

**Capricorn District Municipality**  
**Audited financial statements**  
for the period ending 30 June 2015

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Province: Limpopo  
AFS rounding: R (i.e. only cents)

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|--------------------------------------|--|
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**Capricorn District Municipality**  
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for the period ending 30 June 2015

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**Members of the Council**

Kganyago, Manyosi Gilbert  
Lekganyane, Nakedi Maria  
Masoga, Matome Calvin  
Matsaung, Moroamokopane Jack  
Dandane, Pheeha Gabriel  
Kgare, Makwena Betty  
Mashangoane Puleng Roseline  
Mahlo, Nhlagongwe Patricia  
Seakamela, Nakedi Winnie  
Boloka Mushaisane Phineas  
Kgatla, Kwena Elizabeth  
Mohale, Maite Monicah  
Seokotsa, Morongwa Meriam  
Matlou, Jack Molatelo

Peta, Makgodu, Melidah

Sebone Joseph  
Chauke, Hlopheka Errol

Tawana, Makoma Pauline  
Tsoai, Malebana Eliphus  
Leshilo, Mogole Shylock  
Mapoulo, Makgabo Lawrence  
Baloyi, Hlangane Patrick  
Ntsoane, Monile Augustine  
Moropa, Joel Madimetja  
Manthata, Tekano Wilheminah  
Semenya, Raesetja Anna  
Mkohliswa Sithembele  
Monyetshwale Sepuki Johannes  
Maleboho, Mashilo Gilbert  
Mphahlele, Masedile Richard  
Molatjane, Mmasefela Lilly  
Vilankulu, Raisibe Julia  
Ramalla, Tshepho Alex

Ramaesela, Francina Mmako

Mehlape, Queen Nkele  
Sono, Mpho Mahlatse Pauline  
Tsheola, Kwena Gloria  
Morwana, Makwena Hamilton  
Maja, Maengela Josephinah  
Mamabolo, Sophonia Nkganeng

Sello, Moruti Jerimiah

**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 : Committee of Chairpersons  
Chairperson : Corporate Services Portfolio Committee  
Chairperson : Infrastructure Services  
Chairperson : Community Services Portfolio Committee -  
Declared elected with effect from the 2nd December 2014,  
replacing Tjale, Moganela Sina who had resigned  
Chairperson : Strategic Executive Management Services  
Portfolio Committee  
Chairperson : Finance Portfolio Committee  
Chairperson : Development Planning and Environmental  
Management Services  
Chairperson : Municipal Public Accounts Committee  
Chairperson : Ethics, Rules & Integrity Committee  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member - Declared elected with effect from the 2nd December  
2014, replacing Makgati Rheineth Thobejane who passed on in  
March 2013  
Member  
Member  
Member  
Member  
Member  
Member  
Member - Resigned and replaced by Mathabatha, Mmaketu  
Adolph effective from 2nd December 2014

**Capricorn District Municipality**  
**Audited financial statements**  
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**Members of the Council**

|                             |   |
|-----------------------------|---|
| Mathabatha, Mmaketu Adolph  | Member - Declared elected with effect from the 2nd December 2014, replacing Sello, Moruti Jerimiah      |
| Manong, Makgoka Alphius     | Member  |
| Sedibane, Modiba John       | Member  |
| Setjie, Ngako David         | Member  |
| Botha, Androi Hendrina      | Member  |
| Raletjena, Mokgadi Jeridah  | Member  |
| Makgalo, Ntshwamare Godfrey | Member  |
| Seduma, Matee Derrick       | Member  |
| Mathidza, Sewela Elisa      | Member  |
| Mokgehle, Pitsi Saldinah    | Member  |
| Kganyago, Mashiba William   | Member - Resigned and replaced by Moraba, Maphuti Betty from 18 December 2015                           |
| Moraba, Maphuti Betty       | Member - Declared elected with effect from the 18th December 2015, replacing Kganyago, Mashiba William. |
| Cholo, Seloana Salome       | Member  |
| Lediga, Mathabatha Abram    | Member  |

**Municipal Manager (Acting)**

Matlala M

**Chief Financial Officer (Acting)**

Nephawe T

**Grading of Local Authority**

Category B - Grade 4

**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](mailto:info@cdm.org.za)

**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 17 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.

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**Acting Municipal Manager**

*DATE*

**Capricorn District Municipality**  
**Audited financial statements**  
for the period ending 30 June 2015

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**Capricorn District Municipality**  
**Statement of financial position**  
as at 30 June 2015

|  | Note | 2015<br>R            | 2014<br>Restated<br>R |
|--|------|----------------------|-----------------------|
| <b>ASSETS</b>  |      |                      |                       |
| <b>Current assets</b>                                      |      |                      |                       |
| Cash and cash equivalents                                  | 1    | 238,328,411          | 292,586,937           |
| Receivables from exchange transactions                     | 2    | 51,147,682           | 23,525,099            |
| Inventories  | 3    | 7,794,979            | 7,115,978             |
| Prepayments  | 4    | 2,521,718            | 2,058,536             |
| VAT receivable   | 5    | 36,338,064           | 19,811,044            |
|  |      | 336,130,855          | 345,097,593           |
| <b>Non-current assets</b>                                  |      |                      |                       |
| Property, plant and equipment                              | 6    | 1,775,007,450        | 1,464,882,973         |
| Intangible assets  | 7    | 18,192,233           | 4,594,331             |
|  |      | 1,793,199,682        | 1,469,477,304         |
| <b>Total assets</b>  |      | <b>2,129,330,537</b> | <b>1,814,574,897</b>  |
| <b>LIABILITIES</b>   |      |                      |                       |
| <b>Current liabilities</b>                                 |      |                      |                       |
| Payables from exchange transactions                        | 9    | 135,245,326          | 113,891,826           |
| Current provisions   | 10   | 13,385,196           | 14,427,243            |
| Current portion of unspent conditional grants and receipts | 11   | 77,201,781           | 105,945,103           |
| Current portion of finance lease liability                 | 12   | 1,572,427            | 1,439,667             |
|  |      | 227,404,730          | 235,703,839           |
| <b>Non-current liabilities</b>                             |      |                      |                       |
| Non-current portion of finance lease liability             | 12   | 1,277,549            | 2,849,976             |
| Non-current provisions                                     | 8,13 | 28,168,136           | 23,333,716            |
|  |      | 29,445,685           | 26,183,692            |
| <b>Total liabilities</b>                                   |      | <b>256,850,415</b>   | <b>261,887,531</b>    |
| <b>Net assets</b>  |      | <b>1,872,480,123</b> | <b>1,552,687,366</b>  |
| <b>NET ASSETS</b>  |      |                      |                       |
| Accumulated surplus / (deficit)                            |      | 1,872,480,123        | 1,552,687,366         |
| <b>Total net assets</b>                                    |      | <b>1,872,480,123</b> | <b>1,552,687,366</b>  |

**Capricorn District Municipality**  
**Statement of financial performance**  
for the period ending 30 June 2015

|   | Note | 2015<br>R          | 2014<br>Restated<br>R |
|---|------|--------------------|-----------------------|
| <b>Revenue from exchange transactions</b>     | 14   |                    |                       |
| Service charges                               |      | 44,299,735         | 36,033,006            |
| Interest earned - outstanding receivables     |      | 9,908,548          | 3,093,261             |
| Interest earned - external investments        |      | 21,439,028         | 20,153,761            |
| Other income                                  |      | 1,230,331          | 873,355               |
|   |      | 76,877,642         | 60,153,384            |
| <b>Revenue from non-exchange transactions</b> | 15   |                    |                       |
| Government grants and subsidies               |      | 820,674,649        | 653,636,413           |
| Other income                                  |      | 3,671,016          | 17,163,121            |
|   |      | 824,345,666        | 670,799,534           |
| <b>Total revenue</b>                          |      | <b>901,223,308</b> | <b>730,952,918</b>    |
| <b>Expenses</b>                               |      |                    |                       |
| Employee related costs                        | 16   | 215,376,687        | 198,395,596           |
| Remuneration of councillors                   | 17   | 11,404,706         | 10,899,977            |
| Debt impairment                               | 2.1  | 18,857,651         | 24,623,705            |
| Commission paid                               | 18   | 41,412,817         | 14,502,563            |
| Depreciation and amortisation expense         | 19   | 44,930,552         | 43,395,345            |
| Derecognition of assets                       | 20   | 1,007,259          | 918,394               |
| Repairs and maintenance                       | 21   | 37,691,530         | 57,626,321            |
| Finance costs                                 | 22   | 358,221            | 524,003               |
| Bulk purchases                                | 23   | 46,783,840         | 49,930,863            |
| General expenses                              | 31   | 160,182,352        | 133,709,430           |
| <b>Total expenses</b>                         |      | <b>578,005,615</b> | <b>534,526,196</b>    |
| Gain / (loss) on disposal of assets           |      | -1,745,674         | -8,230,657            |
| (Impairment loss)/reversal of impairment loss | 6.1  | -1,295,558         | 2,851,214             |
| Gain / (loss) on actuarial adjustment         | 24   | -383,704           | -489,670              |
| <b>Surplus for the period</b>                 |      | <b>319,792,756</b> | <b>190,557,608</b>    |

**Capricorn District Municipality**  
**Statement of changes in net assets**  
as at 30 June 2015

|   |             | <b>Revaluation<br/>Reserve</b> | <b>Accumulated<br/>Surplus/<br/>(Deficit)</b> | <b>Total: Net<br/>Assets</b> |
|---|-------------|--------------------------------|---|------------------------------|
|   | <b>Note</b> | <b>R</b>                       | <b>R</b>                                      | <b>R</b>                     |
| <b>Balance as at 1 June 2013 (as previously reported)</b> |             | -                              | 1,385,551,559                                 | 1,385,551,559                |
| Prior period error  | 37          | -                              | (23,421,801)                                  | (23,421,801)                 |
| <b>Balance as at 1 June 2013 (restated)</b>               |             | -                              | <b>1,362,129,758</b>                          | 1,362,129,758                |
| Surplus for the period (restated)                         |             | -                              | 190,557,608                                   | 190,557,608                  |
| Prior period error  | 37          | -                              | 18,359,736                                    | 18,359,736                   |
| Surplus for the period (as previously reported)           |             | -                              | 172,197,873                                   | 172,197,873                  |
| <b>Balance as at 30 June 2014 (restated)</b>              |             | -                              | <b>1,552,687,366</b>                          | <b>1,552,687,366</b>         |
| Surplus for the period                                    |             | -                              | 319,792,756                                   | 319,792,756                  |
| <b>Balance as at 30 June 2015</b>                         |             | -                              | <b>1,872,480,123</b>                          | <b>1,872,480,123</b>         |



Capricorn District Municipality

**CASH FLOW STATEMENT**

as at 30 June 2015

|   | Note | 2015<br>R            | 2014<br>R            |
|---|------|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |      |                      |                      |
| <b>Receipts</b>   |      | <b>805,338,532</b>   | <b>678,102,958</b>   |
| Grants  |      | 791,931,327          | 652,413,069          |
| Interest received   |      | 31,347,576           | 23,247,022           |
| Other receipts  |      | (17,940,372)         | 2,442,867            |
| <b>Payments</b>   |      | <b>(486,079,524)</b> | <b>(435,375,323)</b> |
| Employee costs  |      | (222,989,021)        | (206,021,566)        |
| Suppliers   |      | (262,732,282)        | (228,829,754)        |
| Interest paid   |      | (358,221)            | (524,003)            |
| <b>Net cash flows from operating activities</b>                 | 26   | <b>319,259,008</b>   | <b>242,727,635</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |      |                      |                      |
| Purchase of fixed assets (PPE)                                  |      | (355,815,739)        | (201,955,246)        |
| Purchase of intangibles   |      | (16,528,790)         | (1,770,573)          |
| Proceeds/(Deficit) on disposal of assets                        |      | 266,664              | 702,100              |
| <b>Net cash flows from investing activities</b>                 |      | <b>(372,077,866)</b> | <b>(203,023,719)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |      |                      |                      |
| Repayment of finance lease liability                            |      | (1,439,667)          | (1,370,914)          |
| <b>Net cash flows from financing activities</b>                 |      | <b>(1,439,667)</b>   | <b>(1,370,914)</b>   |
| <b>Net increase/(decrease) in net cash and cash equivalents</b> |      | (54,258,525)         | 38,333,002           |
| <b>Net cash and cash equivalents at beginning of period</b>     |      | 292,586,937          | 254,253,935          |
| <b>Net cash and cash equivalents at end of period</b>           | 1    | <b>238,328,411</b>   | <b>292,586,937</b>   |

