

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

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

Contact Information:	
Name of Municipal Manager:	Mavis Matlala (Acting)
Name of Chief Financial	Thomas Nephawe (Acting)
Contact telephone number:	015 294 1000
Contact e-mail address:	nephawet@cdm.org.za
Name of contact at provincial	Youlyna Buys
Contact telephone number:	082 373 7008
Contact e-mail address:	BuysIY@treasury.limpopo.gov.za
Name of relevant Auditor:	AGSA
Contact telephone number:	(015) 283 9300
Contact e-mail address:	hvanderwesthuizen@agsa.co.za
Name of contact at National	Ayanda Lekopa
Contact telephone number:	015 315 5453
Contact e-mail address:	Ayanda.Lekopa@treasury.gov.za

Capricorn District Municipality
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for the period ending 30 June 2015

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 - 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
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for the period ending 30 June 2015

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

Approval of quarterly financial statements

I am responsible for the preparation of these quarterly 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.

Acting Municipal Manager

DATE

Capricorn District Municipality
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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 R	2014 Restated R
ASSETS			
Current assets			
Cash and cash equivalents	1	238 328 411	292 586 937
Receivables from exchange transactions	2	51 124 020	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
		<u>336 107 193</u>	<u>345 097 593</u>
Non-current assets			
Property, plant and equipment	6	1 731 216 203	1 464 145 621
Intangible assets	7	18 172 703	4 593 199
		<u>1 749 388 906</u>	<u>1 468 738 819</u>
Total assets		<u>2 085 496 099</u>	<u>1 813 836 412</u>
LIABILITIES			
Current liabilities			
Payables from exchange transactions	9	129 052 828	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	1 693 400	1 439 667
		<u>221 333 205</u>	<u>235 703 839</u>
Non-current liabilities			
Non-current portion of finance lease liability	12	1 257 419	2 849 976
Non-current provisions	8,13	28 168 136	23 333 716
		<u>29 425 555</u>	<u>26 183 692</u>
Total liabilities		<u>250 758 760</u>	<u>261 887 531</u>
Net assets		<u>1 834 737 338</u>	<u>1 551 948 881</u>
NET ASSETS			
Accumulated surplus / (deficit)		1 834 737 338	1 551 948 881
Total net assets		<u>1 834 737 338</u>	<u>1 551 948 881</u>

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

	Note	2015 R	2014 Restated R
Revenue from exchange transactions	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
Revenue from non-exchange transactions	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
Total revenue		901 223 308	730 952 918
Expenses			
Employee related costs	16	215 293 660	198 395 596
Remuneration of councillors	17	11 304 772	10 899 977
Debt impairment	2.1	19 438 520	24 623 705
Commission paid	18	34 769 763	14 502 563
Depreciation and amortisation expense	19	39 012 023	43 347 072
Derecognition of assets	20	1 007 259	918 394
Repairs and maintenance	21	87 941 907	57 626 321
Finance costs	22	429 210	524 003
Bulk purchases	23	46 783 840	49 930 863
General expenses	31	160 288 517	133 709 430
Total expenses		616 269 472	534 477 923
Gain / (loss) on disposal of assets		-486 117	-9 018 457
(Impairment loss)/reversal of impairment loss	6.1	-1 295 558	2 851 214
Gain / (loss) on actuarial adjustment	24	-383 704	-489 670
Surplus for the period		282 788 457	189 818 081

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

		Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total: Net Assets
	Note	R	R	R
Balance as at 1 June 2013 (as previously reported)		-	1 385 551 559	1 385 551 559
Prior period error	37	-	(23 420 759)	(23 420 759)
Balance as at 1 June 2013 (restated)		-	1 362 130 801	1 362 130 801
Surplus for the period (restated)		-	189 818 081	189 818 081
Prior period error	37	-	17 620 208	17 620 208
Surplus for the period (as previously reported)		-	172 197 873	172 197 873
Balance as at 30 June 2014 (restated)		-	1 551 948 881	1 551 948 881
Surplus for the period		-	282 788 457	282 788 457
Balance as at 30 June 2015		-	1 834 737 338	1 834 737 338

