

**Annual Financial Statements
for
Capricorn District Municipality**

for the year ended 30 June: **2014**

Province: Limpopo

AFS rounding: **R (i.e. only cents)**

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for the period ending 30 June 2014

Members of the Council

Mapoulo ML
Lekganyane L
Baloyi H
Kgare B
Masoga C
Boloka P
Mashangoane P
Moropa J
Vilankulu J
Dandane G
Tsheola G
Tsoai ME
Leshilo MS
Seokotsa MM
Sello MJ
Matlou, Jack Molatelo
Tawana MP

Matsaung M
Sebone Joseph

Ntsoane, Monile Augustine
Mohale Maite Monicca
Manthata, Tekano Wilheminah
Mkohliswa, Sithembele
Monyetshwale, Sepuki Johannes
Mphahlele, Masedile Richard
Molatjane, Mmasefela Lilly
Ramalla, Tshepho Alex
Mehlape, Queen Nkele
Sono, Mpho Mahlatse Pauline
Chauke, Hlopheka Errol
Morwana, Makwena Hamilton
Maja, Maengela Josephinah
Mamabolo, Sophonia Nkganeng
Manong Makgoka Alphius
Sedibane, Modiba John
Setjie, Ngako David
Botha, Androé Hendrina
Raletjena, Mokgadi Jeridah
Seakamela, Nakedi Winnie
Seduma, Matee Derrick
Mathidza, Sewela Elisa
Mokgehle, Pitsi Saldinah
Kganyago, Mashiba William
Kgatla, Kwena Elizabeth
Cholo, Seloana Salome
Lediga, Mathabatha Abram
Semenya Raesetja Annah
Makgalo Ntshwamare Godfrey
Mashilo Gilbert Maleboho
Motsoku, Morris Daniel

Mayor

Speaker

Chief Whip

Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Chairperson : Municipal Public Accounts Committee
Chairperson : Corporate Services Portfolio Committee
Chairperson : Corporate Services Portfolio Committee
Chairperson : Finance Portfolio Committee
Chairperson : Infrastructure Services
Chairperson : Development Planning and Environmental
Management Services
Chairperson : Community Services Portfolio Committee
Chairperson : Strategic Executive Management Services
Portfolio Committee

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Member, effective from 25 April 2014
Ceased to hold office and was replaced by Councillor Maleboho,

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Mokaba, Mapitsi Prescilla Member – Deceased in December 2013
Racheku, Mosibudi Rebecca Member – Deceased in May 2014

Municipal Manager

Molokomme N

Chief Financial Officer

Essa N

Grading of Local Authority

Grade 5

Auditors

Auditor-General

Bankers

FNB (PRIMARY BANK ACCOUNT)

Registered Office: Capricorn District Municipality

Physical address: 41 Biccard Street
Polokwane
0700

Postal address: **PO Box 4100**
Polokwane
0700

Telephone number: 015 294 1000

Fax number: 015 291 4297

E-mail address: info@cdm.org.za

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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out 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, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, 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.

Municipal Manager

DATE

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Capricorn District Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

	Note	2014 R
ASSETS		
Current assets		
Cash and cash equivalents	1	292 586 938
Receivables from exchange transactions	2	42 771 171
Inventories	3	7 115 978
Prepayments	4	2 058 536
VAT receivable	5	19 712 379
		<u>364 245 002</u>
Non-current assets		
Property, plant and equipment	6	1 495 898 868
Intangible assets	7	3 159 350
		<u>1 499 058 217</u>
Total assets		<u>1 863 303 219</u>
LIABILITIES		
Current liabilities		
Payables from exchange transactions	8	132 556 052
Current provisions	10	14 427 243
Current portion of unspent conditional grants and receipts	11	151 247 494
Current portion of finance lease liability	12	1 325 118
		<u>299 555 907</u>
Non-current liabilities		
Non-current portion of finance lease liability	12	2 646 232
Non-current provisions	13	23 333 716
		<u>25 979 948</u>
Total liabilities		<u>325 535 855</u>
Net assets		<u>1 537 767 364</u>
NET ASSETS		
Reserves		1 987 998
Accumulated surplus / (deficit)		1 535 779 366
Total net assets		<u>1 537 767 364</u>

¹ Comparative restated: see note 36 for more details

2013
R
Restated ¹

254 253 935
10 560 482
4 248 562
10 958
26 614 942
295 688 879

1 329 704 583
3 758 972
1 333 463 555

1 629 152 433

97 048 945
14 025 396
107 168 447
1 104 875
219 347 662

-
20 461 557
20 461 557

239 809 219

1 389 343 214

1 987 998
1 387 355 216

1 389 343 214

Capricorn District Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the period ending 30 June 2014

	Note	2014 R	2013 R Restated ¹
Revenue			
Revenue from exchange transactions	14	36 033 006	29 333 307
Revenue from non-exchange transactions	15	608 334 022	670 157 485
Interest earned - external investments	16	20 153 761	17 967 647
Interest earned - outstanding receivables	16	3 093 261	5 443 619
Other income	17	28 143 631	38 091 562
Total revenue		695 757 682	760 993 619
Expenses			
Employee related costs	18	198 391 415	177 201 183
Remuneration of councillors	19	11 559 867	9 094 273
Debt impairment		7 953 966	52 539 917
Impairment loss		9 449 013	14 938 090
Commission paid		31 172 301	9 044 006
Depreciation and amortisation expense	6	42 774 533	57 399 689
Derecog of assets		714 448	11 751 049
Repairs and maintenance		57 626 321	18 633 400
Finance costs	21	511 055	310 692
Bulk purchases	22	49 930 863	44 310 716
Grants and subsidies paid	23	-	7 985 645
General expenses	31	135 323 974	132 052 093
Total expenses		545 407 757	535 260 752
Gain / (loss) on disposal of assets		(1 436 105)	(700 801)
(Write-down)/reversal of write-down to net realisable value		-	(3 965)
Gain / (loss) on actuarial adjustment	24	(489 670)	968 939
Surplus / (deficit) for the period		148 424 150	225 997 040

¹ Comparative restated: see note 36 for more details

Capricorn District Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2014

		Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total: Net Assets
	Note	R	R	R
Balance at June 2012		1 987 998	1 348 828 859	1 350 816 857
Accounting errors	36	-	(187 470 683)	(187 470 683)
Balance restated at June 2012		1 987 998	1 161 358 176	1 163 346 175
Surplus for the period restated		-	225 997 040	225 997 040
Accounting errors	36	-	(13 327 873)	(13 327 873)
Surplus for the period as previously reported		-	239 324 913	239 324 913
Balance restated as at June 2013		1 987 998	1 387 355 216	1 389 343 214
Surplus / (deficit) for the period		-	148 424 150	148 424 150
Balance at 30 June 2014		1 987 998	1 535 779 366	1 537 767 364

Capricorn District Municipality
CASH FLOW STATEMENT
as at 30 June 2014

	Note	2014 R
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		677 256 782
Grants		652 413 069
Interest received		23 247 022
Other receipts		1 596 691
Payments		(431 495 283)
Employee costs		(206 677 276)
Suppliers		(224 306 953)
Interest paid		(511 055)
Net cash flows from operating activities	26	245 761 499
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets (PPE)		(201 009 007)
Purchase of intangibles		(312 421)
Proceeds/(Deficit) on disposal of assets		(4 736 155)
Net cash flows from investing activities		(206 057 583)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of finance lease liability		(1 370 914)
Net cash flows from financing activities		(1 370 914)
Net increase / (decrease) in net cash and cash equivalents		38 333 002
Net cash and cash equivalents at beginning of period		254 253 935
Net cash and cash equivalents at end of period	1	292 586 938

2013
R
Restated ¹

672 564 701

664 463 848
23 411 266
(15 310 413)

(427 089 866)

(178 092 968)
(248 686 205)
(310 692)

245 474 836

(249 237 209)
(1 564 933)
779 502

(250 022 640)

(2 491 464)

(2 491 464)

(7 039 267)

261 293 202

254 253 935

Capricorn District Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the period ending 30 June 2014

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

No.	Title of Standard	Impact on GRAP
GRAP 20	Related Party Disclosures	No material impact
GRAP 32	Service Concession Arrangements: Grantor	No material impact
GRAP 108	Statutory Receivables	No impact as no merger is anticipated in the foreseeable future

Capricorn District Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the period ending 30 June 2014

An effective date is yet to be determined for the other standards by the Minister.

