Expenditure	56 692 908	60 524 421	(3 831 512)	-6.33%	
Less: Inter Departmental Charges / Transfers	(6 027 625)	(6 933 407)	905 782	-13.06%	Less were received from Roads Agency function
Total Operating Expenditure	50 665 283	53 591 014	(2 925 730)	-5.46%	
Net Surplus / (Deficit) for the Year: Continuing Operations	(726 043)	(2 455 088)	1 729 044	-70.43%	
Add: Surplus / (Deficit) from Discontinued Operations	0	15 912	(15 912)	-100.00%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	(726 043)	(2 439 176)	1 713 132	-70.23%	

APPENDIX E(1)
CENTRAL KAROO DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006

	2006	2006	2006	2006	Explanation of Significant Variances
REVENUE	Actual (R)	Un-audited Budget (R)	Variance (R)	Variance (%)	greater than 10% versus Budget
Property rates	778 847	825 628	(46 781)	-5.67%	<i>(Explanations to be recorded)</i>
Property rates - penalties imposed and collection charges	-	-	-	0.00%	
Service charges	2 154 191	2 016 614	137 577	6.82%	
Regional Services Levies - turnover	4 024 823	2 680 000	1 344 823	50.18%	More levies were collected than expected
Regional Services Levies - remuneration	494 084	400 000	94 084	23.52%	More levies were collected than expected
Rental of facilities and equipment	66 940	79 500	(12 560)	-15.80%	Less facilities were rented
Interest earned - external investments	691 525	300 000	391 525	130.51%	More investments were made during the year
Interest earned - outstanding debtors	34 593	32 000	2 593	8.10%	
Dividends received	-	-	-	0.00%	
Fines	28 645	5 400	23 245	430.46%	Fines received from Province were not budget for
Licences and permits	202 592	197 560	5 032	2.55%	
Income for agency services	23 129 146	22 191 460	937 686	4.23%	No budget for PHC.Expected to be transferred to Prov.
Government grants and subsidies	33 441 515	32 414 000	1 027 515	3.17%	
Other income	985 862	1 230 417	(244 555)	-19.88%	Less were received for PMU Unit
Public contributions, donated/contributed PPE	-	-	-	0.00%	
Gains on disposal of property, plant and equipment	-	-	-	0.00%	
Total Revenue	66 032 763	62 372 579	3 660 184	5.87%	
EXPENDITURE					
Executive & Council	3 221 658	3 210 943	10 715	0.33%	
Finance & Admin	9 743 772	9 594 603	149 169	1.55%	
Planning & Development	20 989 614	23 332 657	(2 343 043)	-10.04%	Included in budget were capital projects from MIG
Health	6 547 496	1 941 667	4 605 829	237.21%	No budget for PHC.Expected to be transferred to Prov.
Community & Social Services	182 076	147 483	34 593	23.46%	Did not budget for Depreciation
Housing	-	-	-	0.00%	
Public Safety	479 725	256 241	223 484	87.22%	Did not budget for Depreciation
Sport & Recreation	239 952	96 090	143 862	149.72%	Did not budget for Depreciation
Environmental Protection	-	-	-	0.00%	
Waste Management	1 402 392	1 016 126	386 266	38.01%	Did not budget for Depreciation
Road Transport	19 376 836	22 665 134	(3 288 298)	-14.51%	Less were spent on Roads Agency Function than budget.
Water	856 065	799 665	56 400	7.05%	
Electricity	934 372	1 196 866	(262 494)	-21.93%	Utilised 2004/05 over charged bulk purchases
Other	5 557 876	5 066 148	491 728	9.71%	Did not utilised Provincial Grants
Total Direct Operating Expenditure	69 531 834	69 323 623	208 211	0.30%	
Less:Inter Departmental Charges / Transfers	(5 189 492)	(6 329 718)	1 140 226	-18.01%	Less were received from Roads Agency function
Total Operating Expenditure	64 342 342	62 993 905	1 348 437	2.14%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	1 690 421	(621 326)	2 311 747	-372.07%	

APPENDIX E(2)
CENTRAL KAROO DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2007