Capricorn District Municipality**CASH FLOW STATEMENT**

as at 30 June 2015

	Note	2015 R	2014 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		804 781 326	678 047 969
Grants		791 931 327	652 413 069
Interest received		31 347 576	23 247 022
Other receipts		(18 497 578)	2 387 878
Payments		(535 873 539)	(437 336 590)
Employee costs		(222 806 060)	(206 021 566)
Suppliers		(312 638 268)	(230 803 969)
Interest paid		(429 210)	(511 055)
Net cash flows from operating activities	26	268 907 787	240 711 379
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(302 966 844)	(201 397 141)
Purchase of intangibles		(16 528 790)	(312 421)
Proceeds/(Deficit) on disposal of assets		(2 331 854)	702 100
Net cash flows from investing activities		(321 827 489)	(201 007 462)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease liability		(1 338 824)	(1 370 914)
Net cash flows from financing activities		(1 338 824)	(1 370 914)
Net increase/(decrease) in net cash and cash equivalents		(54 258 526)	38 333 003
Net cash and cash equivalents at beginning of period		292 586 937	254 253 935
Net cash and cash equivalents at end of period	1	238 328 411	292 586 937

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

Description	Actual 2014	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council Approved By-law)	Final Budget	2015 Actual Income / Expense	Variance	Actual outcome As % Of Final Budget	Actual outcome As % Of Original Budget
	R	R	R	R	R	R	R	R	R
Financial Performance									
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	460 364 445	491 226 000	42 374 877	(1 141 798)	532 459 079	468 948 708	63 510 372	88%	95%
Other Own Revenue	3 966 616	57 780 000	(8 013 821)	-	49 766 179	14 809 896	34 956 284	30%	26%
Total Revenue	520 517 829	604 244 000	37 361 056	(1 141 798)	640 463 258	549 497 366	90 965 892	86%	91%
Employee related costs	198 395 596	249 045 000	(28 395 000)	-	220 650 000	215 293 660	5 356 340	98%	86%
Remuneration of councillors	10 899 977	11 879 000	320 000	-	12 199 000	11 304 772	894 228	93%	95%
Debt impairment	24 623 705	26 358 000	-	-	26 358 000	19 438 520	6 919 480	74%	74%
Depreciation and amortisation	43 347 072	80 790 000	-	-	80 790 000	39 012 023	41 777 977	48%	48%
Repairs and Maintenance	57 626 321	69 201 000	23 094 000	-	92 295 000	87 941 907	4 353 093	95%	127%
Finance costs	524 003	450 000	-	-	450 000	429 210	20 790	95%	95%
Bulk purchases	49 930 863	52 000 000	-	-	52 000 000	46 783 840	5 216 160	90%	90%
General expenses	154 868 906	195 311 000	42 342 056	(1 141 798)	236 511 258	196 935 361	39 575 898	83%	101%
Total Expenditure	540 216 443	685 034 000	37 361 056	(1 141 798)	721 253 258	617 139 293	104 113 966	86%	90%
Surplus/(Deficit)	(19 698 614)	(80 790 000)	-	-	(80 790 000)	(67 641 926)	(13 148 074)	84%	84%
Transfers Recognised - Capital	192 675 599	293 554 000	161 143 493	1 141 798	455 839 290	351 725 942	104 113 349	100%	100%
Surplus/(Deficit) For The Year	172 976 985	212 764 000	161 143 493	1 141 798	375 049 290	284 084 015	90 965 275	76%	134%

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

Net Cash From (Used)									
Operating	240 711 379	224 028 000	-	-	224 028 000	268 907 787	(44 879 787)	120%	120%
Net Cash From (Used) Investing	(201 007 462)	(293 554 000)	-	-	(293 554 000)	(321 827 489)	28 273 489	110%	110%
Net Cash From (Used)									
Financing	(1 370 914)	-	-	-	-	(1 338 824)	1 338 824	0%	0%
Net Increase/ (Decrease) in cash held	38 333 003	(69 526 000)	-	-	(69 526 000)	(54 258 526)	(15 267 474)	78%	78%

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

Net Surplus Per The Statement Of Financial Performance	282 788 457	172 197 873
<i>Adjusted For:</i>		
Differences in revenue	90 965 892	(136 504 576)
Employee related costs	(5 356 340)	(7 100 779)
Remuneration of councillors	(894 228)	1 233 977
Debt impairment	(6 919 480)	(3 268 345)
Depreciation and amortisation	(41 777 977)	(35 915 094)
Finance costs	(20 790)	56 355
Bulk purchases	(5 216 160)	(30 137)
General expenses	(39 575 898)	(70 561 072)
Transfers Recognised - Capital	104 113 349	(79 891 800)
Net Surplus Per Approved Budget	378 106 825	(159 783 600)

