



**CAPRICORN DISTRICT MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## General Information

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### Mayoral committee

Executive Mayor

Councillors

Kganyago MG  
Lekganyane NM (Speaker)  
Masoga MC (Chief Whip)  
Boloka MP (MMC : Sports, Arts & Culture)  
Dandane PG (MMC : Finance)  
Kgare MB (MMC : Community Services)  
Mashangoane PR (MMC : Development Planning & Environmental Management Services)  
Matsaung MJ (MMC : Infrastructure Services)  
Mahlo NP (MMC : Strategic Executive Management Services)  
Seakamela NW (MMC : Local Economic Development)  
Kgatla KE (MMC : Corporate Services)  
Mohale MM (Chairperson: Committee of Chairpersons)  
Leshilo MS (Chairperson: Ethics, Rules & Integrity Committee)  
Matlou JM (Chairperson: Infrastructure Services Portfolio Committee)  
Peta MM (Chairperson: Community Services Portfolio Committee )  
Sebone J (Chairperson: Strategic Executive Management Services Portfolio Committee)  
Chauke HE (Chairperson: Finance Portfolio Committee)  
Seokotsa MM (Chairperson: Corporate Services Portfolio Committee)  
Tawana MP (Chairperson: Development Planning and Environmental Management Portfolio Committee)  
Tsoai ME (Chairperson: Municipal Public Accounts Committee)  
Botha AH (Member)  
Baloyi HP (Member)  
Cholo SS (Member)  
Ramaesela FM (Member)  
Lediga MA (Member)  
Maja MJ (Member)  
Maleboho MG (Member)  
Mamabolo SN (Member)  
Manong MA (Member)  
Manthata TW (Member)  
Mapoulo ML (Member)  
Mathidza SE (Member)  
Mehlape QN (Member)  
Mkohliswa S (Member)  
Tsheola KG (Member)  
Morwana MH (Member)  
Mokgehle PS (Member)  
Molatlane ML (Member)  
Monyetshwale SJ (Member)  
Moropa JM (Member)  
Mphahlele MR (Member)  
Ntsoane MA (Member)  
Mathabatha MA (Member)  
Raletjena MJ (Member)  
Ramalla TA (Member)  
Vilankulu RJ (Member)

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## General Information

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	Sedibane MJ (Member) Rangata MJ (Member) Semenya RA (Member) Setjie ND (Member) Sono MMP (Member) Moraba MB (Member) Makgalo NG (Member)
Accounting Officer	Mazibuko N (Acting)
Grading of local authority	Category B - Grade 4
Auditors	Auditor - General
Bankers	FNB (Primary bank account)
Registered office	41 Biccard Street Polokwane 0700
Business 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
Chief Finance Officer (CFO)	Venter M (Acting)

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

### Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2016, as set out on pages 5 to 40 in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.



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**Mazibuko N (Acting)**  
**Municipal Manager**

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	4	3 489 608	7 794 979
Receivables from exchange transactions	3	4 795 599	4 379 065
Receivables from non-exchange transactions		66 348 786	-
VAT receivable	6	39 741 113	36 339 150
Prepayments	5	2 852 980	2 521 718
Consumer debtors	15	45 694 117	40 590 993
Cash and cash equivalents	2	205 554 277	238 328 411
		<b>368 476 480</b>	<b>329 954 316</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	2 120 725 562	1 774 978 542
Intangible assets	8	15 428 594	18 192 233
		<b>2 136 154 156</b>	<b>1 793 170 775</b>
<b>Total Assets</b>		<b>2 504 630 636</b>	<b>2 123 125 091</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	13	1 370 528	1 651 511
Operating lease liability	14	253 767	-
Payables from exchange transactions	10	216 499 160	129 056 394
Unspent conditional grants and receipts	12	7 575 001	12 494 094
Provisions	11	14 853 381	13 385 196
		<b>240 551 837</b>	<b>156 587 195</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	13	79 097	1 333 844
Provisions	11	29 719 817	28 168 136
		<b>29 798 914</b>	<b>29 501 980</b>
<b>Total Liabilities</b>		<b>270 350 751</b>	<b>186 089 175</b>
<b>Net Assets</b>		<b>2 234 279 885</b>	<b>1 937 035 916</b>
Accumulated surplus		2 234 279 885	1 937 035 916