**Capricorn District Municipality**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

for the period ending 30 June 2015

| Description                           | Actual 2014         | Original Budget     | Budget                                     | Virement                         | Final Budget        | 2015 Actual Income / Expense | Variance            | Actual                       | Actual                          |  |
|---------------------------------------|---------------------|---------------------|--|----------------------------------|---------------------|------------------------------|---------------------|------------------------------|---------------------------------|--|
|                                       |                     |                     | Adjustments (i.t.o. s28 & s31 Of The MFMA) | (i.t.o. Council Approved By-law) |                     |                              |                     | outcome As % Of Final Budget | outcome As % Of Original Budget |  |
|                                       |                     |                     | R  | R                                | R                   | R                            | R                   | R                            | R                               |  |
| <b>Financial Performance</b>          |                     |                     |  |                                  |                     |                              |                     |                              |                                 |  |
| Service Charges                       | 36,033,006          | 37,654,000          | -  | -                                | 37,654,000          | 44,299,735                   | (6,645,735)         | 118%                         | 118%                            |  |
| Investment Revenue                    | 20,153,761          | 17,584,000          | 3,000,000                                  | -                                | 20,584,000          | 21,439,028                   | (855,028)           | 104%                         | 122%                            |  |
| Transfers Recognised                  | 412,766,617         | 491,226,000         | 42,374,877                                 | (1,141,798)                      | 532,459,079         | 468,948,708                  | 63,510,372          | 88%                          | 95%                             |  |
| Other Own Revenue                     | 21,129,737          | 57,780,000          | (8,013,821)                                | -                                | 49,766,179          | 14,809,896                   | 34,956,284          | 30%                          | 26%                             |  |
| <b>Total Revenue</b>                  | <b>490,083,122</b>  | <b>604,244,000</b>  | <b>37,361,056</b>                          | <b>(1,141,798)</b>               | <b>640,463,258</b>  | <b>549,497,366</b>           | <b>90,965,892</b>   | <b>86%</b>                   | <b>91%</b>                      |  |
| Employee related costs                | 198,395,596         | 249,045,000         | (28,395,000)                               | -                                | 220,650,000         | 215,376,687                  | 5,273,313           | 98%                          | 86%                             |  |
| Remuneration of councillors           | 10,899,977          | 11,879,000          | 320,000                                    | -                                | 12,199,000          | 11,404,706                   | 794,294             | 93%                          | 96%                             |  |
| Debt impairment                       | 24,623,705          | 26,358,000          | -  | -                                | 26,358,000          | 18,857,651                   | 7,500,349           | 72%                          | 72%                             |  |
| Depreciation and amortisation         | 43,395,345          | 80,790,000          | -  | -                                | 80,790,000          | 44,930,552                   | 35,859,448          | 56%                          | 56%                             |  |
| Repairs and Maintenance               | 57,626,321          | 69,201,000          | 23,094,000                                 | -                                | 92,295,000          | 37,691,530                   | 54,603,470          | 41%                          | 54%                             |  |
| Finance costs                         | 524,003             | 450,000             | -  | -                                | 450,000             | 358,221                      | 91,779              | 80%                          | 80%                             |  |
| Bulk purchases                        | 49,930,863          | 52,000,000          | -  | -                                | 52,000,000          | 46,783,840                   | 5,216,160           | 90%                          | 90%                             |  |
| General expenses                      | 154,999,501         | 195,311,000         | 42,342,056                                 | (1,141,798)                      | 236,511,258         | 206,027,365                  | 30,483,894          | 87%                          | 105%                            |  |
| <b>Total Expenditure</b>              | <b>540,395,309</b>  | <b>685,034,000</b>  | <b>37,361,056</b>                          | <b>(1,141,798)</b>               | <b>721,253,258</b>  | <b>581,430,551</b>           | <b>139,822,707</b>  | <b>81%</b>                   | <b>85%</b>                      |  |
| <b>Surplus/(Deficit)</b>              | <b>(50,312,187)</b> | <b>(80,790,000)</b> | <b>-</b>                                   | <b>-</b>                         | <b>(80,790,000)</b> | <b>(31,933,185)</b>          | <b>(48,856,815)</b> | <b>40%</b>                   | <b>40%</b>                      |  |
| Transfers Recognised - Capital        | 240,869,796         | 293,554,000         | 161,143,493                                | 1,141,798                        | 455,839,290         | 351,725,942                  | 104,113,349         | 77%                          | 120%                            |  |
| <b>Surplus/(Deficit) For The Year</b> | <b>190,557,608</b>  | <b>212,764,000</b>  | <b>161,143,493</b>                         | <b>1,141,798</b>                 | <b>375,049,290</b>  | <b>319,792,756</b>           | <b>55,256,534</b>   | <b>85%</b>                   | <b>150%</b>                     |  |

**Capricorn District Municipality**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
for the period ending 30 June 2015

|  |                     |                     |          |          |                     |                     |                   |             |            |
|--|---------------------|---------------------|----------|----------|---------------------|---------------------|-------------------|-------------|------------|
| Net Cash From (Used) Operating               | 319,259,008         | 224,028,000         | -        | -        | 432,431,111         | 319,259,008         | 113,172,103       | 74%         | 143%       |
| Net Cash From (Used) Investing               | (372,077,866)       | (293,554,000)       | -        | -        | (455,839,290)       | (372,077,866)       | (83,761,424)      | 82%         | 127%       |
| Net Cash From (Used) Financing               | (1,439,667)         | -                   | -        | -        | -                   | (1,439,667)         | 1,439,667         | 0%          | 0%         |
| <b>Net Increase/ (Decrease) in cash held</b> | <b>(54,258,525)</b> | <b>(69,526,000)</b> | <b>-</b> | <b>-</b> | <b>(23,408,179)</b> | <b>(54,258,525)</b> | <b>30,850,346</b> | <b>232%</b> | <b>78%</b> |

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

|  |                    |                      |
|--|--------------------|----------------------|
| Net Surplus Per The Statement Of Financial Performance | <b>319,792,756</b> | <b>190,557,608</b>   |
| <i>Adjusted For:</i>                                   |                    |                      |
| Differences in revenue                                 | 90,965,892         | 79,695,078           |
| Employee related costs                                 | (5,273,313)        | (7,100,779)          |
| Remuneration of councillors                            | (794,294)          | 1,233,977            |
| Debt impairment  | (7,500,349)        | (3,268,345)          |
| Depreciation and amortisation                          | (35,859,448)       | (36,496,455)         |
| Finance costs  | (91,779)           | 69,303               |
| Bulk purchases   | (5,216,160)        | (30,137)             |
| General expenses                                       | (30,483,894)       | (121,308,574)        |
| Transfers Recognised - Capital                         | 104,113,349        | (240,869,796)        |
| <b>Net Surplus Per Approved Budget</b>                 | <b>429,652,760</b> | <b>(137,518,121)</b> |

**Capricorn District Municipality**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
for the period ending 30 June 2015

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**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 the Standards of 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**

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:

| <b>No.</b> | <b>Title of Standard</b>                 | <b>Impact on Annual Financial Statements</b> |
|------------|--|--|
| GRAP 20    | Related Party Disclosures                | No material impact                           |
| GRAP 32    | Service Concession Arrangements: Grantor | No material impact                           |

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GRAP 108 Statutory Receivables No impact as no merger is anticipated in the foreseeable future

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**

| <b>No.</b> | <b>Title of Standard</b>  | <b>Impact on Annual Financial Statements</b>                                    |
|------------|---|---|
| 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                 |

**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, plan 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.

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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**

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:

Refer to Note 40 on changes in estimate.

| <b><u>Infrastructure</u></b>       |       | <b><u>Other</u></b>    |      |
|------------------------------------|-------|------------------------|------|
| Roads and Paving                   | 15-50 | Specialist             | 5-14 |
| Water Maintenance and purification | 15-55 | Other vehicles         | 5-14 |
| Sewerage                           | 15-50 | Office equipment       | 3-13 |
| Water Reservoir                    | 30-55 | Furniture and fittings | 5-13 |
|                                    |       | Emergency equipment    | 5-8  |
|                                    |       | Computer equipment     | 3-13 |
| <b><u>Community</u></b>            |       | Machinery              | 5-13 |
| Buildings                          | 10-55 | Telephones             | 3-6  |
| Security                           | 5     | Communication          | 3-6  |
|                                    |       | Copiers                | 3-6  |
| <b><u>Finance lease assets</u></b> |       | Computer software      | 5-13 |
| Office equipment                   | 1-10  |                        | 0    |
|                                    |       |                        |      |
| <b><u>Buildings and Land</u></b>   |       |                        |      |
| Buildings                          | 10-33 |                        |      |
| Land                               | -     |                        |      |

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**

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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 municipality of assets that generates cash inflows that are largely independent of the cash flows from other assets or municipality 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 |
|-------------------|------|

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).

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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;
- 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 municipality 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 municipality 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 municipality 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 municipality (that are collectively assessed for impairment), those assets are removed from the municipality and assessed individually for impairment.

For collective assessment of impairment, as indicated above, assets with similar credit risk characteristics are municipalityed 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.

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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

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



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- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the 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 municipality;
- 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**

The municipality provides post employment medical care benefits to retired employees after 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.

A prior period error is corrected by retrospective restatement, except to the extent that it is impracticable to determine the period-specific or cumulative effect of the error.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

## **16 RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party, or exercise significant influence over the other party in making financial and operating decisions, or if the related party entity and another entity are subject to common control.

Related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting entity or the government of which it forms part.

Management is regarded as a related party and comprises of the Councillors, Executive Mayor, Mayoral Committee members, and Executive Managers.

Related party transactions are accounted for in accordance with IPSAS 20.

## **17 BUDGET INFORMATION**

The annual budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The comparison of budget versus actual figures is presented as a component of the financial statement in the Statement of Comparison of Budget and Actual Amounts. Explanatory comments are provided in the notes to the annual financial statements.

The comparison of budget versus actual figures is presented as a component of the financial statement in the Statement of Comparison of Budget and Actual Amounts.

## **18 VALUE ADDED TAX**

VAT is payable on the accrual basis.

**Capricorn District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ending 30 June 2015

|   | Note               | 2015<br>R           | 2014<br>R          |
|---|--------------------|---------------------|--------------------|
| <b>1 CASH AND CASH EQUIVALENTS</b>                          |                    |                     |                    |
| First National Bank Current Account (Primary Bank Account)  |                    | 19,619,073          | 46,824,905         |
| Investment Accounts   |                    | 218,669,850         | 245,739,031        |
| Cash on hand  |                    | 39,488              | 23,000             |
| <b>Total cash and cash equivalents</b>                      |                    | <b>238,328,411</b>  | <b>292,586,937</b> |
| The municipality has the following bank account(s):         |                    |                     |                    |
| First National Bank (Polokwane)                             |                    |                     |                    |
| Current account number:                                     |                    |                     |                    |
| Cash book balance at beginning of the year                  |                    | 46,824,905          | 9,792,797          |
| Cash book balance at end of the year                        |                    | 19,619,073          | 46,824,905         |
|   |                    | <b>66,443,978</b>   | <b>56,617,702</b>  |
| Bank Statement balance at beginning of the year             |                    | 46,824,905          | 26,026,575         |
| Bank Statement balance at end of the year                   |                    | 19,639,817          | 46,824,905         |
|   |                    | <b>66,464,722</b>   | <b>72,851,480</b>  |
| Summary of investments held:                                |                    |                     |                    |
| FNB (Call Account -62021167772a)                            |                    | 299,612             | 770,403            |
| FNB (Call Account -62021167772b)                            |                    | -                   | 353,859            |
| Nedbank (Call Account -7496500097)                          |                    | 179,058,702         | 127,454,111        |
| Investec (Call Account -1400-200848-450)                    |                    | 39,311,536          | 108,457,977        |
| FNB (Call Account -74309081491)                             |                    | -                   | 8,702,681          |
|   |                    | <b>218,669,850</b>  | <b>245,739,031</b> |
| <b>2 RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>             |                    |                     |                    |
|   | Gross              | Provision for       |                    |
|   | Balances           | Doubtful            |                    |
|   | R                  | Debts               | Net Balance        |
|   | R                  | R                   | R                  |
| <b>Trade receivables</b>                                    |                    |                     |                    |
| <b>as at 30 June 2015</b>                                   |                    |                     |                    |
| Service debtors - water                                     | 123,874,491        | (77,097,716)        | 46,776,774         |
| Other receivables   | 10,433,093         | (6,062,185)         | 4,370,908          |
| <b>Total Trade and other receivables</b>                    | <b>134,307,584</b> | <b>(83,159,902)</b> | <b>51,147,682</b>  |
| <b>as at 30 June 2014</b>                                   |                    |                     |                    |
| Service debtors - water                                     | 76,170,829         | (62,510,886)        | 13,659,943         |
| Other receivables   | 9,865,156          | -                   | 9,865,156          |
| <b>Total</b>  | <b>86,035,984</b>  | <b>(62,510,886)</b> | <b>23,525,099</b>  |
| <i>Other receivables</i>                                    |                    |                     |                    |
| Local Municipalities - Operation and maintenance            |                    | 4,238,080           | 4,238,080          |
| Sundry debtors  |                    | 6,195,013           | 5,627,075          |
|   |                    | <b>10,433,093</b>   | <b>9,865,156</b>   |
| The following represents water debts that are not impaired; |                    |                     |                    |
| <b>Water: Ageing</b>  |                    |                     |                    |
| (0 – 90 days)   |                    | 15,274,735          | 10,199,281         |
| 91 - 120 Days   |                    | 6,518,507           | 114,222            |
| 121 - 365 Days  |                    | 24,983,533          | 3,346,440          |
| <b>Total</b>  |                    | <b>46,776,774</b>   | <b>13,659,943</b>  |