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	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
Land	11 861 500	-	-	11 861 500	-	-	-	-	-	11 861 500
Buildings	61 648 103	3 268 911	(113 943)	64 803 071	(14 964 477)	(1 898 199)	190	-	(16 862 486)	47 940 585
Infrastructure										
Sewerage Mains & Purification	27 661 696	10 819 069	-	38 480 765	(7 720 663)	(1 539 732)	-	-	(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	200 295 659	-	1 537 290 799	(368 359 947)	(32 803 029)	-	(1 295 558)	(402 433 923)	1 134 856 876
	368 911 010	306 485 359	(224 354 315)	451 042 053	-	-	-	-	-	451 042 053
	1 735 059 542	517 600 087	(224 354 315)	2 028 305 313	(376 732 775)	(34 547 125)	-	(1 295 558)	(412 575 458)	1 615 729 855
Other Assets										
Office Equipment Furniture & Fittings	7 301 603	2 541 229	-	9 842 832	(3 511 765)	389 445	(222 032)	-	(3 344 352)	6 498 481
Motor vehicles	11 546 448	(360 161)	97 194	11 283 481	(5 848 268)	765 893	3 894 011	-	(1 188 364)	10 095 117
Computer Equipment	46 446 421	1 548 656	(750 856)	47 244 221	(17 233 720)	(988 466)	192 211	-	(18 029 974)	29 214 246
	7 768 288	2 722 437	-	10 490 725	(2 638 474)	160 604	(147 556)	-	(2 625 426)	7 865 300
	73 062 760	6 452 162	(653 662)	78 861 260	(29 232 226)	327 476	3 716 635	-	(25 188 116)	53 673 144
Finance Lease Assets	6 589 703	-	-	6 589 703	(3 146 509)	(1 432 075)	-	-	(4 578 584)	2 011 119
Total	1 888 221 607	527 321 160	(225 121 920)	2 190 420 847	(424 075 987)	(37 549 923)	3 716 824	(1 295 558)	(459 204 644)	1 731 216 203

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	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
Land	11 861 500	-	-	11 861 500	-	-	-	-	-	11 861 500
Buildings	70 704 654	-	(9 056 551)	61 648 103	(13 438 045)	(2 318 880)	792 448	-	(14 964 477)	46 683 626
Infrastructure										
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
	311 855 323	194 007 138	(136 951 452)	368 911 010	-	-	-	-	-	368 911 010
	1 540 933 580	331 465 281	(137 339 321)	1 735 059 542	(350 796 432)	(29 897 834)	22 581	3 938 911	(376 732 775)	1 358 326 767
Other Assets										
Office Equipment Furniture & Fittings	6 754 312	575 210	(27 918)	7 301 603	(2 462 909)	(1 064 598)	15 742	-	(3 511 765)	3 789 838
Motor vehicles	10 169 641	2 224 584	(847 776)	11 546 448	(3 616 180)	(1 522 496)	378 105	(1 087 697)	(5 848 268)	5 698 180
Computer Equipment	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
	6 531 261	1 559 245	(322 218)	7 768 288	(1 818 048)	(962 462)	142 037	-	(2 638 474)	5 129 814
	67 747 014	6 990 216	(1 674 470)	73 062 760	(21 062 061)	(8 037 614)	955 146	(1 087 697)	(29 232 226)	43 830 534
Finance Lease Assets	6 925 994	4 627 816	(4 964 107)	6 589 703	(5 865 710)	(2 156 399)	4 875 599	-	(3 146 509)	3 443 194
Total	1 698 172 742	343 083 314	(153 034 448)	1 888 221 607	(391 162 248)	(42 410 727)	6 645 773	2 851 214	(424 075 987)	1 464 145 620

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

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:

No.	Title of Standard	Impact on Annual Financial Statements
GRAP 20	Related Party Disclosures	No material impact
GRAP 32	Service Concession Arrangements: Grantor	No material impact

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

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

No.	Title of Standard	Impact on Annual Financial Statements
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.

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

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:

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

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

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

3.4 DERECOGNITION

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

3.5 WEBSITE COSTS

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

4 INVENTORIES

4.1 INITIAL RECOGNITION

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

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

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

4.2 SUBSEQUENT MEASUREMENT

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

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

Consumable inventories are valued using the weighted average method.

5 FINANCIAL INSTRUMENTS

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

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

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

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

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for the period ending 30 June 2015

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.

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

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

5.3 CATEGORIES OF FINANCIAL INSTRUMENTS

The municipality has the following categories of financial instruments:

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

5.3.1 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially designated at fair value.

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

5.3.2 TRADE AND OTHER PAYABLES

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

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

5.3.3 CASH AND CASH EQUIVALENTS

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

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

5.4 DERECOGNITION

The municipality derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived;
- The municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

- The municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the that party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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

The municipality derecognises a financial liability only when:

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

6 UNAUTHORISED EXPENDITURE

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

7 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 FRUITLESS AND WASTEFUL EXPENDITURE

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

9 PROVISIONS

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

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

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

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

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

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

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

10 LEASES

10.1 MUNICIPALITY AS LESSEE

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

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

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

11 REVENUE

11.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

11.1.1 Measurement

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

11.1.2 Sale of goods

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

- the 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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for the period ending 30 June 2015

- 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.