New GRAP standards effective for financial years beginning on or after 1 April 2015

No.	Title of Standard	Impact on GRAP
GRAP 18	Segment Reporting	No material impact
GRAP 105	Transfer of Functions Between Entities Under Common Control	No impact as the municipality is not an municipality under common control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	No impact as no transfer of functions are anticipated in the foreseeable future
GRAP 107	Mergers	No impact as no merger is anticipated in the foreseeable future

New GRAP standards effective for financial years beginning on or after 31 April 2013

<u>No.</u>	<u>Title of Standard</u>
GRAP 25	Employee Benefits

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

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

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Capricorn District Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the period ending 30 June 2014

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	15-50	Buildings	10-33
Water Maintenance and	15-40	Specialist vehicles	10-13
Sewerage	15-50	Other vehicles	5-8
Water Reservoir	30-50	Office equipment	10-13
		Furniture and fittings	8-10
		Emergency equipment	1-5
<u>Community</u>		Computer equipment	3-5
Buildings	10-55	Machinery	5-6
Security	5	Telephones	1-3
		Communication equipment	1-3
<u>Finance lease assets</u>		Copiers	2-3
Office equipment	1-10		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

2.4 IMPAIRMENTS OF ASSETS

2.4.1 CASH GENERATING ASSETS

Cash generating assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered in accordance with GRAP 26.

An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognised as an expense in the statement of financial performance immediately. The recoverable amount of the asset is the higher of the assets fair value less costs of disposal and its value in use. The fair value represents the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belong. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amount of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

A previously recognised impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the assets' revised carrying amount on a systematic basis over its remaining useful life.

2.4.2 NON CASH GENERATING ASSETS

Non-cash generating assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered in accordance with GRAP 21.

An impairment loss is recognised if the recoverable service amount of an asset is less than its carrying amount. The depreciated replacement cost of an asset is essentially the current cost that will have to be incurred to replace the asset's gross service potential and is then depreciated to reflect the asset's current age or condition.

The impairment loss is recognised as an expense in the statement of financial performance immediately. The recoverable service amount of the asset is the higher of the assets fair value less costs of disposal and its value in use.

The fair value represents the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties.

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amount of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

A previously recognised impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the assets' revised carrying amount on a systematic basis over its remaining useful life.

2.5 DERECOGNITION

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

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3-10
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

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

3.5 WEBSITE COSTS

The municipality has a website designed for internal and external access. The municipality is at the operating stage which comprises maintaining and enhancing applications, infrastructure, graphical design and the content of the file. The municipality incurs internally generated costs on the operation of the website and the costs are therefore expensed.

4 INVENTORIES

4.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Consumable inventory is valued using the weighted average cost whilst water inventory is valued using the First in First Out (FIFO) method.

4.2 SUBSEQUENT MEASUREMENT

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

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

Consumable inventories are valued using the weighted average method.

5 FINANCIAL INSTRUMENTS

Financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality

Financial instruments comprise of financial assets and liabilities in accordance with GRAP 104.

A financial asset is cash; a residual interest of another municipality; or a contractual right to receive cash or another financial asset from another municipality or exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A residual interest is any contract that entitles the holder to an interest in the assets of an municipality after deducting all of its liabilities (i.e. net assets)

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another municipality; or exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Financial instruments, depending on its category, are initially measured at fair value, cost or amortised costs in accordance with GRAP 104. Transaction costs are only included in financial instruments that are initially measured at amortised costs.

5.1 INITIAL RECOGNITION

Financial instruments classified at fair value (fair value measurement considerations)

The best evidence of fair value is a quoted price in an active market.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, broker, dealer, etc., and those prices represent actual and regularly occurring market transactions on an arm's length basis

Where there is no active market, the fair value is determined using a valuation technique such as;

- recent arm's length market transaction;

Capricorn District Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the period ending 30 June 2014

- if available, reference to the current fair value of another instrument that is substantially the same;
- discounted cash flow analysis, discounting the future receipts (payments) of a financial instrument over the period of the contract, by using a market interest rate (adjusted for credit risk), to its present value

Short-term receivables and payables with no stated interest rate is be measured at the original invoice amount if the effect of discounting is immaterial.

Financial instruments classified at amortised cost

For financial instruments measured at amortised cost, the interest expense (for financial liabilities) or revenue (for financial assets) is calculated by using the effective interest rate method. The interest rate used is equal to the prevailing rate of return for financial instruments having substantially the same terms and characteristics of the municipality's financial instrument which include:

- the credit quality;
- the remaining term over which the contractual interest rate is fixed;
- the remaining period to repayment of the principal; and
- the currency (if applicable).

Financial instruments classified at cost

If the fair value of a financial instrument cannot be reliably measured, it is measured at cost.

Financial assets at fair value are subsequently measured by using the fair value measurement considerations.

Any gains or losses due to changes in fair market value during the period are reported as gains or losses in the statement of financial performance, because such investments will usually be sold in the near future at their market value.

This effective interest rate method is used for these financial instruments. The interest rate used is necessary to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument to equal the amount recognised at initial recognition. The rate is then applied to the carrying amount at each reporting date to determine the interest expense or revenue for the period

5.2 SUBSEQUENT MEASUREMENT

Impairment and uncollectability of financial assets

At the end of each reporting period, the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Impairment and uncollectability of financial assets

If there is objective evidence that an impairment loss on a financial asset has occurred, the loss must be recognised in surplus or deficit. Objective evidence that a financial asset or group of assets is impaired can be as a result of the occurrence of one or more of the following events:

- * Significant financial difficulty experienced by the borrower/debtor;

* An municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an municipality includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The carrying amount of a financial asset is reduced directly through the use of an allowance account. The impairment loss is recognised in the statement of financial performance.

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

As soon as information becomes available that specifically identifies losses on individually impaired assets in a group (that are collectively assessed for impairment), those assets are removed from the group and assessed individually for impairment.

For collective assessment of impairment, as indicated above, assets with similar credit risk characteristics are grouped together. The credit risk characteristics should be indicative of the debtors' ability to pay all amounts due according to the contractual terms.

Gains and losses

Gain or loss can arise from both a financial asset and financial liability measured at fair value, at amortised cost or cost. Any gains and losses are recognised in the statement of financial performance.

Fair value – Changes in fair value will result in either a gain or loss.

Amortised cost and cost – gains and losses are recognised when derecognised, impaired or through the amortisation process

5.3 CATEGORIES OF FINANCIAL INSTRUMENTS

The municipality has the following categories of financial instruments:

- *Trade and other receivables
- *Trade and other payables
- *Cash and cash equivalents

5.3.1 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially designated at fair value.

Short-term receivables with no stated interest rate is to be measured at the original invoice amount if the effect of discounting is immaterial.

5.3.2 TRADE AND OTHER PAYABLES

Financial liabilities consist of trade payables. They are categorised as financial liabilities held at fair value.

Short-term payables with no stated interest rate is to be measured at the original invoice amount if the effect of discounting is immaterial.

5.3.3 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

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

5.4 DERECOGNITION

The municipality derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- The municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the that party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

If the municipality has not transferred substantially all of the risks and rewards of ownership of the financial asset, it should continue to recognise the asset.

The municipality derecognises a financial liability only when:

- Discharges the liability (or part thereof) by paying the creditor, normally with cash, other financial liabilities, goods or services;
- Is legally released from primary responsibility for the liability (o part of it) either by process of law (expires) or by the creditor (cancelled). If the debtor has given a guarantee, this condition may still be met; or
- Waives the debt or it is assumed by another entity by way of a non-exchange transaction. These transactions are accounted for by considering the requirements in GRAP 104 and GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers).

6 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.

7 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.

8 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.

9 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- when the plan will be implemented; and

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

10 LEASES

10.1 MUNICIPALITY AS LESSEE

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

11 REVENUE

11.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

11.1.1 Measurement

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

11.1.2 Sale of goods

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

- the group has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

11.1.3 Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the group;
- the stage of completion of the transaction at the reporting date can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the expenses recognised that are recoverable.

11.1.4 Interest income

Revenue arising from the use of assets by others of the municipal assets yielding interest shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the;
- The amount of the revenue can be measured reliably;
- Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

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.

11.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

11.2.1 Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

12 EVENTS AFTER BALANCE SHEET DATE

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the Balance Sheet date. Events after the Balance Sheet date that are indicative of conditions that arose after the Balance Sheet date are dealt with by way of a note to the Financial Statements.

13 COMMITMENTS

A commitment arises when a decision is made to incur a liability e.g. purchase order, delivery schedules or contract for construction of infrastructure assets. A commitment becomes a liability when the intention to agree to an outflow of resources outflow of resources becomes a present obligation.

14 EMPLOYEE BENEFITS

14.1 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

14.2 Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

The municipality provides retirement benefits to employees and councillors through contributions made to designated retirement or pension funds.

14.3 Long term service awards and accumulated leave days

14.3.1 Long term service

Employees qualify for additional leave for various period of uninterrupted service in accordance with SALGBC condition of service. The long term service award measured in accordance with GRAP 25 through an actuarial valuation.

14.3.2 Accumulated leave days

Accumulated leave benefit accrues to employees unto maximum of 48 leave days. The benefits are paid in the events of death, disability, retrenchment or/and retirement. Employees who have leave days in excess of the 48 days for periods, before the conditions of service came to effect, are measured in accordance with GRAP 25 through an actuarial valuation.