Capricorn District Municipality  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ending 30 June 2015

|  | Note | 2015<br>R          | 2014<br>R          |
|--|------|--------------------|--------------------|
| <b>2.1 Reconciliation of the doubtful debt provision</b>   |      |                    |                    |
| Balance at beginning of the year   |      | 62,510,886         | 147,593,186        |
| Amounts written off  |      | -                  | (113,150,977)      |
| VAT  |      | 1,791,365          | 3,444,972          |
| Contributions to provision   |      | 18,857,651         | 24,623,705         |
| <b>Balance at end of year</b>  |      | <b>83,159,902</b>  | <b>62,510,886</b>  |
| <b>3 INVENTORIES</b>   |      |                    |                    |
| <b>Opening balance of inventories:</b>   |      | <b>7,115,978</b>   | <b>4,248,562</b>   |
| Consumable stores - at cost  |      | 310,740            | 316,172            |
| Maintenance materials - at cost  |      | 6,527,958          | 3,640,266          |
| Water  |      | 277,280            | 292,124            |
| <b>Additions:</b>  |      | <b>6,014,247</b>   | <b>7,649,905</b>   |
| Consumable stores  |      | 1,735,988          | 1,329,562          |
| Maintenance materials  |      | 4,278,260          | 6,320,343          |
| Water  |      | -                  | -                  |
| <b>Issued (expensed):</b>  |      | <b>(5,335,246)</b> | <b>(4,782,489)</b> |
| Consumable stores  |      | (1,626,384)        | (1,334,994)        |
| Maintenance materials  |      | (3,682,053)        | (3,432,651)        |
| Water  |      | (26,809)           | (14,844)           |
| <b>Closing balance of inventories:</b>   |      | <b>7,794,979</b>   | <b>7,115,978</b>   |
| Consumable stores  |      | 420,344            | 310,740            |
| Maintenance materials  |      | 7,124,164          | 6,527,958          |
| Water  |      | 250,471            | 277,280            |
| The were no inventory write-offs during the financial year.  |      |                    |                    |
| <b>4 PREPAYMENTS</b>   |      |                    |                    |
| Prepaid expenses   |      | <b>2,521,718</b>   | <b>2,058,536</b>   |
| 2015/16 SALGA membership fees paid in advance to benefit from the discount given if paid before year-end |      |                    |                    |
| <b>5 VAT RECEIVABLE</b>  |      |                    |                    |
| VAT is receivable on the accrual basis   |      | <b>36,338,064</b>  | <b>19,811,044</b>  |

Capricorn District Municipality  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ending 30 June 2015

**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                    |
| <b>as at 30 June 2014</b>                      | <b>11,861,500</b> | <b>46,683,626</b> | <b>1,358,325,724</b> | <b>43,830,533</b> | <b>4,181,590</b>     | <b>1,464,882,973</b> |
| Cost/Revaluation                               | 11,861,500        | 61,648,103        | 1,735,058,499        | 73,062,759        | 6,589,703            | 1,888,220,564        |
| Accumulated depreciation and impairment losses | -                 | (14,964,477)      | (376,732,775)        | (29,232,226)      | (2,408,114)          | (423,337,591)        |
| Acquisitions                                   | -                 | 3,268,911         | 567,850,463          | 8,076,415         | 187,877              | 579,383,667          |
| Depreciation                                   | -                 | (1,898,199)       | (35,003,364)         | (4,858,648)       | (1,554,532)          | (43,314,743)         |
| Carrying value of disposals                    | -                 | <b>(113,753)</b>  | <b>(224,354,315)</b> | <b>(180,820)</b>  | -                    | <b>(224,648,888)</b> |
| Cost/Revaluation                               | -                 | (113,943)         | (224,354,315)        | (503,904)         | (1,961,888)          | (226,934,050)        |
| Accumulated depreciation and impairment losses | -                 | 190               | -                    | 323,084           | 1,961,888            | 2,285,162            |
| Impairment loss/Reversal of impairment loss    | -                 | -                 | (1,295,558)          | -                 | -                    | (1,295,558)          |
| <b>as at 30 June 2015</b>                      | <b>11,861,500</b> | <b>47,940,585</b> | <b>1,665,522,950</b> | <b>46,867,480</b> | <b>2,814,935</b>     | <b>1,775,007,450</b> |
| Cost/Revaluation                               | 11,861,500        | 64,803,071        | 2,078,554,647        | 80,635,270        | 4,815,692            | 2,240,670,181        |
| Accumulated depreciation and impairment losses | -                 | (16,862,486)      | (413,031,697)        | (33,767,790)      | (2,000,758)          | (465,662,731)        |

Capricorn District Municipality  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ending 30 June 2015

**6.2 Reconciliation of Carrying Value**

|  | Land              | Buildings          | Infrastructure       | Other Assets      | Finance lease assets | Total                |
|--|-------------------|--------------------|----------------------|-------------------|----------------------|----------------------|
|  | R                 | R                  | R                    | R                 | R                    | R                    |
| <b>as at 1 July 2013</b>                       | <b>11,861,500</b> | <b>57,266,609</b>  | <b>1,190,136,105</b> | <b>46,684,952</b> | <b>1,060,285</b>     | <b>1,307,009,451</b> |
| Cost as previously stated                      | 11,861,500        | 70,704,654         | 1,563,637,068        | 67,747,014        | 6,925,994            | 1,720,876,230        |
| Cost - correction of error                     |                   |                    | (22,704,530)         |                   |                      | (22,704,530)         |
| Accumulated depreciation - correction of error |                   |                    |                      |                   |                      | -                    |
| Accumulated depreciation as previously stated  | -                 | (13,438,045)       | (350,796,432)        | (21,062,061)      | (5,865,710)          | (391,162,248)        |
| Acquisitions                                   | -                 | -                  | 331,465,281          | 6,990,215         | 4,627,816            | 343,083,313          |
| Depreciation                                   | -                 | (2,318,880)        | (29,897,834)         | (8,037,614)       | (2,205,803)          | (42,460,131)         |
| <b>Carrying value of disposals</b>             | <b>-</b>          | <b>(8,264,102)</b> | <b>(137,316,740)</b> | <b>(719,324)</b>  | <b>699,292</b>       | <b>(145,600,874)</b> |
| Cost/Revaluation                               | -                 | (9,056,551)        | (137,339,321)        | (1,674,470)       | (4,964,107)          | (153,034,448)        |
| Accumulated depreciation and impairment losses | -                 | 792,448            | 22,581               | 955,146           | 5,663,399            | 7,433,573            |
| Impairment loss/Reversal of impairment loss    | -                 | -                  | 3,938,911            | (1,087,697)       | -                    | 2,851,214            |
| <b>as at 30 June 2014</b>                      | <b>11,861,500</b> | <b>46,683,626</b>  | <b>1,358,325,724</b> | <b>43,830,533</b> | <b>4,181,590</b>     | <b>1,464,882,973</b> |
| Cost/Revaluation                               | 11,861,500        | 61,648,103         | 1,735,058,499        | 73,062,759        | 6,589,703            | 1,888,220,564        |
| Accumulated depreciation and impairment losses | -                 | (14,964,477)       | (376,732,775)        | (29,232,226)      | (2,408,114)          | (423,337,591)        |

**No property, plant and equipment's are held or pledged as security for any liabilities of the municipality**



Capricorn District Municipality  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ending 30 June 2015

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**7 INTANGIBLE ASSETS**

|  | <b>Computer<br/>Software<br/>R</b> |
|--|------------------------------------|
| <b>7.1 Reconciliation of carrying value</b>    |                                    |
| <b>as at 30 June 2014</b>                      | <b>4,594,331</b>                   |
| Cost   | 9,022,757                          |
| Accumulated amortisation and impairment losses | (4,428,426)                        |
| Acquisitions                                   | 16,528,790                         |
| Amortisation                                   | (1,615,809)                        |
| Disposal - Cost                                | (5,494,467)                        |
| Disposal - Accumulated depreciation            | 4,179,387                          |
| <b>as at 30 June 2015</b>                      | <b>18,192,233</b>                  |
| Cost   | 20,057,081                         |
| Accumulated amortisation and impairment losses | (1,864,848)                        |
| <b>7.2 Reconciliation of carrying value</b>    |                                    |
| <b>as at 1 July 2013</b>                       | <b>3,758,972</b>                   |
| Cost   | 7,252,185                          |
| Accumulated amortisation and impairment losses | (3,493,213)                        |
| Acquisitions                                   | 1,770,573                          |
| Amortisation                                   | (935,214)                          |
| <b>as at 30 June 2014</b>                      | <b>4,594,331</b>                   |
| Cost   | 9,022,757                          |
| Accumulated amortisation and impairment losses | (4,428,426)                        |

**No intangible assets are held or pledged as security for any liabilities of the municipality**

**8 NON-CURRENT PROVISIONS**

**8.1 Post employment medical aid liability**

The municipality provides certain post-retirement medical benefits to qualifying employees/pensioners. All post-retirement medical benefits are unfunded.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2015 by ZAQ Consultants and Actuaries.

The municipality has no legal obligations to settle this liability with any immediate contributions or additional once-off contributions. The municipality intends to contribute to each defined benefit post-retirement medical scheme in accordance with the latest recommendations of the actuary to each scheme.

The accumulated defined benefit obligation in respect of the post-retirement medical contributions are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (*Employee Benefits*) as follows:

|   | <b>2015</b>      | <b>2014</b>      |
|---|------------------|------------------|
| <b>Movement in the employee health-care liability</b>           |                  |                  |
| Liability as at 1 July  | 3,268,000        | 4,209,000        |
| Benefits paid   | -239,000         | -303,901         |
| Current service cost  | -                | -                |
| Interest  | 282,000          | 323,000          |
| Actuarial losses (gains)  | 99,000           | -960,099         |
| <b>Unfunded accrued liability as at 30 June</b>                 | <b>3,410,000</b> | <b>3,268,000</b> |
| Current portion of liability                                    | 301,000          | 282,000          |
| Non-current portion of liability                                | 3,109,000        | 2,986,000        |
|   | <b>3,410,000</b> | <b>3,268,000</b> |
| <b>Expense recognised in Statement of Financial Performance</b> |                  |                  |
| Current service cost  | -                | -                |
| Interest cost   | 282,000          | 323,000          |
| Past service cost   | -                | -                |
| Actuarial losses/ (gains)                                       | 99,000           | -960,099         |
|   | <b>381,000</b>   | <b>-637,099</b>  |

**Principal actuarial assumptions of valuation model used:**

|                                 |             |       |
|---------------------------------|-------------|-------|
| Discount rate                   | Yield Curve | 8.94% |
| CPI                             | 6.89%       | 7.05% |
| Health care cost inflation rate | CPI +1%     | 8.05% |
| Average Retirement Age          | 63          | 64    |

**Sensitivity analysis**

The effect of a 1% movement in the assumed medical cost trend is as follows:

|   |                    |                    |
|---|--------------------|--------------------|
| Effect on the aggregate of the current service cost and interest cost | <b>1% Increase</b> | <b>1% Increase</b> |
| Effect on the defined benefit obligation                              | 336,000            | 316,000            |
|   | 3,787,000          | 3,646,000          |
| Effect on the aggregate of the current service cost and interest cost | <b>1% Decrease</b> | <b>1% Decrease</b> |
| Effect on the defined benefit obligation                              | 272,000            | 254,000            |
|   | 3,093,000          | 2,952,000          |

| Actuarial Loss/(Gain)  |                                     |                                     |                                      |                                      |
|--|-------------------------------------|-------------------------------------|--------------------------------------|--------------------------------------|
| The combined Accrued Liability in respect of Post-employment medical aid liability is built-up as follows: |                                     |                                     |                                      |                                      |
|  | Current Valuation date 30 June 2014 | 1 Year Following the Valuation Date | 2 Years Following the Valuation Date | 3 Years Following the Valuation Date |
|  | R                                   | R                                   | R                                    | R                                    |
| PV of the obligation as at the previous valuation date   | 3,268,000                           | 3,410,000                           | 3,464,000                            | 3,512,000                            |
| Current Service Cost   | -                                   | -                                   | -                                    | -                                    |
| Interest Cost  | 282,000                             | 301,000                             | 305,000                              | 309,000                              |
| Benefits Paid  | -239,000                            | -247,000                            | -257,000                             | -270,000                             |
| Actuarial Loss / (Gain)  | 99,000                              | -                                   | -                                    | -                                    |
| PV of the obligation as at the current valuation date  | 3,410,000                           | 3,464,000                           | 3,512,000                            | 3,551,000                            |

**8 RETIREMENT BENEFIT INFORMATION**

8.2 *Long service award liability*

The municipality provides long-service awards to its permanent employees

The benefit of long-service awards is provided in the form of annual leave and a gift to a certain monetary value.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2015 by ZAQ Consultants and Actuaries.