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NOTES TO THE FINANCIAL STATEMENTS
for the period ending 30 June 2015

	Note	2015 R	2014 R
1 CASH AND CASH EQUIVALENTS			
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
Total cash and cash equivalents		238 328 411	292 586 937

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
		66 443 978	56 617 702

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
		66 464 722	72 851 480

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
	218 669 850	245 739 031

2 RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
Trade receivables			
as at 30 June 2015			
Service debtors - water	123 874 491	(83 283 498)	40 590 993
Other receivables	10 533 027	-	10 533 027
Total Trade and other receivables	134 407 518	(83 283 498)	51 124 020

as at 30 June 2014

Service debtors - water	76 170 829	(62 510 886)	13 659 943
Other receivables	9 865 156	-	9 865 156
Total	86 035 984	(62 510 886)	23 525 099

Other receivables

Local Municipalities - Operation and maintenance	4 238 080	4 238 080
Sundry debtors	6 294 947	5 627 075
	10 533 027	9 865 156

The following represents water debts that are not impaired;

Water: Ageing

(0 – 90 days)	15 274 735	10 199 281
91 - 120 Days	6 518 507	114 222
121 - 365 Days	18 797 752	3 346 440
Total	40 590 993	13 659 943

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

	Note	2015 R	2014 R
2.1 <u>Reconciliation of the doubtful debt provision</u>			
Balance at beginning of the year		62 510 886	147 593 186
Amounts written off		-	(113 150 977)
VAT		1 334 092	3 444 972
Contributions to provision		19 438 520	24 623 705
Balance at end of year		83 283 498	62 510 886
3 INVENTORIES			
Opening balance of inventories:		7 115 978	4 248 562
Consumable stores - at cost		310 740	316 172
Maintenance materials - at cost		6 527 958	3 640 266
Water		277 280	292 124
Additions:		6 014 247	7 649 905
Consumable stores		1 735 988	1 329 562
Maintenance materials		4 278 260	6 320 343
Water		-	-
Issued (expensed):		(5 335 246)	(4 782 489)
Consumable stores		(1 626 384)	(1 334 994)
Maintenance materials		(3 682 053)	(3 432 651)
Water		(26 809)	(14 844)
Closing balance of inventories:		7 794 979	7 115 978
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.			
4 PREPAYMENTS			
Prepaid expenses		2 521 718	2 058 536
2015/16 SALGA membership fees paid in advance to benefit from the discount given if paid before year-end			
5 VAT RECEIVABLE			
VAT is receivable on the accrual basis		36 338 064	19 811 044

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
as at 30 June 2014	11 861 500	46 683 626	1 358 326 766	43 830 534	3 443 194	1 464 145 621
Cost/Revaluation	11 861 500	61 648 103	1 735 059 541	73 062 760	6 589 703	1 888 221 608
Accumulated depreciation and impairment losses	-	(14 964 477)	(376 732 775)	(29 232 226)	(3 146 509)	(424 075 987)
Acquisitions	-	3 268 911	517 600 087	6 452 162	-	527 321 160
Depreciation	-	(1 898 199)	(34 547 125)	327 476	(1 432 075)	(37 549 923)
Carrying value of disposals	-	(113 753)	(224 354 315)	3 062 973	-	(221 405 095)
Cost/Revaluation	-	(113 943)	(224 354 315)	(653 662)	-	(225 121 920)
Accumulated depreciation and impairment losses	-	190	-	3 716 635	-	3 716 824
Impairment loss/Reversal of impairment loss	-	-	(1 295 558)	-	-	(1 295 558)
as at 30 June 2015	11 861 500	47 940 585	1 615 729 854	53 673 145	2 011 119	1 731 216 203
Cost/Revaluation	11 861 500	64 803 071	2 028 305 313	78 861 260	6 589 703	2 190 420 847
Accumulated depreciation and impairment losses	-	(16 862 486)	(412 575 458)	(25 188 116)	(4 578 584)	(459 204 644)

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
as at 1 July 2013	11 861 500	57 266 609	1 190 137 148	46 684 952	1 060 285	1 307 010 494
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			(22 703 488)			(22 703 488)
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	6 990 216	4 627 816	343 083 314
Depreciation	-	(2 318 880)	(29 897 834)	(8 037 614)	(2 156 399)	(42 410 727)
Carrying value of disposals	-	(8 264 102)	(137 316 740)	(719 324)	(88 508)	(146 388 674)
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	4 875 599	6 645 773
Impairment loss/Reversal of impairment loss	-	-	3 938 911	(1 087 697)	-	2 851 214
as at 30 June 2014	11 861 500	46 683 626	1 358 326 766	43 830 534	3 443 194	1 464 145 621
Cost/Revaluation	11 861 500	61 648 103	1 735 059 541	73 062 760	6 589 703	1 888 221 608
Accumulated depreciation and impairment losses	-	(14 964 477)	(376 732 775)	(29 232 226)	(3 146 509)	(424 075 987)