14.4 Post employment obligations

Capricorn District Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the period ending 30 June 2014

The municipality provides post employment medical care benefits to retired employees completion of a minimum service period. The expected cost, of these benefits is accrued over the life expectancy of the retired employees.

The actuarial valuation method used to value liabilities is the Projected Unit Credit Method prescribed by GRAP 25.

Any plan assets are valued at current market value as required by GRAP 25.

15 CHANGE IN ACCOUNTING POLICY, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS

15.1 Change in accounting estimate

Change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities.

Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. Any changes to the relevant financial items (associated with assets and liabilities) are made prospectively.

15.2 Change in accounting policy

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an municipality in preparing and presenting financial statements. Any changes to these policies arising from new or amended GRAP standards will be applied either retrospectively or prospectively if transitional provisions exists.

15.3 Prior period errors

Prior period errors are omissions from, and misstatements in, the municipality's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that;

(a) was available when financial statements for those periods were authorised for issue; and

(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

15.4 Measurement/re-measurement

Change in accounting policy and change in estimate

Prospective application of a change in an accounting policy and of recognising the effect of a change in an accounting estimate, respectively, are;

(a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed; and

(b)) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.

Retrospective application is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

15.5 Prior period errors

Capricorn District Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the period ending 30 June 2014

Retrospective restatement is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

Capricorn District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R Restated ¹
1 CASH AND CASH EQUIVALENTS			
First National Bank Current Account (Primary Bank Account)		46 824 905	15 269 181
Investment Accounts		245 739 032	238 983 705
Cash on hand		23 000	1 049
Total cash and cash equivalents		292 586 938	254 253 935
2 RECEIVABLES FROM EXCHANGE TRANSACTIONS			
	Gross Balances	Provision for Doubtful Debts	Net Balance
	R	R	R
<u>Trade receivables</u>			
as at 30 June 2014			
Service debtors - water	76 225 818	(43 507 384)	32 718 434
Other receivables	10 052 737	-	10 052 737
Total Trade and other receivables	86 278 555	(43 507 384)	42 771 171
as at 30 June 2013			
Service debtors - water	150 446 385	(147 593 186)	2 853 198
Other receivables	7 707 283	-	7 707 283
Total	158 153 668	(147 593 186)	10 560 482
<u>Other receivables</u>			
Local Municipalities- Operation and maintenance		4 250 918	1 905 464
Sundry debtors		5 801 819	5 801 819
		10 052 737	7 707 283
The following represents water debts that are not impaired;			
<u>Water: Ageing</u>			
(0 – 90 days)		14 811 577	996 781
91 - 120 Days		5 654 182	446 186
121 - 365 Days		12 252 674	1 410 232
Total		32 718 433	2 853 198
2.1 <u>Reconciliation of the doubtful debt provision</u>			
Balance at beginning of the year		147 593 186	88 889 598
Contributions to provision		-	59 223 873
Balance at end of year		43 507 384	147 593 186

Capricorn District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R
3 INVENTORIES			
Opening balance of inventories:		4 248 562	3 470 020
Consumable stores - at cost		316 172	211 569
Maintenance materials - at cost		3 640 266	2 940 470
Water		292 124	317 981
Additions:		1 329 562	1 552 488
Consumable stores		1 329 562	878 549
Maintenance materials		6 320 343	381 814
Water		-	292 124
Issued (expensed):		(4 782 489)	(773 945)
Consumable stores		(1 334 994)	(773 945)
Maintenance materials		(3 432 651)	-
Water		(14 844)	-
Closing balance of inventories:		7 115 978	4 248 562
Consumable stores		310 740	316 172
Maintenance materials		6 527 958	3 640 266
Water		277 280	292 124
4 PREPAYMENTS			
Prepaid expenses		2 058 536	10 958
2014/15 SALGA membership fees paid in advance to benefit from the discount given if paid before year-end			
5 VAT RECEIVABLE			
VAT is receivable on the invoices basis		19 712 379	26 614 942

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R
as at 1 July 2013	11 861 500	57 266 609	1 212 828 237	44 191 860	3 556 377	1 329 704 583
Cost/Revaluation	11 861 500	70 704 654	1 563 636 048	67 747 014	6 925 994	1 720 875 210
Accumulated depreciation and impairment losses	-	(13 438 045)	(350 807 811)	(23 555 153)	(3 369 618)	(391 170 627)
Acquisitions	-	-	195 024 906	6 990 216	4 264 743	206 279 865
Depreciation	-	(2 318 880)	(30 109 403)	(7 977 102)	(1 457 106)	(41 862 490)
Carrying value of disposals	-	-	(372 494)	(719 324)	(2 208 232)	(3 300 049)
Cost/Revaluation	-	-	(387 869)	(1 674 470)	(6 384 538)	(8 446 876)
Accumulated depreciation and impairment losses	-	-	15 375	955 146	4 176 306	5 146 827
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-
as at 30 June 2014	11 861 500	54 947 729	1 381 010 234	43 923 623	4 155 782	1 495 898 868
Cost/Revaluation	11 861 500	70 704 654	1 757 965 956	74 500 732	4 806 200	1 919 839 041
Accumulated depreciation and impairment losses	-	(15 756 925)	(376 955 722)	(30 577 109)	(650 417)	(423 940 173)

Capricorn District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the period ending 30 June 2014

6.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R
as at 1 July 2012	11 861 500	49 892 390	1 002 013 272	39 111 860	4 079 010	1 106 958 032
Cost/Revaluation	11 861 500	61 466 933	1 621 383 452	59 452 147	6 384 538	1 760 548 571
Cost - correction of error	-	-	(295 613 348)	(541 457)	-	(296 154 805)
Accumulated depreciation - correction of error	-	(339 621)	56 923 685	1 615 782	-	58 199 846
Accumulated depreciation and impairment losses	-	(11 234 922)	(380 680 518)	(21 414 612)	(2 305 528)	(415 635 580)
Acquisitions	-	9 237 721	239 017 302	9 313 336	-	257 568 358
Depreciation	-	(1 863 501)	(27 412 092)	(4 346 725)	(1 064 090)	(34 686 408)
Carrying value of disposals	-	-	(790 245)	(388 859)	-	(1 179 104)
Cost/Revaluation	-	-	(1 151 358)	(477 013)	-	(1 628 371)
Accumulated depreciation and impairment losses	-	-	361 114	88 154	-	449 268
Impairment loss/Reversal of impairment loss	-	-	(13 387 924)	599 074	-	(12 788 851)
as at 30 June 2013	11 861 500	57 266 609	1 212 828 237	44 191 860	3 556 377	1 329 704 583
Cost/Revaluation	11 861 500	70 704 654	1 563 636 048	67 747 014	6 925 994	1 720 875 210
Accumulated depreciation and impairment losses	-	(13 438 045)	(350 807 811)	(23 555 153)	(3 369 618)	(391 170 627)

Capricorn District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the period ending 30 June 2014

7 INTANGIBLE ASSETS

7.1 Reconciliation of carrying value

	Computer Software
	R
as at 1 July 2013	3 758 972
Cost	7 252 185
Accumulated amortisation and impairment losses	(3 493 213)
Acquisitions	312 421
Amortisation	(912 043)
as at 30 June 2014	3 159 350
Cost	7 564 606
Accumulated amortisation and impairment losses	(4 405 256)

7.2 Reconciliation of carrying value

as at 1 July 2012	3 473 643
Cost	5 687 252
Accumulated amortisation and impairment losses	(2 213 609)
Acquisitions	1 564 933
Amortisation	(1 195 963)
as at 30 June 2013	3 758 972
Cost	7 252 185
Accumulated amortisation and impairment losses	(3 493 213)

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R Restated ¹
8	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade creditors	87 579 818	46 455 774
	Retentions	44 970 630	50 239 497
	Other creditors	5 605	353 673
	Total creditors	132 556 052	97 048 945
	The fair value of trade and other payables approximates their carrying amounts		
9	VAT PAYABLE		
	VAT is payable on the accrual basis	-	-
10	PROVISIONS		
	Provision for bonuses	10.1 9 211 339	7 817 134
	Provision for leave	10.2 3 257 904	4 947 262
	Other provisions	10.3 1 958 000	1 261 000
	Total provisions	14 427 243	14 025 396
10.1	<u>Provision for bonuses</u>		
	Performance Bonus		
	<i>Opening accrued liability as at 1 July 2013</i>	4 880 534	4 398 034
	Benefits Paid	(4 856 234)	(4 880 534)
	Contributions to provision	5 775 700	5 363 034
	<i>Closing accrued liability as at 30 June 2014</i>	5 800 000	4 880 534
	13th cheque provision		
	<i>Opening accrued liability as at 1 July 2013</i>	1 261 000	2 573 988
	Expenditure incurred	(8 664 059)	(8 340 798)
	Contributions to provision	10 814 398	8 703 409
	<i>Closing accrued liability as at 30 June 2014</i>	3 411 339	2 936 600
	Total provision for bonuses	9 211 339	7 817 134
10.2	<u>Provision for leave</u>		
	Leave days (short-term)		
	<i>Opening accrued liability as at 1 July 2013</i>	4 947 262	1 207 000
	Transfers (to)/from long-term	(1 689 358)	3 740 262
	<i>Closing accrued liability as at 30 June 2014</i>	3 257 904	4 947 262