The municipality has no legal obligations to settle this liability with any immediate contributions or additional once-off contributions.

The accumulated defined benefit obligation in respect of the long-service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with GRAP 25 (*Employee Benefits*) as follows:

|   | <b>2015</b>        | <b>2014</b>        |
|---|--------------------|--------------------|
| <b>Movement in the long-service award liability</b>                             |                    |                    |
| Liability as at 1 July  | 9,331,000          | 7,295,000          |
| Benefits paid   | -1,522,704         | -351,769           |
| Current service cost  | 927,000            | 575,000            |
| Interest  | 749,000            | 363,000            |
| Actuarial losses (gains)  | 284,704            | 1,449,769          |
| <b>Unfunded accrued liability as at 30 June</b>                                 | <b>9,769,000</b>   | <b>9,331,000</b>   |
| Current portion of liability  | 1,845,000          | 1,676,000          |
| Non-current portion of liability  | 7,924,000          | 7,655,000          |
|   | <b>9,769,000</b>   | <b>9,331,000</b>   |
| <b>Expense recognised in Statement of Financial Performance</b>                 |                    |                    |
| Current service cost  | 927,000            | 575,000            |
| Interest cost   | 749,000            | 363,000            |
| Past service cost   | -                  | -                  |
| Actuarial losses/ (gains)   | 284,704            | 1,449,769          |
|   | <b>1,960,704</b>   | <b>2,387,769</b>   |
| <b>Principal actuarial assumptions of valuation model used:</b>                 |                    |                    |
| Discount rate   | Yield Curve        | 7.96%              |
| CPI   | 6.19%              | 6.33%              |
| General salary inflation rate   | CPI +1%            | 7.33%              |
| <b>Sensitivity analysis</b>   |                    |                    |
| The effect of a 1% movement in the assumed salary inflation rate is as follows: |                    |                    |
|   | <b>1% Increase</b> | <b>1% Increase</b> |
| Effect on the aggregate of the current service cost and interest cost           | 1,988,000          | 1,950,000          |
| Effect on the defined benefit obligation  | 10,381,000         | 10,548,000         |
|   | <b>1% Decrease</b> | <b>1% Decrease</b> |
| Effect on the aggregate of the current service cost and interest cost           | 1,716,000          | 1,676,000          |
| Effect on the defined benefit obligation  | 9,210,000          | 9,331,000          |

**8 RETIREMENT BENEFIT INFORMATION**  
**(continued)**

8.3 Long-term leave provision

The municipality, in recognition of services rendered, grants employees 24 working days leave per year. This leave is cumulative up to a limit of 48 working days.

There is no discounting applied to the calculation of the provision and the amount is based on the estimated 1 July salaries after allowing for an estimated salary increase. The provision is split between that which is expected to be taken within 12 months of the valuation date and that which will be taken after the 12 months.

| <b>Movement in the leave provision</b>          | <b>2015</b>       | <b>2014</b>       |
|---|-------------------|-------------------|
| Liability as at 1 July                          | 15,950,620        | 15,165,819        |
| Annual leave forfeited                          | -                 | -2,236,423        |
| Net accrued leave days over the year            | 2,294,093         | 3,021,224         |
| <b>Unfunded accrued liability as at 30 June</b> | <b>18,244,713</b> | <b>15,950,620</b> |
| <br>  |                   |                   |
| Current portion of liability                    | 1,109,577         | 3,257,904         |
| Non-current portion of liability                | 17,135,136        | 12,692,716        |
|   | <b>18,244,713</b> | <b>15,950,620</b> |

**Principal actuarial assumptions of valuation model used:**

1. Employees reaching the expected retirement age of 63 (2014: 63) over the coming year would cash-in their accrued leave balances in full;
2. Employees resigning from service would cash-in their accrued leave days balances in full;
3. Other employees remaining in service would take their full 24 leave days in the coming year.

Capricorn District Municipality  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ending 30 June 2015

|           | Note   | 2015<br>R          | 2014<br>R          |                   |
|-----------|--|--------------------|--------------------|-------------------|
| <b>9</b>  | <b>PAYABLES FROM EXCHANGE TRANSACTIONS</b>                                     |                    |                    |                   |
|           | Trade creditors  | 83,031,624         | 68,915,591         |                   |
|           | Retentions   | 52,033,862         | 44,970,630         |                   |
|           | Other creditors  | 179,841            | 5,605              |                   |
|           | <b>Total creditors</b>   | <b>135,245,326</b> | <b>113,891,826</b> |                   |
|           | The fair value of trade and other payables approximates their carrying amounts |                    |                    |                   |
| <b>10</b> | <b>PROVISIONS</b>  |                    |                    |                   |
|           | Provision for bonuses  | 10.1               | 10,129,619         | 9,211,339         |
|           | Provision for leave  | 10.2               | 1,109,577          | 3,257,904         |
|           | Other provisions   | 10.3               | 2,146,000          | 1,958,000         |
|           | <b>Total provisions</b>  |                    | <b>13,385,196</b>  | <b>14,427,243</b> |
| 10.1      | <i>Provision for bonuses</i>   |                    |                    |                   |
|           | <b>Performance Bonus</b>   |                    |                    |                   |
|           | <i>Opening accrued liability as at 1 July</i>                                  | 5,800,000          | 4,880,534          |                   |
|           | Benefits Paid  | -5,846,788         | -4,856,234         |                   |
|           | Contributions to provision   | 6,491,065          | 5,775,700          |                   |
|           | <i>Closing accrued liability as at 30 June</i>                                 | 6,444,277          | 5,800,000          |                   |
|           | <b>13th cheque provision</b>   |                    |                    |                   |
|           | <i>Opening accrued liability as at 1 July</i>                                  | 3,411,339          | 1,261,000          |                   |
|           | Expenditure incurred   | -9,469,459         | -8,664,059         |                   |
|           | Contributions to provision   | 9,743,462          | 10,814,398         |                   |
|           | <i>Closing accrued liability as at 30 June</i>                                 | 3,685,342          | 3,411,339          |                   |
|           | <b>Total provision for bonuses</b>   | <b>10,129,619</b>  | <b>9,211,339</b>   |                   |
| 10.2      | <i>Provision for leave</i>   | 8.3                | <b>1,109,577</b>   | <b>3,257,904</b>  |
| 10.3      | <i>Other provisions</i>  |                    |                    |                   |
|           | Post-employment Medical Aid Benefits (short-term)                              | 8.1                | 301,000            | 282,000           |
|           | Long-service award (short-term)  | 8.2                | 1,845,000          | 1,676,000         |
|           | <b>Total provision for other bonuses</b>                                       |                    | <b>2,146,000</b>   | <b>1,958,000</b>  |

Capricorn District Municipality  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ending 30 June 2015

|           | Note  | 2015<br>R         | 2014<br>R          |
|-----------|---|-------------------|--------------------|
| <b>11</b> | <b>UNSPENT CONDITIONAL GRANTS</b>   |                   |                    |
|           | Municipal infrastructure grant (MIG)  | 71,167,051        | 93,614,151         |
|           | Finance management grant (FMG)  | -                 | 517,072            |
|           | Water services operating grant (WSOG)   | 500,000           | 7,999,841          |
|           | Expanded Public Works Programme<br>Integrated Grant for Municipalities<br>(EPWP)      | 40,637            | 107,511            |
|           | Rural transport services infrastructure<br>grant (RTSIG)                              | -                 | -                  |
|           | EEDG  | 994,094           | -                  |
|           | Rural household infrastructure grant<br>(RHIG)  | 4,500,000         | 3,706,528          |
|           | <b>Current portion of unspent conditional grants</b>                                  | <b>77,201,781</b> | <b>105,945,103</b> |
| 11.1      | <u>Municipal infrastructure grant (MIG)</u>   |                   |                    |
|           | <b>Balance unspent at beginning of year</b>   | 93,614,151        | 105,332,750        |
|           | Funds returned to Treasury  | -                 | -48,189,000        |
|           | Current year receipts   | 259,059,000       | 229,146,000        |
|           | Conditions met - transferred to revenue   | -281,506,101      | -192,675,599       |
|           | <b>Conditions still to be met - remain liabilities</b>                                | <b>71,167,051</b> | <b>93,614,151</b>  |
| 11.2      | <u>Finance management grant (FMG)</u>   |                   |                    |
|           | <b>Balance unspent at beginning of year</b>   | 517,072           | 266,435            |
|           | Current year receipts   | 1,250,000         | 1,250,000          |
|           | Conditions met - transferred to revenue   | -1,767,072        | -999,363           |
|           | <b>Conditions still to be met - remain liabilities</b>                                | <b>0</b>          | <b>517,072</b>     |
| 11.3      | <u>Water services operating grant (WSOG)</u>  |                   |                    |
|           | <b>Balance unspent at beginning of year</b>   | 7,999,841         | -                  |
|           | Current year receipts   | 25,000,000        | 20,109,000         |
|           | Conditions met - transferred to revenue   | -32,499,841       | -12,109,159        |
|           | <b>Conditions still to be met - remain liabilities</b>                                | <b>500,000</b>    | <b>7,999,841</b>   |
| 11.4      | <u>Expanded Public Works Programme Integrated Grant for<br/>Municipalities (EPWP)</u> |                   |                    |
|           | <b>Balance unspent at beginning of year</b>   | 107,511           | 1,078,388          |
|           | Current year receipts   | 1,964,000         | 1,000,000          |
|           | Conditions met - transferred to revenue   | -2,030,874        | -1,970,877         |
|           | <b>Conditions still to be met - remain liabilities</b>                                | <b>40,637</b>     | <b>107,511</b>     |
| 11.5      | <u>EEDG</u>   |                   |                    |
|           | <b>Balance unspent at beginning of year</b>   | -                 | -                  |
|           | Current year receipts   | 4,000,000         | 421,700            |
|           | Conditions met - transferred to revenue   | -3,005,906        | -421,700           |
|           | <b>Conditions still to be met - remain liabilities</b>                                | <b>994,094</b>    | <b>-</b>           |
| 11.6      | <u>Rural household infrastructure grant (RHIG)</u>                                    |                   |                    |
|           | <b>Balance unspent at beginning of year</b>   | 3,706,529         | -                  |
|           | Current year receipts   | 4,500,000         | 4,000,000          |
|           | Conditions met - transferred to revenue   | -3,706,528        | -293,471           |
|           | <b>Conditions still to be met - remain liabilities</b>                                | <b>4,500,001</b>  | <b>3,706,529</b>   |
| 11.7      | <u>Rural transport services infrastructure grant (RTSIG)</u>                          |                   |                    |
|           | <b>Balance unspent at beginning of year</b>   | -                 | 490,873            |
|           | Current year receipts   | 2,184,000         | 1,880,000          |
|           | Conditions met - transferred to revenue   | -2,184,000        | -2,370,873         |
|           | <b>Conditions still to be met - remain liabilities</b>                                | <b>-</b>          | <b>-</b>           |