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

7 INTANGIBLE ASSETS

	Computer Software
	R
7.1 Reconciliation of carrying value	
as at 30 June 2014	4 593 199
Cost	9 022 757
Accumulated amortisation and impairment losses	(4 429 559)
Acquisitions	16 528 790
Amortisation	(1 462 100)
Disposal - Cost	(5 494 467)
Disposal - Accumulated depreciation	4 007 280
as at 30 June 2015	18 172 703
Cost	20 057 081
Accumulated amortisation and impairment losses	(1 884 378)
7.2 Reconciliation of carrying value	
as at 1 July 2013	3 758 972
Cost	7 252 185
Accumulated amortisation and impairment losses	(3 493 213)
Acquisitions	1 770 573
Amortisation	(936 346)
as at 30 June 2014	4 593 199
Cost	9 022 757
Accumulated amortisation and impairment losses	(4 429 559)

No intangible assets 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

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:

Movement in the employee health-care liability

	2015	2014
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
Unfunded accrued liability as at 30 June	3 410 000	3 268 000

Current portion of liability	301 000	282 000
Non-current portion of liability	3 109 000	2 986 000
	3 410 000	3 268 000

Expense recognised in Statement of Financial Performance

Current service cost	-	-
Interest cost	282 000	323 000
Past service cost	-	-
Actuarial losses/ (gains)	99 000	-960 099
	381 000	-637 099

Principal actuarial assumptions of valuation model used:

Discount rate	Yield Curve	8.94%
CPI	Yield Curve -	7.05%
	Nominal	
	Curve	
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:

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

8 RETIREMENT BENEFIT INFORMATION
(continued)

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:

Movement in the long-service award liability

	2015	2014
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
Unfunded accrued liability as at 30 June	9 769 000	9 331 000
Current portion of liability	1 845 000	1 676 000
Non-current portion of liability	7 924 000	7 655 000
	9 769 000	9 331 000

Expense recognised in Statement of Financial Performance

Current service cost	927 000	575 000
Interest cost	749 000	363 000
Past service cost	-	-
Actuarial losses/ (gains)	284 704	1 449 769
	1 960 704	2 387 769

Principal actuarial assumptions of valuation model used:

Discount rate	Yield Curve	7.96%
CPI	Yield Curve - Nominal	6.33%
General salary inflation rate	Curve	
	CPI +1%	7.33%

Sensitivity analysis

The effect of a 1% movement in the assumed salary inflation rate is as follows:

	1% Increase	1% Increase
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
	1% Decrease	1% Decrease
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.

Movement in the leave provision	2015	2014
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
Unfunded accrued liability as at 30 June	18 244 713	15 950 620
Current portion of liability	1 109 577	3 257 904
Non-current portion of liability	17 135 136	12 692 716
	18 244 713	15 950 620

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 R	2014 R	
9	PAYABLES FROM EXCHANGE TRANSACTIONS			
	Trade creditors	76 839 126	68 915 591	
	Retentions	52 033 862	44 970 630	
	Other creditors	179 841	5 605	
	Total creditors	129 052 828	113 891 826	
	The fair value of trade and other payables approximates their carrying amounts			
10	PROVISIONS			
	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
	Total provisions		13 385 196	14 427 243
10.1	<i>Provision for bonuses</i>			
	Performance Bonus			
	<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	
	13th cheque provision			
	<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	
	Total provision for bonuses	10 129 619	9 211 339	
10.2	<i>Provision for leave</i>	8.3	1 109 577	3 257 904
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
	Total provision for other bonuses		2 146 000	1 958 000