Capricorn District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R
10.3	<i>Other provisions</i>		
	<u>Post-employment Medical Aid Benefits (short-term)</u>		
	Opening accrued liability as at 1 July 2013	323 000	399 000
	Transfers (to)/from long-term	(41 000)	(76 000)
	Closing accrued liability as at 30 June 2014	282 000	323 000
	<u>Long-service award (short-term)</u>		
	Opening accrued liability as at 1 July 2013	938 000	1 341 000
	Transfers (to)/from long-term	738 000	(403 000)
	Closing accrued liability as at 30 June 2014	1 676 000	938 000
	Total provision for bonuses	1 958 000	1 261 000
11	UNSPENT CONDITIONAL GRANTS		
	Finance management grant (FMG)	517 072	266 435
	Water services operating grant (WSOG)	7 999 841	-
	Municipal infrastructure grant (MIG)	11.1 138 916 542	105 332 750
	Expanded Public Works Programme	107 511	1 078 388
	Integrated Grant for Municipalities (EPWP)		
	Rural transport services infrastructure grant (RTSIG)	-	490 873
	Municipal Water Infrastructure Grant	-	-
	Unspent (MWIG)		
	Rural household infrastructure grant (RHIG)	3 706 528	-
	Current portion of unspent conditional grants	151 247 494	107 168 447
11.1	<i>Municipal infrastructure grant (MIG)</i>		
	Balance unspent at beginning of year	105 332 750	110 744 610
	Funds returned to Treasury	(48 189 000)	-
	Current year receipts	229 146 000	210 968 000
	Conditions met - transferred to revenue	(147 373 208)	(216 379 860)
	Conditions still to be met - remain liabilities	138 916 542	105 332 750

MIG is a conditional grant with a purpose to assist municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and the local government turnaround strategy.

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R
<i>11.2 Other Government Grants and Subsidies</i>			
Balance unspent at beginning of year		1 835 696	2 117 472
Current year receipts		39 611 069	51 333 849
Conditions met - transferred to revenue		(29 115 814)	(51 615 625)
Conditions still to be met - remain liabilities		12 330 952	1 835 696
12 FINANCE LEASE LIABILITY			
	Minimum lease payment	Future finance charges	PV of minimum lease payments
2014	R	R	R
Within one year	1 623 665	(298 548)	1 325 118
Within two to five years	2 869 884	(223 652)	2 646 232
	<u>4 493 549</u>	<u>(522 200)</u>	<u>3 971 350</u>
Less: Amount due for settlement within 12 months (current portion)			(1 325 118)
			<u>2 646 232</u>
	Minimum lease payment	Future finance charges	PV of minimum lease payments
2013	R	R	R
Within one year	1 128 464	(23 589)	1 104 875
Less: Amount due for settlement within 12 months			(1 104 875)
			<u>-</u>
13 NON-CURRENT PROVISIONS			
Provision for long-service awards	13.1	7 655 000	6 357 000
Post-employment Medical Aid Benefits	13.2	2 986 000	3 886 000
Long-term leave days	13.3	12 692 716	10 218 557
		<u>23 333 716</u>	<u>20 461 557</u>
<i>13.1 Long-service leave awards</i>			
Opening accrued liability as at 1 July		7 295 000	6 147 000
Current service cost		575 000	854 000
Interest Cost		363 000	487 000
Benefits Paid		(351 769)	(199 213)
Actuarial Loss/(Gain) ¹	36.1	1 449 769	6 213
		<u>9 331 000</u>	<u>7 295 000</u>
Liability transferred to short-term portion	10.3	(1 676 000)	(938 000)
Closing accrued liability as at 30 June		<u>7 655 000</u>	<u>6 357 000</u>

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R
13.2	<u>Post-employment Medical Aid Benefits</u>		
	Opening accrued liability as at 1 July 2013	4 209 000	5 040 000
	Interest Cost	323 000	399 000
	Benefits Paid	(303 901)	(254 848)
	Actuarial Loss/(Gain)	(960 099)	(975 152)
		3 268 000	4 209 000
	Liability transferred to short-term portion	(282 000)	(323 000)
	Closing accrued liability as at 30 June	2 986 000	3 886 000
13.3	<u>Long-term leave days</u>		
	Opening accrued liability as at 1 July 2013	15 165 819	10 530 433
	Net accrued leave	3 021 224	8 712 472
	Annual leave days forfeited/(paid out)	(2 236 423)	(4 077 086)
		15 950 620	15 165 819
	Liability transferred to short-term portion	(3 257 904)	(4 947 262)
	Closing accrued liability as at 30 June	12 692 716	10 218 557
14	REVENUE FROM EXCHANGE TRANSACTIONS		
	Service charges	36 033 006	29 333 307
	Billing of water to local communities by Capricorn District Municipality		
15	REVENUE FROM NON- EXCHANGE TRANSACTIONS		
	Government grants and subsidies		
	Equitable share	431 845 000	402 162 000
	MIG Grant	147 373 208	216 379 860
	Other Government Grants and Subsidies	29 115 814	51 615 625
	Total Government Grant and Subsidies	608 334 022	670 157 485

Included within Other Government Grants and Subsidies are the following:

15.1 Expanded Public Works Programme
Integrated Grant for Municipalities (EPWP)

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS

for the period ending 30 June 2014

	Note	2014 R	2013 R
15.2	<p><u><i>Municipal Systems Improvement Grant (MSIG)</i></u> To assist municipalities build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and the local government turnaround strategy.</p>		
15.3	<p><u><i>Water Services Operating Subsidy Grant (WSOG)</i></u> To subsidise and build capacity in water schemes owned and/or operated by the Department of Water Affairs or by other agencies on behalf of the department and transfer these schemes to local government.</p>		
15.4	<p><u><i>Local Government Financial Management Grant (LGFMG)</i></u> To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.</p>		
15.4	<p><u><i>Rural transport services infrastructure grant (RTSIG)</i></u> To assist rural district municipalities to set up rural Road Asset Management Systems, and collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa.</p>		
15.5	<p><u><i>Municipal Water Infrastructure Grant (MWIG)</i></u> To assist Water Services Authorities (WSAs) to provide water supply services to consumers currently without services, particularly those in rural areas.</p>		
15.6	<p><u><i>Local Government Financial Management Grant (LGFMG)</i></u> To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.</p>		

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R
15.7	<u>Equitable Share</u> In terms of the Constitution, this grant is an unconditional grant .		
16	INTEREST EARNED		
	External investments	20 153 761	17 967 647
	Outstanding receivables	3 093 261	5 443 619
		23 247 022	23 411 266
17	OTHER INCOME		
	Retention liability written back	27 270 276	-
	Commission liability written back	-	35 903 280
	Tender Fees income	873 355	1 408 427
	Insurance Refunds	-	779 502
	Bad Debt Recovered	-	353
		28 143 631	38 091 562
18	EMPLOYEE RELATED COSTS		
	Employee related costs - Salaries and Wages	129 201 335	119 539 719
	Contributions for UIF, pensions and medical aids	31 976 908	26 572 156
	Travel, motor car, subsistence and other allowances	17 419 978	13 733 091
	Housing benefits and allowances	2 198 825	2 308 250
	Overtime payments	10 285 209	7 910 000
	Performance and other bonuses	5 831 642	4 880 534
	Other employee related costs	1 477 518	2 257 434
	Employee Related Costs	198 391 415	177 201 183
18.1	<u>Other employee related costs include</u>		
	Workers' compensation assoc. contributions	-	1 327 675
	Employee Assistant Programme	1 168 915	240 432
	Union affiliations	46 940	32 497
	Special Allowance	261 662	656 830
		1 477 518	2 257 434
18.2	<u>Remuneration of the Municipal Manager</u>		
	Annual Remuneration	1 088 876	1 007 691
	Performance- and other bonuses	26 306	74 583
	Travel, motor car, subsistence and other allowances	204 000	240 670
	Contributions to UIF, Medical and Pension Funds	284 105	264 756
	Total	1 603 287	1 587 699
18.3	<u>Remuneration of the Chief Finance Officer</u>		
	Annual Remuneration	915 854	967 738
	Performance- and other bonuses	13 031	30 698
	Travel, motor car, subsistence and other allowances	132 000	224 509
	Contributions to UIF, Medical and Pension Funds	24 086	5 901
	Total	1 084 971	1 228 846