Capricorn District Municipality  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ending 30 June 2015

|   | Note                         | 2015<br>R                     | 2014<br>R                           |
|---|------------------------------|-------------------------------|-------------------------------------|
| <b>12 LEASES</b>  |                              |                               |                                     |
| 12.1 <i>Finance lease liability</i>   |                              |                               |                                     |
|   | <b>Minimum lease payment</b> | <b>Future finance charges</b> | <b>PV of minimum lease payments</b> |
| <b>2015</b>   | <b>R</b>                     | <b>R</b>                      | <b>R</b>                            |
| Within one year   | 1,762,213                    | -189,786                      | 1,572,427                           |
| Within two to five years  | 1,327,038                    | -49,490                       | 1,277,549                           |
|   | <u>3,089,251</u>             | <u>-239,275</u>               | <u>2,849,976</u>                    |
| Less: Amount due for settlement within 12 months (current portion)  |                              |                               | -1,572,427                          |
|   |                              |                               | <u><u>1,277,549</u></u>             |
|   | <b>Minimum lease payment</b> | <b>Future finance charges</b> | <b>PV of minimum lease payments</b> |
| <b>2014</b>   | <b>R</b>                     | <b>R</b>                      | <b>R</b>                            |
| Within one year   | 1,762,213                    | -322,545                      | 1,439,667                           |
| Within two to five years  | 3,089,251                    | -239,275                      | 2,849,976                           |
|   | <u>4,851,464</u>             | <u>-561,821</u>               | <u>4,289,643</u>                    |
| Less: Amount due for settlement within 12 months  |                              |                               | -1,439,667                          |
|   |                              |                               | <u><u>2,849,976</u></u>             |
| 12.2 <i>Operating lease commitments</i>   |                              |                               |                                     |
| At the reporting date the entity has outstanding commitments under operating lease which fall due as follows: |                              |                               |                                     |
| Within one year   |                              | <u><u>166,268</u></u>         | <u><u>1,477,168</u></u>             |
| Operating lease payments included in the Statement of Financial Performance                                   |                              | 3,581,582                     | 3,369,816                           |
| <b>13 NON-CURRENT PROVISIONS</b>  |                              |                               |                                     |
| Provision for long-service awards   | 8.2                          | 7,924,000                     | 7,655,000                           |
| Post-employment Medical Aid Benefits  | 8.1                          | 3,109,000                     | 2,986,000                           |
| Long-term leave days  | 8.3                          | 17,135,136                    | 12,692,716                          |
|   |                              | <u><u>28,168,136</u></u>      | <u><u>23,333,716</u></u>            |
| <b>14 REVENUE FROM EXCHANGE TRANSACTIONS</b>  |                              |                               |                                     |
| Service charges - water   |                              | <u><u>44,299,735</u></u>      | <u><u>36,033,006</u></u>            |
| Interest earned   |                              |                               |                                     |
| Outstanding receivables   |                              | 9,908,548                     | 3,093,261                           |
| External investments  |                              | 21,439,028                    | 20,153,761                          |
|   |                              | <u>31,347,576</u>             | <u>23,247,022</u>                   |
| Other income  |                              |                               |                                     |
| Tender Fees income  |                              | 1,230,331                     | 873,355                             |
|   |                              | <u>1,230,331</u>              | <u>873,355</u>                      |
|   |                              | <u><u>76,877,642</u></u>      | <u><u>60,153,384</u></u>            |

**Capricorn District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ending 30 June 2015

|                                       | Note   | 2015<br>R          | 2014<br>R          |
|---------------------------------------|--|--------------------|--------------------|
| <b>15</b>                             | <b>REVENUE FROM NON- EXCHANGE TRANSACTIONS</b> |                    |                    |
| Government grants and subsidies       |  |                    |                    |
| Equitable share                       | 15.1   | 465,510,000        | 431,845,000        |
| MIG Grant                             | 15.2   | 281,506,101        | 192,675,599        |
| Other Government Grants and Subsidies | 15.3   | 73,507,221         | 28,519,445         |
| LG SETA Grant                         |  | 151,327            | 596,369            |
|                                       |  | <b>820,674,649</b> | <b>653,636,413</b> |
| Other Income                          |  |                    |                    |
| Retention liability written back      | 15.4   | 3,671,016          | 17,163,121         |
|                                       |  | <b>3,671,016</b>   | <b>17,163,121</b>  |

15.1 Equitable Share

In terms of the Constitution, this grant is an unconditional grant .  
In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of basic services.

15.2 MIG

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.

15.3 **Included within Other Government Grants and Subsidies are the following:**

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.

Municipal Systems Improvement Grant (MSIG)

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.

Water Services Operating Subsidy Grant (WSOG)

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.

Local Government Financial Management Grant (LGFMG)

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Rural transport services infrastructure grant (RTSIG)

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.



**Capricorn District Municipality**  
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for the period ending 30 June 2015

|   | Note | 2015<br>R          | 2014<br>R          |
|---|------|--------------------|--------------------|
| <u>Municipal Water Infrastructure Grant (MWIG)</u>  |      |                    |                    |
| To assist Water Services Authorities (WSAs) to provide water supply services to consumers currently without services, particularly those in rural areas.  |      |                    |                    |
| <u>Energy Efficiency and Demand Side Management Grant (EEDG)</u>  |      |                    |                    |
| To provide subsidies to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure, in order to reduce electricity consumption and improve energy efficiency. |      |                    |                    |
| <u>Rural Household Infrastructure Grant (RHIG)</u>  |      |                    |                    |
| To provide specific capital funding for the reduction of rural sanitation backlogs and to target existing households where bulk-dependent services are not viable.  |      |                    |                    |
| 15.4  |      |                    |                    |
| Retention liability written back relates to retentions for which claiming period has lapsed.  |      |                    |                    |
| <b>16</b>   |      |                    |                    |
| <b>EMPLOYEE RELATED COSTS</b>   |      |                    |                    |
|   |      | 139,063,542        | 128,615,104        |
|   |      | 35,328,089         | 31,976,908         |
|   |      | 17,683,954         | 17,419,978         |
|   |      | 2,103,295          | 2,198,825          |
|   |      | 12,653,070         | 10,285,209         |
|   |      | 6,602,614          | 6,422,055          |
|   | 16.1 | 1,942,123          | 1,477,518          |
|   |      | <b>215,376,687</b> | <b>198,395,596</b> |
| 16.1  |      |                    |                    |
| <u>Other employee related costs include</u>   |      |                    |                    |
|   |      | 1,612,641          | 1,168,915          |
|   |      | 44,348             | 46,940             |
|   |      | 285,133            | 261,662            |
|   |      | <b>1,942,123</b>   | <b>1,477,518</b>   |
| 16.2  |      |                    |                    |
| <u>Remuneration of the Municipal Manager</u>  |      |                    |                    |
|   |      | 1,121,979          | 1,088,876          |
|   |      | 63,464             | 26,306             |
|   |      | 220,875            | 204,000            |
|   |      | 292,118            | 284,105            |
|   |      | <b>1,698,436</b>   | <b>1,603,287</b>   |
| 16.3  |      |                    |                    |
| <u>Remuneration of the Chief Finance Officer</u>  |      |                    |                    |
|   |      | 763,046            | 915,854            |
|   |      | 59,623             | 13,031             |
|   |      | 172,095            | 132,000            |
|   |      | 22,458             | 24,086             |
|   |      | <b>1,017,221</b>   | <b>1,084,971</b>   |

Capricorn District Municipality  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ending 30 June 2015

|           | Note  | 2015<br>R      | 2014<br>R      |
|-----------|---|----------------|----------------|
| <b>16</b> | <b>EMPLOYEE RELATED COSTS (continued)</b>           |                |                |
| 16.4      | <u>Remuneration of Technical Services</u>           |                |                |
|           | Annual Remuneration                                 | -              | 311,316        |
|           | Performance- and other bonuses                      | -              | -              |
|           | Travel, motor car, subsistence and other allowances | 331,761        | 43,872         |
|           | Contributions to UIF, Medical and Pension Funds     | -              | 620            |
|           |   | <b>331,761</b> | <b>355,808</b> |

The position has been vacant for the whole financial year. The amount paid is for acting allowance.

|      |   |                  |                  |
|------|---|------------------|------------------|
| 16.5 | <u>Remuneration of Development, Economic and Planning Management Services</u> |                  |                  |
|      | Annual Remuneration   | 866,662          | 804,998          |
|      | Performance- and other bonuses  | 52,132           | 19,421           |
|      | Travel, motor car, subsistence and other allowances                           | 174,562          | 120,609          |
|      | Contributions to UIF, Medical and Pension Funds                               | 66,866           | 75,010           |
|      |   | <b>1,160,222</b> | <b>1,020,038</b> |

|      |   |                  |                  |
|------|---|------------------|------------------|
| 16.6 | <u>Remuneration of Strategic Support Services</u>   |                  |                  |
|      | Annual Remuneration                                 | 790,224          | 731,104          |
|      | Performance- and other bonuses                      | 47,346           | 44,178           |
|      | Travel, motor car, subsistence and other allowances | 202,039          | 180,000          |
|      | Contributions to UIF, Medical and Pension Funds     | 175,716          | 162,704          |
|      |   | <b>1,215,326</b> | <b>1,117,987</b> |

|      |   |                |                |
|------|---|----------------|----------------|
| 16.7 | <u>Remuneration of Corporate Services</u>           |                |                |
|      | Annual Remuneration                                 | -              | 482,123        |
|      | Performance- and other bonuses                      | -              | 20,021         |
|      | Travel, motor car, subsistence and other allowances | 309,569        | 96,600         |
|      | Contributions to UIF, Medical and Pension Funds     | -              | 47,665         |
|      |   | <b>309,569</b> | <b>646,409</b> |

The position has been vacant for the whole financial year. The amount paid is for acting allowance.

|      |   |                |                |
|------|---|----------------|----------------|
| 16.8 | <u>Remuneration of Community Services</u>           |                |                |
|      | Annual Remuneration                                 | 194,404        | 586,089        |
|      | Performance- and other bonuses                      | -              | 14,770         |
|      | Travel, motor car, subsistence and other allowances | 186,088        | 105,990        |
|      | Contributions to UIF, Medical and Pension Funds     | 29,346         | 154,804        |
|      | <b>Total</b>  | <b>409,838</b> | <b>861,653</b> |

The Executive Manager was appointed in April 2015

**Capricorn District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ending 30 June 2015

|           | Note   | 2015<br>R         | 2014<br>R         |
|-----------|--|-------------------|-------------------|
| <b>17</b> | <b>REMUNERATION OF COUNCILLORS</b>                 |                   |                   |
|           | Executive Mayor                                    | 867,613           | 965,255           |
|           | Speaker  | 727,258           | 807,040           |
|           | Chief Whip   | 731,749           | 823,240           |
|           | Member of the Executive Committee:                 |                   |                   |
|           | Sports, Arts and Culture                           | 713,588           | 272,959           |
|           | Finance  | 724,660           | 744,974           |
|           | Community Services                                 | 739,041           | 799,178           |
|           | Development Planning &<br>Environmental Management | 661,213           | 733,655           |
|           | Local Economic Development                         | 679,408           | 509,372           |
|           | Infrastructure                                     | 143,382           | 770,510           |
|           | Corporate Services                                 | 285,544           | 116,022           |
|           | Special Focus                                      | 285,817           | 180,043           |
|           | Ordinary Councillors                               | 1,031,730         | 594,738           |
|           | Councillors' pension and medical aid               | 1,077,998         | 1,063,527         |
|           | Councillors' allowances                            | 2,735,704         | 2,519,464         |
|           |  | <b>11,404,706</b> | <b>10,899,977</b> |

The total amount paid to Councillors is net of debtor raised of R526 892

Changes of portfolio committee members has resulted in increase in ordinary councillors.