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

	Note	2015 R	2014 R
11	UNSPENT CONDITIONAL GRANTS		
	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 Integrated Grant for Municipalities (EPWP)	40 637	107 511
	EEDG	994 094	-
	Rural household infrastructure grant (RHIG)	4 500 000	3 706 528
	Current portion of unspent conditional grants	77 201 781	105 945 103
11.1	<i>Municipal infrastructure grant (MIG)</i>		
	Balance unspent at beginning of year	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
	Conditions still to be met - remain liabilities	71 167 051	93 614 151
11.2	<i>Finance management grant (FMG)</i>		
	Balance unspent at beginning of year	517 072	266 435
	Current year receipts	1 250 000	1 250 000
	Conditions met - transferred to revenue	-1 767 072	-999 363
	Conditions still to be met - remain liabilities	0	517 072
11.3	<i>Water services operating grant (WSOG)</i>		
	Balance unspent at beginning of year	7 999 841	-
	Current year receipts	25 000 000	20 109 000
	Conditions met - transferred to revenue	-32 499 841	-12 109 159
	Conditions still to be met - remain liabilities	500 000	7 999 841
11.4	<i>Expanded Public Works Programme Integrated Grant for Municipalities (EPWP)</i>		
	Balance unspent at beginning of year	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
	Conditions still to be met - remain liabilities	40 637	107 511
11.5	<i>EEDG</i>		
	Balance unspent at beginning of year	-	-
	Current year receipts	4 000 000	421 700
	Conditions met - transferred to revenue	-3 005 906	-421 700
	Conditions still to be met - remain liabilities	994 094	-
11.6	<i>Rural household infrastructure grant (RHIG)</i>		
	Balance unspent at beginning of year	3 706 529	-
	Current year receipts	4 500 000	4 000 000
	Conditions met - transferred to revenue	-3 706 528	-293 471
	Conditions still to be met - remain liabilities	4 500 001	3 706 529

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

	Note	2015 R	2014 R
12 LEASES			
12.1 <i>Finance lease liability</i>			
		Minimum lease payment	Future finance charges
			PV of minimum lease payments
2015	R	R	R
Within one year		1 888 464	-195 064
Within two to five years		1 306 952	-49 533
		<u>3 195 416</u>	<u>2 950 819</u>
Less: Amount due for settlement within 12 months (current portion)			-1 693 400
			<u><u>1 257 419</u></u>
		Minimum lease payment	Future finance charges
			PV of minimum lease payments
2014	R	R	R
Within one year		1 762 213	-322 545
Within two to five years		3 089 251	-239 275
		<u>4 851 464</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>166 268</u>	<u>1 477 168</u>
Operating lease payments included in the Statement of Financial Performance		3 581 582	3 369 816
13 NON-CURRENT PROVISIONS			
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	<u>17 135 136</u>	<u>12 692 716</u>
		<u>28 168 136</u>	<u>23 333 716</u>
14 REVENUE FROM EXCHANGE TRANSACTIONS			
Service charges - water		<u>44 299 735</u>	<u>36 033 006</u>
Interest earned			
Outstanding receivables		9 908 548	3 093 261
External investments		<u>21 439 028</u>	<u>20 153 761</u>
		31 347 576	23 247 022
Other income			
Tender Fees income		1 230 331	873 355
		<u>1 230 331</u>	<u>873 355</u>
		<u>76 877 642</u>	<u>60 153 384</u>

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

	Note	2015 R	2014 R
15	REVENUE FROM NON- EXCHANGE TRANSACTIONS		
	Government grants and subsidies		
	Equitable share	15.1	465 510 000
	MIG Grant	15.2	281 506 101
	Other Government Grants and Subsidies	15.3	73 507 221
	LG SETA Grant		151 327
		820 674 649	653 636 413
	Other Income		
	Retention liability written back	15.4	3 671 016
		3 671 016	17 163 121

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
NOTES TO THE FINANCIAL STATEMENTS
for the period ending 30 June 2015

	Note	2015 R	2014 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.			
16	EMPLOYEE RELATED COSTS		
	Employee related costs - Salaries and Wages	138 980 515	128 615 104
	Contributions for UIF, pensions and medical aids	35 328 089	31 976 908
	Travel, motor car, subsistence and other allowances	17 683 954	17 419 978
	Housing benefits and allowances	2 103 295	2 198 825
	Overtime payments	12 653 070	10 285 209
	Performance and other bonuses	6 602 614	6 422 055
	Other employee related costs	1 942 123	1 477 518
	16.1	1 942 123	1 477 518
		215 293 660	198 395 596
16.1	<u>Other employee related costs include</u>		
	Employee Assistant Programme	1 612 641	1 168 915
	Union affiliations	44 348	46 940
	Special Allowance	285 133	261 662
		1 942 123	1 477 518
16.2	<u>Remuneration of the Municipal Manager</u>		
	Annual Remuneration	1 121 979	1 088 876
	Performance- and other bonuses	63 464	26 306
	Travel, motor car, subsistence and other allowances	220 875	204 000
	Contributions to UIF, Medical and Pension Funds	292 118	284 105
		1 698 436	1 603 287
16.3	<u>Remuneration of the Chief Finance Officer</u>		
	Annual Remuneration	763 046	915 854
	Performance- and other bonuses	59 623	13 031
	Travel, motor car, subsistence and other allowances	172 095	132 000
	Contributions to UIF, Medical and Pension Funds	22 458	24 086
		1 017 221	1 084 971