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R	
18.4	<u>Remuneration of Technical Services</u>			
	Annual Remuneration	311 316	265 362	
	Performance- and other bonuses	-	23 878	
	Travel, motor car, subsistence and other allowances	43 872	77 561	
	Contributions to UIF, Medical and Pension Funds	620	6 653	
	Total	355 808	373 454	
18.5	<u>Remuneration of Development, Economic and Planning Management Services</u>			
	Annual Remuneration	804 998	548 257	
	Performance- and other bonuses	19 421	40 948	
	Travel, motor car, subsistence and other allowances	120 609	173 376	
	Contributions to UIF, Medical and Pension Funds	75 010	46 344	
	Total	1 020 038	808 925	
18.6	<u>Remuneration of Individual Executive Directors</u>	Strategic Support Services	Corporate Services	Community Services
		R	R	R
	2014			
	Annual Remuneration	731 104	482 123	586 089
	Performance- and other bonuses	44 178	20 021	14 770
	Travel, motor car, subsistence and other allowances	180 000	96 600	105 990
	Contributions to UIF, Medical and Pension Funds	162 704	47 665	154 804
	Total	1 117 987	646 409	861 653
		Strategic Support Services	Corporate Services	Community Services
		R	R	R
	2013			
	Annual Remuneration	439 688	767 320	566 082
	Performance- and other bonuses	82 809	172 718	47 291
	Travel, motor car, subsistence and other allowances	296 123	-	121 846
	Contributions to UIF, Medical and Pension Funds	106 213	76 397	150 445
	Total	924 834	1 016 435	885 663

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R
19	REMUNERATION OF COUNCILLORS		
	Executive Mayor	965 255	710 115
	Speaker	807 040	556 101
	Executive Committee Members	4 126 712	2 655 178
	Councillors	2 077 869	2 119 770
	Councillors' pension and medical aid	1 063 527	747 974
	Councillors' allowances	2 519 464	2 305 135
	Total Councillors' Remuneration	11 559 867	9 094 273
	In-kind Benefits		
	The Executive Mayor, Deputy Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
	The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at no cost. The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has 3 full-time bodyguards.		
20	DEPRECIATION AND AMORTISATION EXPENSE		
	Property, plant and equipment	41 862 490	56 203 726
	Intangible assets	912 043	1 195 963
	Total Depreciation and Amortisation	42 774 533	57 399 689
21	INTEREST PAID		
	Finance costs - Finance lease	107 642	213 451
	Other interest and penalty charges	403 412	97 241
		511 055	310 692
	Other interest and penalties of R103 410 (R97 241) relates to charges by SARS for changes in PAYE declarations caused by back payment of upper limits		
22	BULK PURCHASES - WATER	49 930 863	44 310 716
	Bulk purchases of water from Lepelle Northern Water		
23	GRANTS AND SUBSIDIES PAID	-	7 985 645
24	PROFIT / (LOSS) ON ACTUARIAL VALUATIONS	(489 670)	968 939

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R
25	COMMITMENTS		
25.1	<u>Commitments in respect of capital</u>		
	Infrastructure	119 067 267	51 786 230
	Community	-	180 000
	Other	9 213 191	75 895 518
	Total	128 280 458	127 861 748
	<i>This expenditure will be financed from:</i>		
	- Government Grants	127 174 567	54 664 790
	- Equitable share grants	1 105 891	73 196 958
		128 280 458	127 861 748
25.2	<u>Commitments in respect of Operating expenditure</u>		
	Infrastructure	19 848 955	5 357 200
	Community	-	25 660
	Other	55 654 526	20 783 378
	Total	75 503 481	26 166 238
	<i>This expenditure will be financed from:</i>		
	- Government Grants	24 072 455	4 048 070
	- Equitable share grants	51 431 026	22 118 168
		75 503 481	26 166 238
	Total Commitments	203 783 939	154 027 986
	<i>This expenditure will be financed from:</i>		
	- Government Grants	151 247 022	58 712 860
	- Equitable share grants	52 536 917	95 315 126
		203 783 939	154 027 986
26	CASH GENERATED BY OPERATIONS		
	Surplus/(deficit) for the year	148 424 150	225 997 040
	Adjustment for:-		
	Other revenue	(27 270 276)	(36 683 135)
	Depreciation and amortisation	42 774 533	57 399 689
	Changes on fair value adjustment	489 670	(968 939)
	Inventories: (Write-down) / reversal of write-down to net realisable value	-	3 965
	Impairment of assets	9 449 013	14 938 090
	Debt impairment loss	7 953 966	52 539 917
	Contribution to provisions - current	-	
	Changes on disposal of assets	1 436 105	700 801
	Operating surplus before working capital changes:	183 257 162	313 927 429

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R
CASH GENERATED BY OPERATIONS			
(Increase)/decrease in inventories		(2 867 416)	(778 542)
(Increase)/decrease in other receivables		(35 309 671)	(46 052 147)
Increase/(decrease) in conditional grants and receipts		44 079 047	(5 693 636)
Increase/(decrease) in provisions		3 274 007	8 202 488
Increase/(decrease) in trade payables		62 777 384	(24 130 755)
Cash generated by/(utilised in) operations		255 210 513	245 474 836
27 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED			
<i>27.1 Unauthorised expenditure</i>			
Opening balance		18 058 547	-
Unauthorised expenditure current year		-	18 058 547
Total awaiting authorisation		18 058 547	18 058 547
<i>27.2 Irregular expenditure</i>			
Opening balance		97 804 755	74 825 588
Irregular expenditure current year		9 504 030	22 979 167
Irregular expenditure awaiting condonement		107 308 785	97 804 755
<p>The irregular expenditure is as a result of appointments made in the 11/12 financial year that are in the process completion in the 13/14 financial year.</p> <p>The above expenditure was mainly due to the payments of the final retention certificates after completion of the projects</p>			
<i>27.3 Fruitless and wasteful expenditure</i>			
Opening balance		173 570	13 044 482
Fruitless and wasteful expenditure current year		403 412	97 241
Condoned or written off by Council		-	(12 968 153)
Irregular expenditure awaiting condonement		576 982	173 570
28 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
<i>28.1 Audit fees</i>			
Opening balance		744	-
Current year audit fee		2 545 191	2 127 188
Amount paid - current year		(2 545 935)	(2 126 444)
Balance unpaid		-	744

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS

for the period ending 30 June 2014

	Note	2014 R	2013 R
28.2	<u>PAYE and UIF</u>		
	Opening balance	(272 419)	-
	Current year payroll deductions	28 482 638	28 205 639
	Amount paid - current year	(28 210 219)	(28 478 058)
	Balance unpaid	-	(272 419)
28.3	<u>Pension and Medical Aid Deductions</u>		
	Opening balance	-	-
	Current year payroll deductions	31 976 908	39 883 846
	Amount paid - current year	(31 976 908)	39 883 846
	Balance unpaid	-	-
29	CONTINGENT LIABILITY		
29.1	<i>Claim for damages</i>		
	The Municipality has a Contingent liability of R30 044 950.93 due to it being sued by service providers due to damages arising from payments alleged to be outstanding Council is contesting the claim based on legal advice. Most court date has not yet been set. Should Council be unsuccessful in defending the claims, there is a possibility that the claim will be settled.		
	Restore General Trading	154 751	
	M.Tech Rustenburg	16 175 619	
	Themashi Business Enterprise	2 729 178	
	In Touch	3 516 400	
	BC Viljoen	140 032	
	Storm Fencing	585 023	
	ALS BEE	170 816	
	Bright Idea	179 795	
	T. Phogole/ CDM	231 380	
	Robust Northern Technologies	3 024 440	
	M.E. Mothomogolo	31 050	
	Kunini Business Enterprise	1 373 104	
	Qualis Consulting	1 733 360	
		30 044 951	
29.2	<i>Guarantee held by Eskom with regard to electricity accounts amounting to R294 600</i>		
29.3	<i>Wage curve based on the outcome of the court case between SALGA and the Unions amounting to R 714 314</i>		

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS

for the period ending 30 June 2014

	Note	2014 R	2013 R
30 RELATED PARTIES			
*Remuneration for members of key management - <i>Note 18.1-18.4</i>			
*Post employment benefit plan for employees of municipality and/or other related parties - <i>Note 10.3 and 13.2</i>			
*Compensation to councillors - <i>Note 19</i>			
31 GENERAL EXPENSES			
<i>Included in general expenses are the following:-</i>			
Advertising		2 391 996	1 740 159
Admin fees		2 061 202	1 303 805
Audit fees		2 545 191	2 127 188
Bank charges		219 155	145 742
Bursaries		1 657 493	1 168 881
Cleaning		368 519	324 023
Conferences and meetings		3 119 314	2 636 308
Groceries		272 466	13 163
Catering and Refreshments		112 147	346 602
Financial management		15 934 379	13 825 373
Fleet payments and public transport		8 053 958	8 366 582
Insurance		870 392	1 775 275
Legal expenses		1 839 330	1 381 551
Levies paid		-	-
Membership fees		2 005 929	1 555 359
Operational projects	31.1	28 472 727	23 886 262
Postage		8 698	6 359
Printing and stationery		985 838	770 525
Professional fees		5 178 015	16 363 516
Rental of buildings		3 468 481	2 798 142
Rental of office equipment		560 132	273 418
Security costs		4 776 232	4 062 123
Skills development levies		1 666 695	1 396 085
Subscription & publication		1 146 271	906 021
Telephone cost		2 628 217	3 702 712
Training		2 856 513	2 015 531
Travel and subsistence		10 556 264	6 437 987
Uniforms & overalls		135 333	160 802
Water and Sanitation	31.2	31 433 088	32 562 599
		135 323 974	132 052 093
31.1 <u>Operational projects</u>			
Electrifications -Infrastructure		15 685 761	11 375 681
Environmental projects		1 207 630	932 461
Computer Services		3 886 861	3 090 930
Stakeholder Participation		2 772 571	1 565 984
Other projects		4 919 905	6 921 206
		28 472 727	23 886 262

