



CENTRAL KAROO DISTRICT MUNICIPALITY

FUNDING AND RESERVES POLICY

21 MAY 2018

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CAPITAL REPLACEMENT RESERVE (CRR)

1. PURPOSE

- 1.1 It is the policy of Central Karoo District Municipality to establish, in future or as soon as reasonably possible, a Capital Replacement Reserve as permitted by the budgetary restrictions experienced by the Municipality.
- 1.2 The Municipality does not provide any basic services and it is therefore not heavily invested in service delivery infrastructure. The largest asset class of the municipality is Land and Buildings with smaller investments in vehicles and furniture and equipment.
- 1.3 The purpose of the CRR is to set aside funds for the financing of property, plant and equipment. The CRR is therefore an asset financing source that represents an alternative to the other funding sources available to municipalities, namely external loans (Interest bearing borrowings) and government grants and subsidies.

2. CONTRIBUTIONS

- 2.1 It is the policy of Council to strive towards building up a cash funded CRR to ensure that the CRR remains a capital funding source of the future.
- 2.2 The Municipality will determine its future capital financing requirements and endeavor to transfer sufficient cash to its CRR in terms of this determination.
- 2.3 The Integrated Development Plan, the Municipality's ability to raise external finance and the amount of government grants and subsidies that will be received in future will need to be taken into account in determining the amount that must be transferred to the CRR.
- 2.4 All cash proceeds on the sale of assets (including the sale of buildings and land) will be transferred from the Accumulated Surplus to the CRR via the Statement of Changes in Net Assets.

3. ACCOUNTING

- 3.1 The balance of the CRR must always be represented by cash and the CRR may only be used for the purpose of financing items of property, plant and equipment as specified in GRAP 17. It may not be used for the maintenance of any assets. Whenever an asset financed out of the CRR an amount equal to the cost price of the asset purchased is transferred from the CRR into Accumulated Surplus on the Statement of Changes In Net Assets. This is to cover future depreciation charges on the assets funded from the CRR.