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

	Note	2015 R	2014 R
16	EMPLOYEE RELATED COSTS (continued)		
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
		331 761	355 808
	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
		1 160 222	1 020 038
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
		1 215 326	1 117 987
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
		309 569	646 409
	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
	Total	409 838	861 653
	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 R	2014 R
17	REMUNERATION OF COUNCILLORS		
	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 & 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	931 796	594 738
	Councillors' pension and medical aid	1 077 998	1 063 527
	Councillors' allowances	2 735 704	2 519 464
		11 304 772	10 899 977

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

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

	Note	2015 R	2014 R
18	COMMISSION EXPENSE	34 769 763	14 502 563
	Commission is paid to local municipalities for the management of water related services.		
19	DEPRECIATION AND AMORTISATION EXPENSE		
	Property, plant and equipment	37 549 923	42 410 727
	Intangible assets	1 462 100	936 346
		39 012 023	43 347 072
20	DERECOGNITION OF ASSETS	1 007 259	918 394
	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.		
21	REPAIRS AND MAINTENANCE		
	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	81 736 695	53 212 074
		87 941 907	57 626 321
22	INTEREST PAID		
	Finance costs - Finance lease	332 697	107 642
	Other interest and penalty charges	96 513	403 412
		429 210	524 003
	Other interest and penalties of R96 513 (R403 412) relates to charges by SARS for underpayments of PAYE.		
23	BULK PURCHASES - WATER	46 783 840	49 930 863
	Bulk purchases of water from Lepelle Northern Water		
24	PROFIT / (LOSS) ON ACTUARIAL VALUATIONS	-383 704	-489 670
25	COMMITMENTS		
25.1	<u>Commitments in respect of capital expenditure</u>		
	Infrastructure	70 803 913	119 067 267
	Community	-	-
	Other	23 392 078	9 213 191
		94 195 991	128 280 458
	<i>This expenditure will be financed from:</i>		
	- Government Grants -conditional	66 303 913	127 174 567
	- Equitable share grants	13 648 662	1 105 891
		79 952 575	128 280 458

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

	Note	2015 R	2014 R
25.2	<u>Commitments in respect of Operating expenditure</u>		
	Infrastructure	5 633 471	19 848 955
	Community	-	-
	Other	8 609 945	55 654 526
		14 243 416	75 503 481
	<i>This expenditure will be financed from:</i>		
	- Government Grants -conditional	10 357 231	24 072 455
	- Equitable share grants	3 886 185	51 431 026
		14 243 416	75 503 481
	Commitments in respect of capital expenditure	94 195 991	128 280 458
	Commitments in respect of Operating expenditure	14 243 416	75 503 481
	Total Commitments	108 439 407	203 783 939
	<i>This expenditure will be financed from:</i>		
	- Government Grants	76 661 144	151 247 022
	- Equitable share grants	17 534 847	52 536 917
		94 195 991	203 783 939
	Total Commitments approved and contracted for	108 439 407	203 783 939
	Total Commitments approved and not contracted for	108 439 407	203 783 939
26	CASH GENERATED BY OPERATIONS		
	Surplus/(deficit) for the year	282 788 457	172 197 873
	Adjustment for:-		
	Other revenue	-3 671 016	-17 163 121
	Depreciation and amortisation	39 012 023	43 262 257
	Changes on fair value adjustment	383 704	489 670
	Impairment of assets	1 295 558	-2 851 214
	Debt impairment loss	19 438 520	24 623 705
	Changes on disposal of assets	486 117	754 353
	Operating surplus before working capital changes:	339 733 363	221 313 523
	CASH GENERATED BY OPERATIONS		
	(Increase)/decrease in inventories	-679 001	-2 867 416
	(Increase)/decrease in other receivables	-64 027 644	-34 518 484
	Increase/(decrease) in conditional grants and receipts	-28 743 322	23 446 798
	Increase/(decrease) in provisions	3 792 372	3 274 007
	Increase/(decrease) in trade payables	18 832 019	30 062 951
	Cash generated by/(utilised in) operations	268 907 787	240 711 379

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

	Note	2015 R	2014 R
27	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
27.1	<u>Unauthorised expenditure</u>		
	Opening balance	18 058 547	18 058 547
	Unauthorised expenditure current year	92 493	-
	Total awaiting authorisation	18 151 040	18 058 547
	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	107 308 785	97 804 755
	Irregular expenditure current year	-	9 504 030
	Irregular expenditure awaiting condonement	107 308 785	107 308 785
27.3	<u>Fruitless and wasteful expenditure</u>		
	Opening balance	586 882	173 570
	Fruitless and wasteful expenditure current year	96 513	413 312
	Condoned or written off by Council	-509 826	-
	Irregular expenditure awaiting condonement	173 570	586 882
28	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
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
		25 316	-
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
		-	-
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
		-	-
28.4	<u>Contributions to local government - SALGA</u>		
	Opening balance	2 058 536	1 737 965
	Current year contributions	-2 058 536	-1 737 965
		-	-