\* See Note 37

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

Figures in Rand

	Note(s)	2016	2015 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	39	58 284 250	44 299 735
Other income		1 164 177	1 230 331
Interest received - external investment	43	23 258 349	21 439 028
Interest earned -outstanding receivables	43	1 776 658	9 908 548
<b>Total revenue from exchange transactions</b>		<b>84 483 434</b>	<b>76 877 642</b>
<b>Revenue from non-exchange transactions</b>			
Other income		-	3 671 016
Government grants & subsidies	40	873 052 878	885 382 336
<b>Total revenue from non-exchange transactions</b>		<b>873 052 878</b>	<b>889 053 352</b>
<b>Total revenue</b>	16	<b>957 536 312</b>	<b>965 930 994</b>
<b>Expenditure</b>			
Employee related costs	17	(248 719 714)	(215 376 689)
Remuneration of councillors	18	(11 729 225)	(11 404 705)
Depreciation and amortisation	20	(56 261 869)	(44 959 458)
Finance costs	22	(207 880)	(361 975)
Debt Impairment	42	(32 635 222)	(24 275 617)
Commission paid	19	(27 425 686)	(35 986 694)
Repairs and maintenance		(41 882 194)	(37 691 530)
Bulk purchases	23	(46 808 766)	(46 783 840)
Derecognition of assets	21	(14 373 482)	(1 007 259)
General Expenses	32	(176 284 252)	(160 330 034)
<b>Total expenditure</b>		<b>(656 328 290)</b>	<b>(578 177 801)</b>
<b>Operating surplus</b>		<b>301 208 022</b>	<b>387 753 193</b>
Gain/(Loss) on disposal of assets and liabilities		(119 773)	(1 745 674)
(Impairment loss)/Reversal of impairment loss		(2 447 232)	(1 295 558)
Gains/(loss) on actuarial adjustment	9	(1 397 053)	(383 704)
		<b>(3 964 058)</b>	<b>(3 424 936)</b>
<b>Surplus for the year</b>		<b>297 243 964</b>	<b>384 328 257</b>

\* See Note 37

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 552 687 366	1 552 687 366
Adjustments		
Prior year adjustments	20 293	20 293
<b>Balance at 01 July 2014 as restated*</b>	<b>1 552 707 659</b>	<b>1 552 707 659</b>
Changes in net assets		
Surplus for the year (restated)	384 328 257	384 328 257
Total changes	384 328 257	384 328 257
<b>Restated* Balance at 01 July 2015</b>	<b>1 937 035 921</b>	<b>1 937 035 921</b>
Changes in net assets		
Surplus for the year	297 243 964	297 243 964
Total changes	297 243 964	297 243 964
<b>Balance at 30 June 2016</b>	<b>2 234 279 885</b>	<b>2 234 279 885</b>

\* See Note 37



# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Income received from service charges and other		21 746 867	10 211 271
Grants		801 785 000	791 931 327
Interest received- external investments		23 258 349	21 439 028
Interest earned -outstanding receivables		1 776 658	9 908 548
		<u>848 566 874</u>	<u>833 490 174</u>
<b>Payments</b>			
Employee costs		(257 429 073)	(222 989 021)
Suppliers		(220 206 858)	(291 015 550)
Finance costs		(207 880)	(361 975)
		<u>(477 843 811)</u>	<u>(514 366 546)</u>
<b>Net cash flows from operating activities</b>	25	<u><b>370 723 063</b></u>	<u><b>319 123 628</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(401 505 122)	(355 815 737)
Proceeds from sale of property, plant and equipment	7	836 513	266 664
Purchase of other intangible assets	8	(912 573)	(16 528 792)
Proceeds from disposal of inventories		(231 074)	-
<b>Net cash flows from investing activities</b>		<u><b>(401 812 256)</b></u>	<u><b>(372 077 865)</b></u>
<b>Cash flows from financing activities</b>			
Finance lease payments		(1 684 941)	(1 304 289)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(32 774 134)</b></u>	<u><b>(54 258 526)</b></u>
Cash and cash equivalents at the beginning of the year		238 328 411	292 586 937
<b>Cash and cash equivalents at the end of the year</b>	2	<u><b>205 554 277</b></u>	<u><b>238 328 411</b></u>