**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.

The following Staff and Councillors had arrear municipal accounts outstanding for more than 90 days at year-end

| Name         | 30 June 2015 | 30 June 2014 |
|--------------|--------------|--------------|
| Phaahla MV   | 385          | 1,222        |
| Thobejane MM | 1,685        |              |
| Sibanda PS   | 573          |              |
| Phaahla KG   | 748          |              |
| Phosa NB     | 77           |              |
| Mashiane ME  |              | 81           |
| Kwinana M    |              | 3,737        |
| Phose SP     |              | 585          |

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|           | Note  | 2015<br>R         | 2014<br>R          |
|-----------|---|-------------------|--------------------|
| <b>18</b> | <b>COMMISSION EXPENSE</b>   | <b>41,412,817</b> | <b>14,502,563</b>  |
|           | Commission is paid to local municipalities for the management of water related services.  |                   |                    |
| <b>19</b> | <b>DEPRECIATION AND AMORTISATION EXPENSE</b>  |                   |                    |
|           | Property, plant and equipment 6.1   | 43,314,743        | 42,460,131         |
|           | Intangible assets 7   | 1,615,809         | 935,214            |
|           |   | <b>44,930,552</b> | <b>43,395,345</b>  |
| <b>20</b> | <b>DERECOGNITION OF ASSETS</b>  | <b>1,007,259</b>  | <b>918,394</b>     |
|           | During 2014 and 2015 assets previously recognised as asset under construction were derecognised as these assets no longer complied with the definition of an asset. |                   |                    |
|           | Refer to appendix Note 6  |                   |                    |
| <b>21</b> | <b>REPAIRS AND MAINTENANCE</b>  |                   |                    |
|           | Buildings   | 640,013           | 515,148            |
|           | Computer Equipments   | 187,293           | 124,879            |
|           | Vehicles  | 4,650,251         | 3,652,554          |
|           | Office Machines and equipments  | 727,654           | 121,666            |
|           | Operations and Maintenance  | 31,486,319        | 53,212,074         |
|           |   | <b>37,691,530</b> | <b>57,626,321</b>  |
| <b>22</b> | <b>INTEREST PAID</b>  |                   |                    |
|           | Finance costs - Finance lease   | 338,018           | 120,591            |
|           | Other interest and penalty charges  | 20,203            | 403,412            |
|           |   | <b>358,221</b>    | <b>524,003</b>     |
|           | Other interest and penalties of R20 203(R403 412) relates to charges by SARS for underpayments of PAYE.   |                   |                    |
| <b>23</b> | <b>BULK PURCHASES - WATER</b>   | <b>46,783,840</b> | <b>49,930,863</b>  |
|           | Bulk purchases of water from Lepelle Northern Water   |                   |                    |
| <b>24</b> | <b>PROFIT / (LOSS) ON ACTUARIAL VALUATIONS</b>  | <b>-383,704</b>   | <b>-489,670</b>    |
| <b>25</b> | <b>COMMITMENTS</b>  |                   |                    |
| 25.1      | <u>Commitments in respect of capital expenditure</u>  |                   |                    |
|           | Infrastructure  | 52,053,422        | 119,067,267        |
|           | Community   | -                 | -                  |
|           | Other   | 15,725,761        | 9,213,191          |
|           |   | <b>67,779,182</b> | <b>128,280,458</b> |
|           | <i>This expenditure will be financed from:</i>  |                   |                    |
|           | - Government Grants -conditional  | 52,053,422        | 127,174,567        |
|           | - Equitable share grants  | 15,725,761        | 1,105,891          |
|           |   | <b>67,779,182</b> | <b>128,280,458</b> |

Capricorn District Municipality  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ending 30 June 2015

|           | Note   | 2015<br>R          | 2014<br>R          |
|-----------|--|--------------------|--------------------|
| 25.2      | <u>Commitments in respect of Operating expenditure</u>   |                    |                    |
|           | Infrastructure   | 10,357,231         | 19,848,955         |
|           | Community  |                    | -                  |
|           | Other  | 54,555,892         | 55,654,526         |
|           |  | <b>64,913,123</b>  | <b>75,503,481</b>  |
|           | <i>This expenditure will be financed from:</i>           |                    |                    |
|           | - Government Grants -conditional                         | 10,357,231         | 24,072,455         |
|           | - Equitable share grants                                 | 54,555,892         | 51,431,026         |
|           |  | <b>64,913,123</b>  | <b>75,503,481</b>  |
|           | Commitments in respect of capital expenditure            | 67,779,182         | 128,280,458        |
|           | Commitments in respect of Operating expenditure          | 64,913,123         | 75,503,481         |
|           | <b>Total Commitments</b>                                 | <b>132,692,305</b> | <b>203,783,939</b> |
|           | <i>This expenditure will be financed from:</i>           |                    |                    |
|           | - Government Grants                                      | 62,410,652         | 151,247,022        |
|           | - Equitable share grants                                 | 70,281,653         | 52,536,917         |
|           |  | <b>132,692,305</b> | <b>203,783,939</b> |
|           | Total Commitments approved and contracted for            | 132,692,305        | 203,783,939        |
|           | Total Commitments approved and not contracted for        |                    |                    |
|           |  | <b>132,692,305</b> | <b>203,783,939</b> |
| <b>26</b> | <b>CASH GENERATED BY OPERATIONS</b>                      |                    |                    |
|           | Surplus/(deficit) for the year                           | 319,792,756        | 190,557,608        |
|           | Adjustment for:-   |                    |                    |
|           | Other revenue  | -3,671,016         | -17,163,121        |
|           | Depreciation and amortisation                            | 44,930,552         | 43,395,345         |
|           | Changes on fair value adjustment                         | 383,704            | 489,670            |
|           | Impairment of assets                                     | 1,295,558          | -2,851,214         |
|           | Debt impairment loss                                     | 18,857,651         | 24,623,705         |
|           | Changes on disposal of assets                            | 1,745,674          | 8,230,657          |
|           | <b>Operating surplus before working capital changes:</b> | <b>383,334,879</b> | <b>247,282,650</b> |
|           | <b>CASH GENERATED BY OPERATIONS</b>                      |                    |                    |
|           | (Increase)/decrease in inventories                       | -679,001           | -2,867,416         |
|           | (Increase)/decrease in other receivables                 | -63,470,438        | -34,463,495        |
|           | Increase/(decrease) in conditional grants and receipts   | -28,743,322        | -1,223,344         |
|           | Increase/(decrease) in provisions                        | 3,792,372          | 3,274,007          |
|           | Increase/(decrease) in trade payables                    | 25,024,517         | 30,725,233         |
|           | <b>Cash generated by/(utilised in) operations</b>        | <b>319,259,008</b> | <b>242,727,635</b> |

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|           | Note  | 2015<br>R                | 2014<br>R                |
|-----------|---|--------------------------|--------------------------|
| <b>27</b> | <b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>  |                          |                          |
| 27.1      | <u>Unauthorised expenditure</u>   |                          |                          |
|           | Opening balance   | -                        | 18,058,547               |
|           | Unauthorised expenditure current year   | 56,310,723               | -                        |
|           | Condoned or written off by Council  |                          | -18,058,547              |
|           | Total awaiting authorisation  | <u><u>56,310,723</u></u> | <u><u>-</u></u>          |
|           | Expenditure incurred for during the year on Qualis Consulting as a result of non adherence to supply chain regulations. |                          |                          |
| 27.2      | <u>Irregular expenditure</u>  |                          |                          |
|           | Opening balance   | 63,444,412               | 97,804,755               |
|           | Irregular expenditure current year  | 92,493                   | 9,504,030                |
|           | Condoned or written off by Council  | -22,979,167              | -43,864,373              |
|           | Irregular expenditure awaiting condonement  | <u><u>40,557,738</u></u> | <u><u>63,444,412</u></u> |
| 27.3      | <u>Fruitless and wasteful expenditure</u>   |                          |                          |
|           | Opening balance   | 586,882                  | 173,570                  |
|           | Fruitless and wasteful expenditure current year   | 20,203                   | 413,312                  |
|           | Condoned or written off by Council  |                          | -                        |
|           | Irregular expenditure awaiting condonement  | <u><u>607,085</u></u>    | <u><u>586,882</u></u>    |
| <b>28</b> | <b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>  |                          |                          |
| 28.1      | <u>Audit fees</u>   |                          |                          |
|           | Opening balance   | -                        | 744                      |
|           | Current year audit fee  | 2,582,446                | 2,545,191                |
|           | Amount paid - current year  | -2,557,129               | -2,545,935               |
|           |   | <u><u>25,316</u></u>     | <u><u>-</u></u>          |
| 28.2      | <u>PAYE and UIF</u>   |                          |                          |
|           | Opening balance   | -                        | -272,419                 |
|           | Current year payroll deductions   | 31,813,657               | 28,482,638               |
|           | Amount paid - current year  | -31,813,657              | -28,210,219              |
|           |   | <u><u>-</u></u>          | <u><u>-</u></u>          |
| 28.3      | <u>Pension and Medical Aid Deductions</u>   |                          |                          |
|           | Opening balance   |                          |                          |
|           | Current year payroll deductions   | 35,328,089               | 31,976,908               |
|           | Amount paid - current year  | -35,328,089              | -31,976,908              |
|           |   | <u><u>-</u></u>          | <u><u>-</u></u>          |
| 28.4      | <u>Contributions to local government - SALGA</u>  |                          |                          |
|           | Opening balance   | 2,166,880                | 1,737,965                |
|           | Current year contributions  | -2,263,700               | -1,950,192               |
|           | Prepayments   | 2,521,718                | 2,166,880                |
|           | Additional payments made after confirmation   | 96,820                   | 212,227                  |
|           |   | <u><u>2,521,718</u></u>  | <u><u>2,166,880</u></u>  |

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|           | Note  | 2015<br>R                | 2014<br>R                |
|-----------|---|--------------------------|--------------------------|
| <b>28</b> | <b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)</b>  |                          |                          |
| 28.5      | <u>Deviations</u><br>In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from supply chain management policy needs to be approved/condoned by the Municipal Manager, and noted by Council. The expenses incurred, as listed below, have been approved/condoned by the City Manager and noted by Council.                       |                          |                          |
|           | <b>Incident</b>   |                          |                          |
|           | SAMTRAC training course   | 204,700                  |                          |
|           | Acquiring a service to repair and calibrate   | 74,719                   |                          |
|           | Stage drama   | 10,000                   |                          |
|           | Stage performance   | 12,000                   |                          |
|           | Testing of work suits materials   | 13,255                   |                          |
|           | Basic disaster management and first aid training  | 140,000                  |                          |
|           | Exhibition space Tourism Indaba   | 61,317                   |                          |
|           | Job evaluation services   | 25,600                   |                          |
|           | Stand design and construction of the tourims exhibition stand- Tourism Indaba   | 164,396                  |                          |
|           | Caseware working papers   | 371,764                  |                          |
|           | CASCADE system  | 111,327                  |                          |
|           | Training of bead makers   | 341,000                  |                          |
|           | Water safety and security plans project   | 126,615                  |                          |
|           | SAP licencing for performance management module   | 612,930                  |                          |
|           |   | <b><u>2,269,624</u></b>  |                          |
| <b>29</b> | <b>CONTINGENT LIABILITY</b>   |                          |                          |
| 29.1      | <u>Claim for damages</u><br>The Municipality has a Contingent liability of R28 192 702 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. Should Council be unsuccessful in defending the claims, there is a possibility that the claim will be settled. |                          |                          |
|           | M.Tech Rustenburg   | 16,296,495               | 16,175,619               |
|           | Themashi Business Enterprise  |                          | 2,729,178                |
|           | BC Viljoen  | 460,000                  | 140,032                  |
|           | Storm Fencing   | 582,491                  | 585,023                  |
|           | ALS BEE   | 170,077                  | 170,816                  |
|           | T. Phogole/ CDM   | 241,837                  | 231,380                  |
|           | Qualis Consulting   | 1,725,856                | 1,733,360                |
|           | In Touch  | 3,501,178                |                          |
|           | Rapetsoa  | 138,000                  |                          |
|           | SS Sebone   | 69,627                   |                          |
|           | Mantella Trading  | 3,553,066                |                          |
|           | Royal Haskoning   | 1,454,075                |                          |
|           |   | <b><u>28,192,702</u></b> | <b><u>21,765,409</u></b> |
| 29.2      | <i>Guarantee held by Eskom with regard to electricity accounts amounting to R294 600</i>  |                          |                          |
| <b>30</b> | <b>RELATED PARTIES</b>  |                          |                          |
|           | *Remuneration for members of key management - Note 16   |                          |                          |
|           | *Post employment benefit plan for employees of municipality and/or other related parties - Note 10.3 and 13.2   |                          |                          |
|           | *Compensation to councillors - Note 17  |                          |                          |
|           | *Contributions to organized Local Government - Note 27.4  |                          |                          |