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

	Note	2015 R	2014 R
28	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)		
28.5	<u>Deviations</u> 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.		
	Incident		
	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	67 000	
	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	
		2 196 624	
29	CONTINGENT LIABILITY		
29.1	<u>Claim for damages</u> The Municipality has a Contingent liability of R27 745 171 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	16 105 595	16 175 619
	Themashi Business Enterprise		2 729 178
	BC Viljoen	126 977	140 032
	Storm Fencing	582 491	585 023
	ALS BEE	170 077	170 816
	T. Phogole/ CDM	318 229	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	
		27 745 171	21 765 409
29.2	<i>Guarantee held by Eskom with regard to electricity accounts amounting to R294 600</i>		
30	RELATED PARTIES		
	*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
NOTES TO THE FINANCIAL STATEMENTS
for the period ending 30 June 2015

Note	2015 R	2014 R
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Capricorn District Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the period ending 30 June 2015

	Note	2015 R	2014 R
31	GENERAL EXPENSES		
	<i>Included in general expenses are the following:-</i>		
	Advertising	3 441 587	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	426 496	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
		160 288 517	133 709 430
31.1	<u>Operational projects</u>		
	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
		40 800 468	28 476 046
31.2	<u>Water and Sanitation</u>		
	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
		41 618 135	31 433 088

	Note	2015 R	2014 R
32	KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS		
	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.		
	 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.		
	 The following areas involve a significant degree of estimation uncertainty:		
	* Useful lives and residual values of property, plant, and equipment		
	* Recoverable amounts of property, plant and equipment		
	* Present value of defined benefit obligation		
	* Provision for doubtful debts		
	* Impairment of assets		
	* Provision for long-term service award and medical aid benefits		
	 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:		
	* Impairment of assets		
	* Provisions		
33	RISK MANAGEMENT		
	Exposure to interest rate, credit risk and liquidity risks arise in the normal course of the municipality's operations		
	Financial Risk Management		
	The municipality has exposure to the following risks from its use of Financial Instruments:		
	Liquidity Risk		
	Interest Rate Risk		
	Credit Risk		
	 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.		
	 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.		

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

	Note	2015 R	2014 R
33	RISK MANAGEMENT (continued)		
	Categories of Financial Instruments		
	Financial Assets		
	Investments and Receivables		
	Call Investments	218 669 850	245 739 031
	Cash and cash equivalents	19 658 561	46 847 905
	Trade receivables	40 590 993	13 659 943
	Other receivables	10 533 027	9 865 156
		289 452 431	316 112 035
	Liabilities and Creditors		
	Long-term liabilities		
	Long-term liabilities	1 693 400	1 257 419
	Trade and Other payables	129 052 828	113 891 826
		130 746 229	115 149 245

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	10 533 027	10 533 027
Total	248 861 438	248 861 438
Long-term liabilities	1 693 400	1 693 400
Trade and other payables	129 052 828	129 052 828
Total	130 746 229	130 746 229

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	1 693 400	1 257 419	
Trade and Other payables	77 018 966	52 033 862	
	78 712 367	53 291 281	-

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

	Note	2015 R	2014 R
33.2	<u>Interest rate risk</u> 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	<u>Credit Risk</u> 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	40 590 993	13 659 943
	Other receivables	10 533 027	9 865 156
		289 452 431	316 112 035

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

	Note	2015 R	2014 R
34	IMPAIRMENT LOSS	-	125 061

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	-
	1 295 558	-

	Note	2015 R	2014 R
36	COMPARISON WITH THE BUDGET		

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.

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

	Note	2015 R	2014 R
37	Changes in accounting estimates, errors and disclosure		
	<u>Prior period errors</u>		
	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
	2014 Surplus for the period as restated		<u><u>189 818 080</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.		
	<u>2014 Prior period errors affecting statements of financial position</u>		
	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
	<u>Prior period errors (affectng 2013)</u>		
	Retained surplus as previously reported		1 385 551 559
	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
	2013 Retained surplus restated		<u><u>1 362 130 801</u></u>

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

	Note	2015 R	2014 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		
38	Distribution loss		
	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	16 453 500	18 143 989
	% Loss on purchases of water	<u>33.94%</u>	<u>37.56%</u>

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

39 Events after balance sheet date

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.