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R
31.2	<u>Water and Sanitation</u>		
	Free Basic Water	13 162 032	13 824 914
	Water Quality Projects	1 920 274	1 260 811
	Household sanitation	15 579 275	16 381 905
	Other water related projects	771 506	1 094 969
		31 433 088	32 562 599

32 RETIREMENT BENEFIT INFORMATION

32.1 Post employment medical aid liability

Certain employees of the municipality belong to the post employment medical aid benefit. The most recent actuarial valuation was done in July 2014 for balances as at 30 June 2014.

Post-employment Medical Aid Liabilities

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014	2013
		R	R

Valuation of Assets

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

Financial Variables

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates. We have assumed the following values for these variables:

	Assumed Value 30 June 2014 Current Valuation	Assumed Value 30 June 2013 Preceding Valuation
Discount Rate	8.94%	7.89%
CPI (Consumer Price Inflation)	7.05%	6.14%
Medical Aid Contribution Inflation	8.05%	7.14%
Net Effective Discount Rate	0.82%	0.70%

Discount Rate

The determination of the Discount rate assumption to be used is as follows:

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

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS

for the period ending 30 June 2014

	Note	2014 R	2013 R
<p>The discount rate was therefore set as the yield of the R209 South African government bond as at the valuation date. The actual yield on the R209 bond was sourced from the RMB Global Markets website on the 30th of June 2014.</p>			

Medical Aid Inflation

The medical aid inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate Inflation. We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional South African government bond yields (R209) and current index-linked SA government bond yields (R202).

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Accrued Liability

The accrued liability is given below and is split between the current employees and continuation members (pensioners).

Category	Valuation R	Valuation R
Current (In Service) Members	-	-
Continuation Members (Pensioners)	3 268 000	4 209 000
Total	3 268 000	4 209 000

Capricorn District Municipality
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for the period ending 30 June 2014

	Note	2014	2013
		R	R

Interest Cost

The Interest Cost represents the accrual of interest on the Accrued Liability, allowing for benefit payments, over the corresponding year. This arises because the post-employment medical aid scheme contributions are one year closer to payment.

Category	Valuation To be used in the 30 June 2015 Actuarial Loss/(Gain) calculation R	Valuation To be used in the 30 June 2014 Actuarial Loss/(Gain) calculation R
Interest Cost	282 000	323 000

Current Service Cost

The Current Service Cost reflects the additional liability that is expected to accrue in respect of in service members' service over the corresponding year.

Sensitivity Analysis

As mentioned in the introduction of this report, the valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of mortality;
- 1% increase/decrease in the Medical Aid inflation.

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS

for the period ending 30 June 2014

	Note	2014	2013
		R	R

Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%.

The effect is as follows:

	-20% Mortality rate R	Valuation Assumption R	20% Mortality rate R
Total Accrued Liability	3 576 000	3 268 000	3 027 000
Interest Cost	310 000	282 000	261 000
Service Cost	-	-	-

Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the

	-1% Medical aid inflation R	Valuation Assumption R	+1% Medical aid inflation R
Total Accrued Liability	2 952 000	3 268 000	3 646 000
Interest Cost	254 000	282 000	316 000
Service Cost	-	-	-

Actuarial Loss/(Gain)

The combined Accrued Liability in respect of Post employment medical aid liability is built up as follows:

	Current	1 Year	2 Years
PV of the obligation as at the previous valuation date	4 209 000	3 268 000	3 318 000
Current Service Cost	-	-	-
Interest Cost	323 000	282 000	286 000
Benefits Paid	(303 901)	(232 000)	(243 000)
Actuarial Loss / (Gain)	(960 099)	-	-
PV of the obligation as at the current	3 268 000	3 318 000	3 361 000

Capricorn District Municipality
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Note	2014	2013
	R	R

32.2 Long service award liability

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee’s long service award is projected to the next interval by allowing for future salary growth.

The table below contains a summary of the benefit policy:

Completed Years of Service	Total Long Service Benefit Award (% of Annual Salary)	Formula used to calculate Total Long Service Benefit Award
10	4%	$(10/250) * \text{Annual Salary}$
15	8%	$(20/250) * \text{Annual Salary}$
20, 25, 30, 35, 40, and 45	12%	$(30/250) * \text{Annual Salary}$

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service as set out in the next section of this report.

The accrued liability is determined on the basis that each employee’s long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

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	Note	2014	2013
		R	R

Valuation of Assets

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

Valuation Assumptions

Financial Variables

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates. We have assumed the following values for these variables:

	Assumed Value Current Valuation	Assumed Value Preceding Valuation
Discount Rate	8.94%	7.89%
CPI (Consumer Price Inflation)	7.05%	6.14%
Medical Aid Contribution Inflation	8.05%	7.14%
Net Effective Discount Rate	0.82%	0.70%

Discount Rate

The determination of the Discount rate assumption to be used is as follows:

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

Capricorn District Municipality
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	Note	2014 R	2013 R
<p>The discount rate was therefore set as the yield of the R209 South African government bond as at the valuation date. The actual yield on the R209 bond was sourced from the RMB Global Markets website on the 30th of June 2014.</p>			

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R208) and current index-linked bond yields (R197). The actual yield on the R208 and R197 South African government bonds was sourced from the RMB Global Markets website. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2014 of 6.79%. The next salary increase was assumed to take place on 01 July 2015.

In addition to the normal salary inflation rate, we assumed the following promotional salary increases:

Age Band	Promotional Increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45 and over	0

Average Retirement Age

The average retirement age for all active employees was assumed to be 58 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS

for the period ending 30 June 2014

Note	2014 R	2013 R
Current Service Cost		
The Current Service Cost reflects the additional liability that is expected to accrue in respect of in service members' service over the corresponding year.		
	Valuation To be used in the 30 June 2015 Actuarial Loss/(Gain) calculation R	Valuation To be used in the 30 June 2014 Actuarial Loss/(Gain) calculation R
Eligible in service employees	927 000	575 000

Actuarial Loss/(Gain)

The combined Accrued Liability in respect of Long Service Leave Awards is built-up as follows:

	Current Valuation Date 30 June 2014 R	1 Year Following the Valuation date R	2 Years Following the Valuation Date R
PV of the obligation as at the previous valuation date	4 845 000	9 331 000	9 278 000
Current Service Cost	575 000	927 000	953 146
Interest Cost	363 000	749 000	702 635
Benefits Paid	(351 769)	(1 729 000)	(1 855 000)
Actuarial Loss / (Gain)	1 449 769	-	-
PV of the obligation as at the current valuation date	9 331 000	9 278 000	9 078 781

Sensitivity Analysis

As mentioned in the introduction of this report, the valuation is only an estimate of the cost of providing Long service leave award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R
- 20% increase/decrease in the assumed level of withdrawal rates;			
- 1% increase/decrease in the Normal Salary cost inflation			

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate R	Valuation Assumption R	20% Withdrawal rate R
Total Accrued Liability	9 884 000	9 331 000	8 842 000
Current Service Cost	1 024 000	927 000	846 000
Interest Cost	797 000	749 000	707 000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

	-1% Normal salary inflation R	Valuation Assumption R	1% Normal salary inflation R
Total Accrued Liability	9 331 000	9 331 000	10 548 000
Current Service Cost	927 000	927 000	1 097 000
Interest Cost	749 000	749 000	853 000

	Note	2014 R	2013 R
33	<p>KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS</p> <p>In using estimates a number of assumptions are required. GRAP 1 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 1 and in discussion with the professional consultants.</p> <p>The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the estimate and it is very important to monitor how this difference changes from one year's estimate to the next.</p> <p>The following areas involve a significant degree of estimation uncertainty:</p> <ul style="list-style-type: none"> * Useful lives and residual values of property, plant, and equipment * Recoverable amounts of property, plant <ul style="list-style-type: none"> * Present value of defined benefit obligation * Provision for doubtful debts * Impairment of assets * Provision for long-term service award and medical aid benefits <p>The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:</p> <ul style="list-style-type: none"> * Impairment of assets * Provisions 		
34	<p>RISK MANAGEMENT</p>		
34.1	<p><u>Maximum credit risk exposure</u></p> <p>Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.</p>		

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
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	Note	2014	2013
		R	R
<p>Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.</p>			
<p>34.2 <u>Liquidity risk</u></p> <p>The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.</p> <p>Cash flow forecasts are prepared.</p>			
<p>34.3 <u>Interest rate risk</u></p> <p>As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.</p> <p><i>OR</i></p> <p>The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.</p>			

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R
35	IMPAIRMENT LOSS	9 449 013	14 938 090

During the year an impairment test, was performed on all categories of Property, Plant and Equipment. The method which was used to determine the recoverable amount was the higher of fair value less costs and value in use. The impairment existed in the category of roads infrastructure.