**Capricorn District Municipality**  
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|             | Note  | 2015<br>R          | 2014<br>R          |
|-------------|---|--------------------|--------------------|
| <b>31</b>   | <b>GENERAL EXPENSES</b>                                 |                    |                    |
|             | <i>Included in general expenses are the following:-</i> |                    |                    |
|             | Advertising   | 3,441,586          | 2,391,996          |
|             | Admin fees  | 1,633,788          | 2,057,883          |
|             | Audit fees  | 2,582,446          | 2,545,191          |
|             | Bank charges  | 134,901            | 219,155            |
|             | Bursaries   | 1,296,023          | 1,657,493          |
|             | Cleaning  | 673,392            | 368,519            |
|             | Conferences and meetings                                | 3,586,291          | 3,119,314          |
|             | Groceries   | 424,732            | 272,466            |
|             | Catering and Refreshments                               | 104,370            | 112,147            |
|             | Financial management                                    | 9,742,817          | 14,476,227         |
|             | Fleet payments and public transport                     | 8,875,152          | 8,053,958          |
|             | Insurance   | 1,126,265          | 870,392            |
|             | Legal expenses  | 1,517,571          | 1,839,330          |
|             | Membership fees   | 2,295,943          | 2,005,929          |
|             | Operational projects                                    | 40,800,468         | 28,476,046         |
|             | Postage   | 7,601              | 8,698              |
|             | Printing and stationery                                 | 1,106,590          | 985,838            |
|             | Professional fees                                       | 3,824,415          | 5,178,015          |
|             | Rental of buildings                                     | 3,581,582          | 3,369,816          |
|             | Rental of office equipment                              | 320,331            | 502,404            |
|             | Security costs  | 9,386,608          | 4,776,232          |
|             | Skills development levies                               | 1,853,658          | 1,666,695          |
|             | Subscription & publication                              | 1,076,310          | 1,146,271          |
|             | Telephone cost  | 1,522,597          | 2,628,217          |
|             | Training  | 2,831,273          | 2,856,513          |
|             | Travel and subsistence                                  | 13,562,628         | 10,556,264         |
|             | Uniforms & overalls                                     | 1,254,880          | 135,333            |
|             | Water and Sanitation                                    | 41,618,135         | 31,433,088         |
|             |   | <b>160,182,352</b> | <b>133,709,430</b> |
| <b>31.1</b> | <b><u>Operational projects</u></b>                      |                    |                    |
|             | Electrifications -Infrastructure                        | 8,602,367          | 15,685,761         |
|             | Environmental projects                                  | 14,732,385         | 1,207,630          |
|             | Computer Services                                       | 3,686,059          | 3,886,861          |
|             | Stakeholder Participation                               | 4,332,947          | 2,772,571          |
|             | Other projects  | 9,446,710          | 4,923,224          |
|             |   | <b>40,800,468</b>  | <b>28,476,046</b>  |
| <b>31.2</b> | <b><u>Water and Sanitation</u></b>                      |                    |                    |
|             | Free Basic Water  | 15,291,585         | 13,162,032         |
|             | Water Quality Projects                                  | 4,778,795          | 1,920,274          |
|             | Household sanitation                                    | 19,588,827         | 15,579,275         |
|             | Other water related projects                            | 1,958,927          | 771,506            |
|             |   | <b>41,618,135</b>  | <b>31,433,088</b>  |



|           | Note  | 2015<br>R | 2014<br>R |
|-----------|---|-----------|-----------|
| <b>32</b> | <p><b>KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS</b></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"> <li>* Useful lives and residual values of property, plant, and equipment</li> <li>* Recoverable amounts of property, plant and equipment</li> <li>* Present value of defined benefit obligation</li> <li>* Provision for doubtful debts</li> <li>* Impairment of assets</li> <li>* Provision for long-term service award and medical aid benefits</li> </ul> <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"> <li>* Impairment of assets</li> <li>* Provisions</li> </ul> |           |           |
| <b>33</b> | <p><b>RISK MANAGEMENT</b></p> <p>Exposure to interest rate, credit risk and liquidity risks arise in the normal course of the municipality's operations</p> <p><b>Financial Risk Management</b></p> <p>The municipality has exposure to the following risks from its use of Financial Instruments:</p> <p>Liquidity Risk<br/> Interest Rate Risk<br/> Credit Risk</p> <p>This note presents information about the municipality's exposure to each of the above risks and the municipality's objectives, policies and processes for measuring and managing those risks. Further quantitative disclosures are included throughout these financial statements.</p> <p>The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by it, to set appropriate risk limits and controls and to monitor risks and adherence to limits.</p>  |           |           |

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|           | Note                                       | 2015<br>R          | 2014<br>R          |
|-----------|--|--------------------|--------------------|
| <b>33</b> | <b>RISK MANAGEMENT (continued)</b>         |                    |                    |
|           | <b>Categories of Financial Instruments</b> |                    |                    |
|           | <b>Financial Assets</b>                    |                    |                    |
|           | <b>Investments and Receivables</b>         |                    |                    |
|           | Call Investments                           | 218,669,850        | 245,739,031        |
|           | Cash and cash equivalents                  | 19,658,561         | 46,847,905         |
|           | Trade receivables                          | 46,776,774         | 13,659,943         |
|           | Other receivables                          | 4,370,908          | 9,865,156          |
|           |  | <b>289,476,093</b> | <b>316,112,035</b> |
|           | <b>Liabilities and Creditors</b>           |                    |                    |
|           | <b>Long-term liabilities</b>               |                    |                    |
|           | Long-term liabilities                      | 1,572,427          | 1,277,549          |
|           | Trade and Other payables                   | 135,245,326        | 113,891,826        |
|           |  | <b>136,817,753</b> | <b>115,169,375</b> |

**Fair Values versus Carrying Amounts**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

|                          | Carrying Amount    | Fair Value         |
|--------------------------|--------------------|--------------------|
| Investments              | 218,669,850        | 218,669,850        |
| Cash                     | 19,658,561         | 19,658,561         |
| Trade receivables        | 4,370,908          | 4,370,908          |
| <b>Total</b>             | <b>242,699,319</b> | <b>242,699,319</b> |
| Long-term liabilities    | 1,572,427          | 1,572,427          |
| Trade and other payables | 135,245,326        | 135,245,326        |
| <b>Total</b>             | <b>136,817,753</b> | <b>136,817,753</b> |

33.1 Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policy

The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policy

The following are contractual liabilities of which interest is included in borrowings:

|                          | Up to one year    | 1 - 5 years       | > 5 years |
|--------------------------|-------------------|-------------------|-----------|
| Borrowings               | 1,572,427         | 1,277,549         |           |
| Trade and Other payables | 83,211,464        | 52,033,862        |           |
|                          | <b>84,783,891</b> | <b>53,311,411</b> | -         |

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|  | Note | 2015<br>R | 2014<br>R |
|--|------|-----------|-----------|
|--|------|-----------|-----------|

33.2 Interest rate risk

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

33.3 Credit Risk

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations. Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.

**Investments**

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy.

**Receivables**

Receivables are amounts owing by consumers and are presented net of impairment loss. The municipality has a credit control policy in place and the exposure to credit risk is monitored continuously.

The municipality establishes an allowance for doubtful debts that represents its estimate of anticipated losses in respect of receivables. Payments of accounts of consumer debtors who are unable to pay, are negotiated in line with the credit control policy and terms of payments are agreed upon with the consumer.

**Cash and cash equivalents**

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy. The municipality does not consider there to be any significant exposure to credit risk.

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk as at 30 June was:

|                           |                           |                           |
|---------------------------|---------------------------|---------------------------|
| Call investments          | 218,669,850               | 245,739,031               |
| Cash and cash equivalents | 19,658,561                | 46,847,905                |
| Trade receivables         | 46,776,774                | 13,659,943                |
| Other receivables         | 4,370,908                 | 9,865,156                 |
|                           | <b><u>289,476,093</u></b> | <b><u>316,112,035</u></b> |

**Capricorn District Municipality**  
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|           | Note                   | 2015<br>R | 2014<br>R      |
|-----------|------------------------|-----------|----------------|
| <b>34</b> | <b>IMPAIRMENT LOSS</b> | -         | <b>125,061</b> |

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

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.

**35 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.

**Reassessment**

|       |                  |   |
|-------|------------------|---|
| Water | 1,295,558        | - |
|       | <b>1,295,558</b> | - |

|    | Note                              | 2015<br>R | 2014<br>R |
|----|-----------------------------------|-----------|-----------|
| 36 | <b>COMPARISON WITH THE BUDGET</b> |           |           |

The comparison of the Municipality's actual financial performance with that budgeted is set out in separate additional financial statements.

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 2014 to 30 June 2015. The budget and accounting basis are the same.

36.1 Revenue

**Service Charges**

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

**Investment Revenue**

The municipality has received a higher return on investment 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.

36.2 Expenditure

**Employee related costs**

Not all positions were filled during the financial year inclusive of Executive Managers for Corporate Services Department and Technical Services Manager whose positions have been vacant for long.

**Depreciation and amortisation**

Depreciation of assets has been over estimated in the budget.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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|           | Note  | 2015<br>R | 2014<br>R                   |
|-----------|---|-----------|-----------------------------|
| <b>37</b> | <b>Changes in accounting estimates, errors and disclosure</b>   |           |                             |
|           | <b><u>Prior period errors</u></b>   |           |                             |
|           | 2014 Surplus for the period as previously reported  |           | 172,197,873                 |
|           | Grants and Subsidies 37.1   |           | 24,670,142                  |
|           | Gain/(loss) on disposal of assets- Carrying amount (Building) 37.2  |           | -9,056,551                  |
|           | Gain/(loss) on disposal of assets- Accumulated depreciation (Building) 37.3   |           | 792,448                     |
|           | Derecognition of assets - Laboratory 37.4   |           | -185,348                    |
|           | Derecognition of assets - Water project 37.5  |           | -18,600                     |
|           | Retal of equipments- lease repayments 37.6  |           | 57,728                      |
|           | Finance Charges -lease  |           | -12,949                     |
|           | IT related expenses -SAP  |           | 1,458,152                   |
|           | Depreciation  |           | -84,815                     |
|           | Depreciation- finance lease   |           | -49,404                     |
|           | Loss on disposal - finance leased assets  |           | 787,800                     |
|           | Depreciation intangible   |           | 1,132                       |
|           | 2014 Surplus for the period as restated   |           | <u><u>190,557,608</u></u>   |
| 36.1      | Vat on expenditure relating to MIG projects not recorded as revenue in 2013/14 financial year   |           |                             |
| 36.2      | Transfer of Mafefe Tourism Centre previously recognised as an asset   |           |                             |
| 36.3      | During 2014 capital expenditure incurred on the building of laboratory were capitalised as own assets. However during the current year it was discovered that ownership does not belong to the municipality. The laboratory was subsequently de-recognised as assets.                 |           |                             |
| 37.5      | During 2014 capital expenditure incurred on the construction of water softening plant were capitalised. However during the current year it was discovered that an operational expenditure of R18 600 was included within the amount capitalised. The error was susequently corrected. |           |                             |
|           | <b><u>2014 Prior period errors affecting statements of financial position</u></b>   |           |                             |
|           | Accounts receivable: water  |           | -54,989                     |
|           | Accounts payable: water   |           | 54,989                      |
|           | Finance lease assets  |           | 363,073                     |
|           | Finance lease liability- Non current  |           | -363,073                    |
|           | Finance lease liability -Non current  |           | 114,550                     |
|           | Finance lease liability -Current  |           | -114,550                    |
|           | <b><u>Prior period errors (affectng 2013)</u></b>   |           |                             |
|           | Retained surplus as previously reported   |           | <b>1,385,551,559</b>        |
|           | Assets under construction : Building 37.6   |           | -108,074                    |
|           | Assets under construction : Water 37.7  |           | -2,762,257                  |
|           | Assets under construction : Roads 37.8  |           | -17,722,225                 |
|           | Assets under construction : Electricity 37.9  |           | -1,260,560                  |
|           | Assets under construction : Vehicles 37.10  |           | -850,372                    |
|           | Commission payable 37.11  |           | 520,285                     |
|           | Accounts payable 37.12  |           | -1,237,555                  |
|           | Assets under construction   |           | -1,042                      |
|           | 2013 Retained surplus restated  |           | <u><u>1,362,129,758</u></u> |