	2007 Actual	2007 Under Construction	2007 Total Additions	2007 Un-audited Budget	2007 Variance	2007 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive & Council	5 534	-	5 534	5 500	34	0.62%	
Finance & Admin	101 322	-	35 294	41 500	(6 206)	-14.95%	Leases were not budget as capital
Planning & Development	13 500	-	13 500	14 000	(500)	-3.57%	
Health	-	-	-	-	-	0.00%	
Community & Social Services	-	-	-	-	-	0.00%	
Housing	-	-	-	2 037 155	(2 037 155)	-100.00%	Expenditure transferred from capital to Operating Expenditure
Public Safety	-	-	-	-	-	0.00%	
Sport & Recreation	-	-	-	-	-	0.00%	
Environmental Protection	-	-	-	-	-	0.00%	
Waste Management	212 400	-	212 400	212 400	-	0.00%	
Road Transport	1 802 235	-	1 802 235	1 000 000	802 235	80.22%	Expenditure transferred from Operating to Capital Expenditure
Water	882 789	-	882 789	911 610	(28 821)	-3.16%	
Electricity	339 155	-	339 155	360 000	(20 845)	-5.79%	Other Assets are Inventory
Other	-	-	-	7 000	(7 000)	-100.00%	
Total	3 356 935	-	3 290 907	4 589 165	(1 298 258)	-28.29%	



A U D I T O R - G E N E R A L

The Accounting Officer
Department of Local Government and Housing
Private Bag X9076
Cape Town
8000

30 November 2007

Reference : 05465REG06/07

Attention: Chief Director: Local Government

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE CENTRAL KAROO DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007

1. The above-mentioned report of the Auditor-General is herewith submitted in terms of section 21(4)(a) of the Public Audit Act, 2004 (Act No. 25 of 2004).
2. Until tabled, or published by the Auditor-General, this report is **not public documents** and should therefore be treated as **confidential**.
3. Kindly acknowledge receipt of this letter.

Yours sincerely

Mahomed Hassim for Auditor-General

Senior Manager
Tel.: (021) 528 4134
Fax: (021) 528 4201
E-mail: mhassim@agsa.co.za



A U D I T O R - G E N E R A L

The Acting Municipal Manager
Central Karoo District Municipality
Private Bag X560
Beaufort West
6970

30 November 2007

Reference : 05465REG06/07

Dear Mr NW Nortje

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE CENTRAL KAROO DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004) read in conjunction with section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 121(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA).
2. In terms of section 121(3) and 127(2) of the MFMA municipalities have to include the audit report in the municipality's annual report for tabling within seven months after the end of the financial year.
3. Until tabled as required by section 127(2) the report is **not a public document** and should therefore be treated as **confidential**.
4. As your municipality will be responsible for publishing the attached audit report as part of the annual report, your attention is drawn to the following **important requirements** :
 - Submit the final printer's proof of the annual report (which includes the audit report) to the relevant senior manager (Mahomed Hassim) of the Auditor-General for verification of the audit-related references before it is printed or copied, i.e. **before 31 January 2008**, failing which could lead to a retraction and amendment of the audit report. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications. Adequate time should be allowed to enable the Auditor-General to perform the necessary verification in terms of ISA 720 : *Other Information in Documents Containing Audited Financial Statements*.
 - The signature at the end of the hard copy of the audit report should be scanned in when preparing to print the report. The place and date of signing and the logo

should also appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

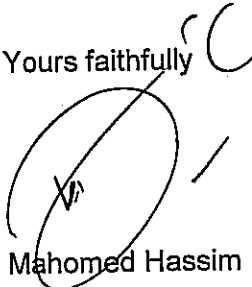
5. Please notify the Provincial Auditor-General (Business Executive) well in advance of the date on which the audit report, or the annual report containing this audit report, will be tabled at the municipality.
6. Over and above the normal distribution of your annual report, **five (5) copies must** be submitted to the Auditor-General for attention of Mr Blackie Swart : Parliamentary Manager.

Delivery Address: The Auditor-General
Private Bag X1
Chempet
7442

The Auditor-General
1st Floor
Business Connexion Building, East Block
Ring Road
Century City

7. Your cooperation to ensure that all these requirements are met would be much appreciated.
8. Kindly acknowledge receipt of this letter.

Yours faithfully



Mahomed Hassim for Auditor-General

Senior Manager
Tel.: (021) 528 4134
Fax: (021) 528 4201
E-mail: mhassim@agsa.co.za

Distribution:

Chief Financial Officer
Mayor



AUDITOR-GENERAL



Report of the Auditor General on the financial statements of

Central Karoo District Municipality for the
year ended

30 June 2007

Accountability

Integrity

Independence

Impartiality

**REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL
PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE
INFORMATION OF THE CENTRAL KAROO DISTRICT MUNICIPALITY FOR THE
YEAR ENDED 30 JUNE 2007**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Central Karoo District Municipality which comprise the statement of financial position as at 30 June 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 1 to 36.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
- appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by Central Karoo District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

Opinion

10. In my opinion the financial statements present fairly, in all material respects, the financial position of the Central Karoo District Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the MFMA.

Emphasis of Matter

Basis of accounting (departures and deviations)

11. As set out in accounting policy note 1 to the financial statements, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of *Government Notice 552 of 2007* issued in *Government Gazette 30013 of 29 June 2007*.