Fair value less damages and value in use

Because the unbundling of the infrastructure assets was done recently, the value in use and the fair value was deemed to be the same, other than the fact that it can differ if the infrastructure has significant damages. As such the recoverable amount being the greater of fair value less cost and value in use, differed with each with the costs of damages of the said infrastructure.

The engineer estimated the costs of damages of each class of infrastructure assets based on quoted prices available in the market to restore the infrastructure and the professional knowledge based on the industry norms.

36 REASSESSMENT LOSS

GRAP 17 Paragraph 61 state that the residual value and the useful life of an asset shall be reviewed at least at each reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In the financial 2013-2014 an assessment was done however no adjustments were made and therefore no impairment loss was recognised.

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R
<u>Reassessment</u>			
Machinery and equipment / Office		-	1 415 264
Furniture & Fittings		-	3 715 029
Motor vehicles		-	159 000
Computer equipment		-	737 866
Buildings		-	1 649 714
		-	7 676 873

35 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix B

The budget is approved on an accrual basis using a classification based on the nature of expenses. The approved budget covers the period from 01 July 2013 to 30 June 2014. The budget and accounting basis are the same.

35.1 Revenue

Service Charges

Billing increased with due to the cost recovery project that was implemented.

Investment Revenue

A higher return on investment was achieved than anticipated.

Transfers Recognised

Grants recognised is higher due to conditions being met from roll-over funds.

Other Own Revenue

Included in the budget for own revenue was funds due from SARS for VAT. These funds are recognised as debtors.

35.2 Expenditure

Employee related costs

Not all positions were filled during the financial year.

Remuneration of councillors

Budget on councillors exceeded due to back pay of upper limits.

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R
36	Changes in accounting estimates, errors and disclosure		
	<u>Accounting errors</u>		
36.1	<u>Assets not capitalised</u>		
	During 2013, borehole pumps with a value of R 745 570 were expensed under general expenses. This error was corrected by capitalising these pumps and writing of depreciation of R 3 107 in 2013:		
	Depreciation	-	(1 363)
	General expenses	-	(745 570)
	Water infrastructure assets	-	745 570
	Accumulated depreciation water infrastructure	-	1 363
	During 2013, buildings with a value of R 9 056 551 were donate to the municipality but not capitalised. This was corrected and the following accounts were affected for 2013:		
	Other income - donations		9 056 551
	Buildings - cost		9 056 551
36.2	<u>Discrepancies in the dates of employment in the 2013 valuation data</u>		
	Actuarial loss/(gain) as previously stated	3 899 769	(2 443 787)
	Accounting error	(2 450 000)	2 450 000
		1 449 769	6 213

There were discrepancies in the dates of employment in the valuation data's membership. We queried this with the client and upon further investigation by the client they concluded that the 2013 valuation data contained incorrect dates of employment for a number of employees. This caused the liability change by an increase of R 2 450 000

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS

for the period ending 30 June 2014

	Note	2014 R	2013 R
36.3	<u>Roads belonging to RAL capitalised as own assets</u> During 2010 capital expenditure incurred on the building of roads were capitalised as own assets. However during the current year it was gazetted that all district roads belong to Roads Agency Limpopo. These roads were subsequently de-recognised as assets. Affected accounts were adjusted as follows:		
	Depreciation 2013	-	(7 490 062)
	Accumulated depreciation roads		7 490 062
	Roads - cost 2012	-	(278 433 294)
	Roads - accumulated depreciation 2012		80 655 877
36.4	<u>Correction in water debtors</u> Accounts Receivable- Water		(5 488 788)
	Accounts Payable- Water		4 968 503
	Provision for bad debt- Water		520 285
36.5	<u>Correction in water infrastructure</u>	Original	Revised
	Cost	1 197 315 037	1 202 911 980
	Accumulated depreciation	(328 603 600)	(330 608 755)
			<u>3 591 788</u>
	The prior year difference was as a result of diesel engines and and electrical motors that were not previously included in the annual financial statements		
36.6	<u>Correction in sanitation infrastructure</u>	Original	Revised
	Accumulated depreciation	(5 999 228)	(6 414 803)
	Net impact on accumulated surplus		<u>(415 575)</u>
	Correction of mathematical errors in accumulated depreciation in sanitation asset class		
36.7	<u>Correction in moveable assets</u>	Original	Revised
	Cost		Difference
	Computer Equipment	6 522 126	6 531 261
	Fixture & Fittings	10 824 690	10 169 640
	Machinery and Equipment	6 751 074	6 754 312
	Lease machines	6 384 538	6 925 994
	Buildings	61 648 103	70 704 654
	Net impact on accumulated surplus		<u>8 955 330</u>

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
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	Note	2014 R	2013 R
The error was as a result of additional assets identified from the asset verification that was not previously on the asset register and misallocations between the asset classes			
Accumulated depreciation	Revised	Original	Difference
Computer Eq	1 818 048	1 826 771	8 723
Fixture & Fittings	3 616 180	6 173 412	2 557 232
Machinery and Equipment	2 462 909	2 466 040	3 131
Motor Vehicules	13 164 924	21 205 550	8 040 626
Lease machines	5 862 710	3 366 618	(2 496 092)
Buildings	13 438 045	13 098 424	(339 621)
Net impact on accumulated surplus			<u><u>7 773 999</u></u>

The error was as a result of additional assets identified from the asset verification that was not previously on the asset register and misallocations between the asset classes

In addition, the motor vehicles had to be reassessed for useful lives from the prior financial years

36.4 Roads belonging to RAL capitalised as own assets

During 2014 SARS refunded CDM R1 363 for VAT Input that related to 2011. Affected accounts were adjusted as follows:

VAT Input 2012	-	1 363
Adjustment to retained earnings 2012	-	<u><u>1 363</u></u>

36.5 Changes in disclosure of comparative information

The following disclosure in comparative information was

	2013 R
<u>Employee related costs as previously reported</u>	176 960 751
<u>Contributions for UIF, pensions and medical aids</u>	
Union levies to be disclosed as part of other employee	<u>(32 497)</u>
	<u>(32 497)</u>

Capricorn District Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the period ending 30 June 2014

Note	2014 R	2013 R
<u>Travel, motor car, subsistence and other allowances</u>		
Overtime premiums disclosed as part of ravel, motor car,		(5 573 652)
Car allowances was disclosed as part of other employee		13 733 091
		<u>8 159 439</u>
<u>Overtime payments</u>		
Overtime premiums disclosed as part of ravel, motor car,		5 573 652
Special allowance disclosed as part of overtime payments		(656 830)
		<u>4 916 822</u>
<u>Other employee related costs</u>		
Union levies to be disclosed as part of other employee		32 497
Special allowance disclosed as part of overtime payments		656 830
Employee assistant programme disclosed as part of other general expenses		240 432
Car allowances was disclosed as part of other employee		(13 733 091)
		<u>(12 803 332)</u>
Employee related costs restated		<u>177 201 183</u>
<u>Debt impairment as previously reported on face of statement of financial performance</u>		
		-
Debt impairment as previously reported as part of general expenses		52 539 917
Debt impairment restated on face of statement of financial performance		<u>52 539 917</u>
<u>Repairs and maintenance as previously reported</u>		
Repairs and maintenance previously reported as other general expenses		3 732 382
Repairs and maintenance previously reported as other general expenses		66 000
Repairs and maintenance previously reported as other general expenses		101 724
Repairs and maintenance previously reported as other general expenses		14 733 294
Repairs and maintenance restated		<u>18 633 400</u>
<u>Finance cost as previously reported</u>		
Other interest and similar expenses previously reported as part of general expenditure		213 451
		97 241
Finance cost restated		<u>310 692</u>

Capricorn District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the period ending 30 June 2014