**Capricorn District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ending 30 June 2015

|   | Note   | 2015<br>R                | 2014<br>R                 |
|---|--|--------------------------|---------------------------|
| 37.6  | The following assets that were under construction were derecognised:   |                          |                           |
| 37.7  | Concrete pumphouses transferred  |                          |                           |
| 37.8  | Water projects transferred   |                          |                           |
| 37.9  | During 2013 capital expenditure incurred on the building of roads were under construction as they were incomplete. However during the current year it was confirmed that these roads were complete and therefore derecognised as per gazette that all district roads belong to Roads Agency Limpopo. These roads were subsequently de-recognised as assets |                          |                           |
| 37.10   | Electricity conservation transferred   |                          |                           |
| 37.10   | Vehicles transferred   |                          |                           |
| 37.11   | During 2012 the journal correcting water receivables was done however the commission payable was not corrected.  |                          |                           |
| 37.12   | During the current financial year it was discovered that the are invoices from 2013 financial year for Blouberg Municipality which were not claimed. Creditor was raised   |                          |                           |
| <b><u>Prior period errors affecting disclosures</u></b> |  |                          |                           |
| <u>Unauthorised expenditure</u>                         |  |                          |                           |
|   | Condoned by Council (through adoption of 2012/2013 oversight report)- Council meeting 28 March 2014  |                          | 18,058,548                |
| <u>Irregular expenditure</u>                            |  |                          |                           |
|   | Condoned by Council. (Minutes of Special Council meeting 20 July 2012)   |                          | 42,504,682                |
|   | Condoned by Council (through adoption of 2011/2012 Oversight report)- Minutes of Council meeting 27 March 2013).   |                          | 1,359,691                 |
| <b><u>Reclassification in 2014</u></b>                  |  |                          |                           |
|   | Machinery and Equipment  |                          | 34,088                    |
|   | Hardware - IT  |                          | 5,619                     |
|   | Fixture and Fittings   |                          | -39,707                   |
|   | <i>Net effect on surplus/(deficit) for the year</i>  |                          | <u><u>18,359,735</u></u>  |
|   | <i>Net effect on Statement of Financial Position</i>   |                          | <u><u>-23,421,801</u></u> |
|   | <i>Net effect on Accumulated surplus opening balance</i>   |                          | <u><u>-5,062,066</u></u>  |
| <b>38</b>   | <b>Distribution loss</b>   |                          |                           |
|   | Units purchased (kl)   | 8,765,358                | 9,098,172                 |
|   | Units sold (kl)  | 5,790,042                | 5,681,225                 |
|   | Units lost in distribution (kl)  | 2,975,316                | 3,416,947                 |
|   | Average cost per unit purchases (cents per kl)   | 5.53                     | 5.31                      |
|   | Net loss in Rands  | <u><u>16,453,500</u></u> | <u><u>18,143,989</u></u>  |
|   | % Loss on purchases of water   | <u><u>33.94%</u></u>     | <u><u>37.56%</u></u>      |

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

**Capricorn District Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ending 30 June 2015

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|           | <b>Note</b>  | <b>2015</b>            | <b>2014</b>                     |
|-----------|--|------------------------|---------------------------------|
|           |  | <b>R</b>               | <b>R</b>                        |
| <b>39</b> | <b>Events after balance sheet date</b>   |                        |                                 |
|           | Council resolved to write off councillors outstanding debt of R1 278 559, which had resulted from overpayment of salaries in the current and previous financial years. |                        |                                 |
| <b>40</b> | <b>Change in estimate</b>  |                        |                                 |
|           | During the year under review the following changes were made to estimation in accounting transactions, assets, and circumstances                                       |                        |                                 |
|           | Changes were made to useful life of the following assets;  |                        |                                 |
|           |  | <b>Original</b>        | <b>Ammended</b>                 |
|           | Water Maintenance and purification   | 15-40                  | 15-55                           |
|           | Water Reservoir  | 30-50                  | 30-55                           |
|           | Specialist vehicles  | 10-13                  | 5-14                            |
|           | Other vehicles   | 5-8                    | 5-14                            |
|           | Computer equipment   | 3-8                    | 3-13                            |
|           | Machinery  | 5-8                    | 5-13                            |
|           | Computer software  | 3-10                   | 5-13                            |
|           |  | <b>Old Estimates</b>   | <b>New Estimate</b>             |
|           | Office Equipments  | 1,139,423              | 648,137                         |
|           | Furniture and fittings   | 1,508,475              | 547,897                         |
|           | Motor Vehicles   | 4,714,962              | 3,013,261                       |
| <b>41</b> | <b>Fully depreciated assets</b>  |                        |                                 |
|           | The gross carrying amount for furniture and fittings is R488   |                        |                                 |
|           |  | <b>Cost</b>            | <b>Accumulated depreciation</b> |
|           |  | <b>Carrying amount</b> |                                 |
|           | Furniture and fittings (557 assets)  | 356,210                | 355,721                         |
|           |  |                        | 488                             |



Capricorn District Municipality  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2015

| 2015  | Cost / Revaluation   |                        |                    |                       |                      | Accumulated Depreciation and Impairments |                     |                  |   |                      | Carrying Value       |
|---|----------------------|------------------------|--------------------|-----------------------|----------------------|--|---------------------|------------------|---|----------------------|----------------------|
|   | Opening Balance      | Movement in Categories | Additions          | Disposals / Transfers | Closing Balance      | Opening Balance                          | Depreciation        | Disposals        | Impairment loss/Reversal of impairment loss | Closing Balance      |                      |
|   | R                    |                        | R                  | R                     | R                    | R  | R                   | R                | R   | R                    | R                    |
| <b>Land</b>                                   | 11,861,500           |                        | -                  | -                     | 11,861,500           | -  | -                   | -                | -   | -                    | 11,861,500           |
| <b>Buildings</b>                              | 61,648,103           |                        | 3,268,911          | (113,943)             | 64,803,071           | (14,964,477)                             | (1,898,199)         | 190              | -   | (16,862,486)         | 47,940,585           |
| <b>Infrastructure</b>                         |                      |                        |                    |                       |                      |  |                     |                  |   |                      |                      |
| Sewerage Mains & Purification                 | 27,661,696           |                        | 10,819,069         | -                     | 38,480,765           | (7,720,663)                              | (1,564,344)         | -                | -   | (9,285,007)          | 29,195,759           |
| Electricity Peak Load Equipment               | 1,491,695            |                        | -                  | -                     | 1,491,695            | (652,165)                                | (204,363)           | -                | -   | (856,528)            | 635,167              |
| Water Mains & Purification Under construction | 1,336,995,140        |                        | 250,546,036        | -                     | 1,587,541,176        | (368,359,947)                            | (33,234,657)        | -                | (1,295,558)                                 | (402,890,162)        | 1,184,651,014        |
|   | 368,909,968          |                        | 306,485,359        | (224,354,315)         | 451,041,011          | -  | -                   | -                | -   | -                    | 451,041,011          |
|   | 1,735,058,499        |                        | 567,850,463        | (224,354,315)         | 2,078,554,648        | (376,732,775)                            | (35,003,364)        | -                | (1,295,558)                                 | (413,031,697)        | 1,665,522,951        |
| <b>Other Assets</b>                           |                      |                        |                    |                       |                      |  |                     |                  |   |                      |                      |
| Office Equipment                              | 7,335,691            |                        | 2,507,141          | -                     | 9,842,832            | (3,511,765)                              | (648,137)           | -                | -   | (4,159,902)          | 5,682,930            |
| Furniture & Fittings                          | 11,506,741           |                        | 1,647,945          | (97,194)              | 13,057,492           | (5,848,268)                              | (547,898)           | 64,257           | -   | (6,331,909)          | 6,725,583            |
| Motor vehicles                                | 46,446,421           |                        | 1,145,973          | (348,172)             | 47,244,222           | (17,233,720)                             | (3,013,261)         | 226,674          | -   | (20,020,307)         | 27,223,915           |
| Computer Equipment                            | 7,773,907            |                        | 2,775,356          | (58,538)              | 10,490,725           | (2,638,474)                              | (649,352)           | 32,153           | -   | (3,255,673)          | 7,235,052            |
|   | 73,062,760           |                        | 8,076,415          | (503,904)             | 80,635,271           | (29,232,226)                             | (4,858,648)         | 323,084          | -   | (33,767,790)         | 46,867,481           |
| <b>Finance Lease Assets</b>                   | 6,589,703            |                        | 187,877            | (1,961,888)           | 4,815,692            | (2,408,114)                              | (1,554,532)         | 1,961,888        | -   | (2,000,758)          | 2,814,935            |
| <b>Total</b>                                  | <b>1,888,220,565</b> |                        | <b>579,383,667</b> | <b>(226,934,050)</b>  | <b>2,240,670,182</b> | <b>(423,337,591)</b>                     | <b>(43,314,743)</b> | <b>2,285,162</b> | <b>(1,295,558)</b>                          | <b>(465,662,731)</b> | <b>1,775,007,450</b> |

Capricorn District Municipality  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2015

| 2014  | Cost / Revaluation   |                            |                    |                       |                      | Accumulated Depreciation and Impairments |                     |                  |   |                      | Carrying Value       |
|---|----------------------|----------------------------|--------------------|-----------------------|----------------------|--|---------------------|------------------|---|----------------------|----------------------|
|   | Opening Balance      | Movement within categories | Additions          | Disposals / Transfers | Closing Balance      | Opening Balance                          | Depreciation        | Disposals        | Impairment loss/ Reversal impairment loss | Closing Balance      |                      |
|   | R                    |                            | R                  | R                     | R                    | R  | R                   | R                | R   | R                    | R                    |
| <b>Land</b>                                   | 11,861,500           | -                          | -                  | -                     | 11,861,500           | -  | -                   | -                | -   | -                    | 11,861,500           |
| <b>Buildings</b>                              | 70,704,654           | -                          | (9,056,551)        |                       | 61,648,103           | (13,438,045)                             | (2,318,880)         | 792,448          | -   | (14,964,477)         | 46,683,626           |
| <b>Infrastructure</b>                         |                      |                            |                    |                       |                      |  |                     |                  |   |                      |                      |
| Sewerage Mains & Purification                 | 24,674,582           |                            | 2,987,114          | -                     | 27,661,696           | (6,391,026)                              | (1,329,637)         | -                | -   | (7,720,663)          | 19,941,034           |
| Electricity Peak Load Equipment               | 1,491,695            |                            | -                  | -                     | 1,491,695            | (408,727)                                | (243,438)           | -                | -   | (652,165)            | 839,530              |
| Water Mains & Purification Under construction | 1,202,911,980        |                            | 134,471,029        | (387,869)             | 1,336,995,140        | (343,996,680)                            | (28,324,759)        | 22,581           | 3,938,911                                 | (368,359,947)        | 968,635,193          |
|   | 311,854,280          |                            | 194,007,138        | (136,951,452)         | 368,909,968          | -  | -                   | -                | -   | -                    | 368,909,968          |
|   | 1,540,932,538        |                            | 331,465,281        | (137,339,321)         | 1,735,058,499        | (350,796,432)                            | (29,897,834)        | 22,581           | 3,938,911                                 | (376,732,775)        | 1,358,325,724        |
| <b>Other Assets</b>                           |                      |                            |                    |                       |                      |  |                     |                  |   |                      |                      |
| Office Equipment                              | 6,754,312            | 34,088                     | 575,210            | (27,918)              | 7,335,691            | (2,462,909)                              | (1,064,598)         | 15,742           | -   | (3,511,765)          | 3,823,926            |
| Furniture & Fittings                          | 10,169,641           | (39,707)                   | 2,224,584          | (847,776)             | 11,506,741           | (3,616,180)                              | (1,522,496)         | 378,105          | (1,087,697)                               | (5,848,268)          | 5,658,473            |
| 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            | 5,619                      | 1,559,244          | (322,218)             | 7,773,907            | (1,818,048)                              | (962,462)           | 142,037          | -   | (2,638,474)          | 5,135,433            |
|   | 67,747,014           | -                          | 6,990,215          | (1,674,470)           | 73,062,760           | (21,062,061)                             | (8,037,614)         | 955,146          | (1,087,697)                               | (29,232,226)         | 43,830,534           |
| <b>Finance Lease Assets</b>                   | 6,925,994            |                            | 4,627,816          | (4,964,107)           | 6,589,703            | (5,865,710)                              | (2,205,803)         | 5,663,399        |   | (2,408,114)          | 4,181,590            |
| <b>Total</b>                                  | <b>1,698,171,700</b> |                            | <b>343,083,313</b> | <b>(153,034,448)</b>  | <b>1,888,220,565</b> | <b>(391,162,248)</b>                     | <b>(42,460,131)</b> | <b>7,433,573</b> | <b>2,851,214</b>                          | <b>(423,337,591)</b> | <b>1,464,882,974</b> |