OTHER MATTERS

I draw attention to the following matters which are ancillary to my responsibilities in the audit of the financial statements:

Non-compliance with applicable legislation

Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

12. An evaluation of the compliance with the MFMA identified the following:

- Liabilities relating to assets acquired in terms of a finance lease were not accrued in accordance with the requirements of section 46 of the MFMA, which prescribes criteria relevant to incurring long-term debt.
- The financial statements of the municipality did not disclose the reasons for non-compliance with the conditions relating to inter-governmental allocations, as stipulated in section 123(1)(e) of the MFMA.
- An internal audit function had not been operational for the full financial year under review, as required by section 165 of the MFMA.
- The municipality's audit committee had met twice during the financial year under review and not at least four times, as required by section 166(4)(b) of the MFMA.
- The municipality did not maintain a separate bank account for money received for its housing programmes, as required by section 10(4)(d) of the Housing Act, 1997 (Act No. 107 of 1997).

The financial statements of the municipality did not disclose all the above non-compliance with the MFMA, as required by section 125(2)(e) of the MFMA.

General Notice 552 of 2007

13. The following were not disclosed in the financial statements as required by *Government Gazette 30013*:

- a discussion of the progress made towards full compliance with GRAP, GAMAP & GAAP and
- a narrative explanation of the extent to which the information in the financial statements would need to be adjusted to fully comply with GRAP, GAMAP & GAAP.

Municipal Systems Act, 2003 (Act No. 32 of 2003) (MSA)

14. An inspection of the compliance with the MSA identified the following:

- Municipal staff were appointed by the council and not by the municipal manager as required by section 55 of the MSA.

- Advance notices relating to the time, date and venue of every ordinary council meeting were not provided to the public, as required by section 19(a) of the MSA.

Material corrections made to the financial statements submitted for audit

15. The financial statements, approved by the accounting officer and submitted for audit on 31 August 2007, have been significantly revised in respect of the following misstatements identified during the audit:

- The provision for bad debt was understated when compared to the recoverability of debtors, resulting in an adjustment of R899 148 to the provision for bad debts and general expenditure.
- The value of buildings was understated due to their residual values not being assessed on acquisition, resulting in depreciation being overprovided. The net effect of the above resulted in the book value of buildings being increased by R172 569. In addition the value of land was understated due to land being incorrectly depreciated. The net effect of the above resulted in the book value of land being increased by R112 566.
- RSC levies relating to the prior year were incorrectly recognised in the current year, resulting in an adjustment of R554 818 to revenue and accumulated surplus.
- Salary expenses relating to the prior year were incorrectly recognised in the current year, resulting in an adjustment of R204 701 to salaries and accumulated surplus.

Unaudited supplementary schedules

16. The supplementary information set out on pages 37 to 43 does not form part of the annual financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion on them.

Internal control

17. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies existed in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
Other matters					
Non-compliance with applicable laws and regulations			■		■
Material corrections to the financial statements	■				■

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

18. I was engaged to audit the performance information.

Responsibilities of the accounting officer for performance information

19. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

20. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 646 of 2007*, issued in *Government Gazette No. 29919 of 25 May 2007* and section 45 of the MSA.

21. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

22. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Audit findings (performance information)

Performance information not received in time

23. I was unable to complete a review of the reported performance information as set out on pages □ to □ of the annual report, since the information was not received in time.

Content of the integrated development plan (IDP)

24. I reviewed the IDP and identified the following areas of non-compliance with the MSA:

- The IDP did not include an organogram, as required by section 26(a) of the MSA, relating to the implementation of the IDP and addressing the municipality's transformation needs.
- The IDP did not include a financial plan, which had to include a budget projection for at least the next three years, as required by section 26(h) of the MSA.
- The performance management system did not clarify the processes to implement the system within the framework of the IDP process. There was no evidence of a link between the performance management system and the IDP, as required by chapter 6, regulation 7(1)(d) of the MSA.
- The general key performance indicator (KPI) referring to the "Number of jobs created through the municipality's local economic development initiatives including capital projects" was not included in the KPIs of the municipality.
- The performance measurement for the actual service delivery process did not include the measurement of the costs, resources and time used to produce outputs in accordance with the input indicators, as required by regulation 13(3) of the MSA.
- The performance measurement for the actual service delivery process did not include the measurement of the extent to which the municipality's activities or processes produced outputs in accordance with the output indicators, as required by regulation 13(3) of the MSA.

APPRECIATION

25. The assistance rendered by the staff of the Central Karoo District Municipality during the audit is sincerely appreciated.

Auditor - General

Cape Town

30 November 2007



A U D I T O R - G E N E R A L