	Note	2014 R	2013 R
<u>Contracted services as previously reported on face of statement of financial performance</u>			4 818 723
Contracted services reported as part of general expenses			(4 818 723)
Contracted services on face of statement of financial performance restated			-
<u>Grants and subsidies paid as previously reported</u>			800 000
O&M Transfers previously reported as part of general expenses			7 185 645
Grants and subsidies paid restated			7 985 645
<u>General expenses as previously reported</u>			199 528 218
Employee assistant programme disclosed as part of other general expenses			(240 432)
Debt impairment reported on the statement of financial performance			(52 539 917)
Repairs and maintenance reported on the statement of financial performance			(14 901 018)
Other interest and similar expenses reported as finance cost			(97 241)
Contracted services reported as part of general expenses			4 818 723
O&M Transfers previously reported as part of general expenses			(7 185 645)
Loss from external product price differences			(1 334)
Gain-inventory differences			26 782
Gain -valuation			3 418 939
Accounting error			(745 570)
Loss-inventory differences			(29 413)
			132 052 093
37 Distribution loss			
Net loss in Rands		18 143 987	18 447 043
% Loss on purchases of water		31.88%	36.52%

There is 5% reduction on loss due to cost recovery being implemented and operations and maintenance of infrastructure assets

Capricorn District Municipality
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2014

	Cost / Revaluation				Accumulated Depreciation and Impairments					Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Land	11 861 500	-	-	11 861 500	-	-	-	-	-	11 861 500
Buildings	70 704 654	-	-	70 704 654	(13 438 045)	(2 318 880)	-	-	(15 756 925)	54 947 729
Infrastructure										
Sewerage Mains & Purification	24 674 582	2 987 114	-	27 661 696	(6 402 405)	(1 329 637)	-	-	(7 732 041)	19 929 655
Electricity Peak Load Equipment	1 491 695	-	-	1 491 695	(408 727)	(204 363)	-	-	(613 090)	878 605
Water Mains & Purification	1 202 911 980	134 471 029	(387 869)	1 336 995 140	(343 996 680)	(28 575 403)	15 375	-	(368 610 591)	968 384 549
Under construction	334 557 790	57 566 763		391 817 424	-	-	-	-	-	391 817 424
	1 563 636 048	195 024 906	(387 869)	1 757 965 956	(350 807 811)	(30 109 403)	15 375	-	(376 955 722)	1 381 010 234
Other Assets										
Office Equipment	6 754 312	575 210	(27 918)	7 319 144	(2 462 909)	(1 064 598)	15 742	-	(3 511 765)	3 807 380
Furniture & Fittings	10 169 640	2 224 584	(847 776)	12 966 878	(6 109 272)	(1 461 984)	378 105	-	(7 193 151)	5 773 727
Motor vehicles	44 291 800	2 631 177	(476 557)	46 446 421	(13 164 924)	(4 488 057)	419 262	-	(17 233 720)	29 212 701
Computer Equipment	6 531 261	1 559 245	(322 218)	7 768 288	(1 818 048)	(962 462)	142 037	-	(2 638 474)	5 129 815
	67 747 014	6 990 216	(1 674 470)	74 500 732	(23 555 153)	(7 977 102)	955 146	-	(30 577 109)	43 923 623
Finance Lease Assets	6 925 994	4 264 743	(6 384 538)	4 806 200	(3 369 618)	(1 457 106)	4 176 306	-	(650 417)	4 155 782
Total	1 720 875 210	206 279 865	(8 446 876)	1 919 839 041	(391 170 627)	(41 862 490)	5 146 827	-	(423 940 173)	1 495 898 868

Capricorn District Municipality
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2014

2013	Cost / Revaluation				Accumulated Depreciation and Impairments					Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/ Reversal impairment loss	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Land	11 861 500	-	-	11 861 500	-	-	-	-	-	11 861 500
Buildings	61 466 933	9 237 721	-	70 704 654	(11 574 544)	(1 863 501)	-	-	(13 438 045)	57 266 609
Infrastructure										
Sewerage Mains & Purification	24 674 582	-	-	24 674 582	(4 926 863)	(1 475 541)	-	-	(6 402 405)	18 272 177
Electricity Peak Load Equipment	1 491 695	-	-	1 491 695	(204 363)	(204 363)	-	-	(408 727)	1 082 968
Water Mains & Purification	1 159 053 175	45 010 163	(1 151 358)	1 202 911 980	(305 237 682)	(25 732 187)	361 114	(13 387 924)	(343 996 680)	858 915 301
Under construction	140 550 652	194 007 138	-	334 557 790	-	-	-	-	-	334 557 790
	1 325 770 104	239 017 302	(1 151 358)	1 563 636 048	(310 368 908)	(27 412 092)	361 114	(13 387 924)	(350 807 811)	1 212 828 237
Other Assets										
Office Equipment	5 227 795	1 526 517	-	6 754 312	(1 420 912)	(1 045 128)	3 131	-	(2 462 909)	4 291 403
Furniture & Fittings	7 797 113	2 372 528	-	10 169 640	(5 570 015)	(539 257)	-	-	(6 109 272)	4 060 368
Motor vehicles	40 815 038	3 895 963	(419 200)	44 291 800	(11 209 562)	(2 506 516)	48 907	502 248	(13 164 924)	31 126 876
Computer Equipment	5 070 746	1 518 329	(57 813)	6 531 261	(1 695 168)	(255 823)	36 116	96 826	(1 818 048)	4 713 213
	58 910 690	9 313 336	(477 013)	67 747 014	(19 895 657)	(4 346 725)	88 154	599 074	(23 555 153)	44 191 860
Finance Lease Assets	6 925 994	-	-	6 925 994	(2 305 528)	(1 064 090)	-	-	(3 369 618)	3 556 377
Total	1 464 935 222	257 568 358	(1 628 371)	1 720 875 210	(344 144 636)	(34 686 408)	449 268	(12 788 851)	(391 170 627)	1 329 704 583

Capricorn District Municipality
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION
for the period ending 30 June 2014

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income / Expense	Variance	Actual outcome As % Of Final Budget	Actual Outcome As % Of Original Budget
	R	R	R	R	R	R	R	R
Financial Performance								
Service Charges	46 140 550	(18 248 500)	-	27 892 050	36 033 006	(8 140 956)	29%	18%
Investment Revenue	18 376 000	(776 000)	-	17 600 000	20 153 761	(2 553 761)	15%	14%
Transfers Recognised	428 340 505	58 829 117	5 309 551	492 479 173	608 334 022	(115 854 849)	24%	27%
Other Own Revenue	42 343 800	(12 076 837)	-	30 266 963	31 236 892	(969 929)	3%	2%
Total Revenue	535 200 855	27 727 780	5 309 551	568 238 186	695 757 682	(127 519 496)	22%	24%
Employee related costs	216 687 600	(11 191 225)	-	205 496 375	198 391 415	7 104 960	-3%	-3%
Remuneration of councillors	7 896 000	1 770 000	-	9 666 000	11 559 867	(1 893 867)	20%	24%
Debt impairment	31 507 505	(3 615 455)	-	27 892 050	7 953 966	19 938 084	-71%	-63%
Depreciation and amortisation	100 418 900	(20 527 500)	400	79 891 800	42 774 533	37 117 267	-46%	-37%
Finance costs	454 700	-	-	454 700	511 055	(56 355)	12%	12%
Bulk purchases	55 000 000	(6 000 000)	961 000	49 961 000	49 930 863	30 137	0%	0%
General expenses	223 655 450	46 764 460	4 348 151	274 768 061	226 048 371	48 719 689	-18%	-22%
Total Expenditure	635 620 155	7 200 280	5 309 551	648 129 986	537 170 071	110 959 915	-17%	-17%
Surplus/(Deficit)	(100 419 300)	20 527 500	-	(79 891 800)	158 587 611	(238 479 411)	299%	-158%
Transfers Recognised - Capital	-	-	-	-	(147 373 208)	(147 373 208)	100%	100%
Surplus/(Deficit) For The Year	(100 419 300)	20 527 500	-	(79 891 800)	11 214 403	(385 852 619)	-14%	-11%

Capricorn District Municipality
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION
for the period ending 30 June 2014

Net Cash From (Used)									
Operating	226 542 856	(64 280 053)	-	162 262 803	245 761 499	(83 498 696)	51%	37%	
Net Cash From (Used) Investing	(252 510 562)	(73 749 947)	-	(326 260 508)	(206 057 583)	(120 202 925)	-37%	-48%	
Net Cash From (Used) Financing	-	-	-	-	(1 370 914)	1 370 914	0%	0%	
Cash Equivalents At The Year End	(25 967 706)	(138 030 000)	-	(163 997 706)	38 333 002	(202 330 708)	-23%	-148%	

Reconciliation Of Budget Surplus/Deficit With The Surplus/Deficit In The Statement Of Financial Performance

Net Surplus/(Deficit) Per The Statement Of Financial Performance	158 587 611
<i>Adjusted For:</i>	
Differences in revenue	(127 519 496)
Employee related costs	(7 104 960)
Remuneration of councillors	1 893 867
Debt impairment	(19 938 084)
Depreciation and amortisation	(37 117 267)
Finance costs	56 355
Bulk purchases	(30 137)
General expenses	(48 719 689)
Net Surplus/(Deficit) Per Approved Budget	(79 891 800)