\* See Note 37

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	39 913 000	15 000 000	54 913 000	58 284 250	3 371 250	
Other income	898 605	2 440 819	3 339 424	1 164 177	(2 175 247)	
Interest received - external investment	21 613 000	-	21 613 000	23 258 349	1 645 349	
Interest earned -outstanding receivables	-	-	-	1 776 658	1 776 658	
<b>Total revenue from exchange transactions</b>	<b>62 424 605</b>	<b>17 440 819</b>	<b>79 865 424</b>	<b>84 483 434</b>	<b>4 618 010</b>	
<b>Revenue from non-exchange transactions</b>						
Other income	1 395	73 181	74 576	-	(74 576)	
<b>Transfer revenue</b>						
Government grants & subsidies	845 741 500	77 356 906	923 098 406	873 052 878	(50 045 528)	
<b>Total revenue from non-exchange transactions</b>	<b>845 742 895</b>	<b>77 430 087</b>	<b>923 172 982</b>	<b>873 052 878</b>	<b>(50 120 104)</b>	
<b>Total revenue</b>	<b>908 167 500</b>	<b>94 870 906</b>	<b>1 003 038 406</b>	<b>957 536 312</b>	<b>(45 502 094)</b>	
<b>Expenditure</b>						
Personnel	(263 160 000)	14 196 164	(248 963 836)	(248 719 714)	244 122	
Remuneration of councillors	(10 860 000)	(877 000)	(11 737 000)	(11 729 225)	7 775	
Depreciation and amortisation	(81 694 000)	20 498 000	(61 196 000)	(56 261 869)	4 934 131	
Finance costs	(473 000)	-	(473 000)	(207 880)	265 120	
Debt impairment	(27 939 000)	-	(27 939 000)	(32 635 222)	(4 696 222)	
Commission paid	(11 974 000)	(15 000 000)	(26 974 000)	(27 425 686)	(451 686)	
Repairs and maintenance	(93 264 000)	39 451 632	(53 812 368)	(41 882 194)	11 930 174	
Bulk purchases	(52 000 000)	5 190 000	(46 810 000)	(46 808 766)	1 234	
Derecognition of assets	-	-	-	(14 373 482)	(14 373 482)	
General Expenses	(167 616 000)	(18 817 810)	(186 433 810)	(176 284 252)	10 149 558	
<b>Total expenditure</b>	<b>(708 980 000)</b>	<b>44 640 986</b>	<b>(664 339 014)</b>	<b>(656 328 290)</b>	<b>8 010 724</b>	
<b>Operating surplus</b>	<b>199 187 500</b>	<b>139 511 892</b>	<b>338 699 392</b>	<b>301 208 022</b>	<b>(37 491 370)</b>	
Loss on disposal of assets and liabilities	-	(114 956)	(114 956)	(119 773)	(4 817)	
(Impairment loss)/Reversal of impairment loss	-	-	-	(2 447 232)	(2 447 232)	
Actuarial gains/losses	-	(1 397 053)	(1 397 053)	(1 397 053)	-	
	-	(1 512 009)	(1 512 009)	(3 964 058)	(2 452 049)	
<b>Surplus for the year</b>	<b>199 187 500</b>	<b>137 999 883</b>	<b>337 187 383</b>	<b>297 243 964</b>	<b>(39 943 419)</b>	

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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 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.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Comparative figures

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.

#### 1.4 Standards, amendments to standards and interpretations issued but not yet effective

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

No.	Title of Standard	Impact on GRAP Reporting Framework
GRAP 20	Related Party Disclosures	No material impact
GRAP 32	Service Concession Arrangements: Grantor	No material impact
GRAP 108	Statutory Receivables	No material impact as no merger is foreseeable in the future
GRAP 109	Accounting by Principals and Agents	No material impact

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

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

No.	Title of Standard	Impact on GRAP Reporting Framework
GRAP 18	Segment Reporting	No material impact
GRAP 105	Transfer of Functions Between Entities Under Common Control	No impact as the municipality is not a 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

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Property, plant and equipment

#### 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:

Item	Average useful life
Land	-
Buildings	10-33
Plant and machinery	5-13
Furniture and fixtures	5-13
Motor vehicles	
• Specialist vehicles	5-14
• Other vehicles	5-14
Office equipment	3-13
IT equipment	3-13
Computer software	5-13
Infrastructure	
• Roads and Paving	15-50
Community	
• Buildings	10-55
• Security	5
Other equipment	
• Copiers	3-6
• Telephones	3-6
• Emergency equipment	5-8
Communication equipment	3-6
Leased assets	
• Office equipment	1-10
Wastewater network	
• Sewerage	15-50
Water network	
• Water Maintenance and purification	15-55
• Water Reservoir	30-55

#### Initial recognition

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

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

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

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

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

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

#### 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.

#### 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.

### 1.6 Impairment of cash-generating assets

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

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

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

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

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

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

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.6 Impairment of cash-generating assets (continued)

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

### 1.7 Impairment of 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.

### 1.8 Intangible assets

#### 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.

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.8 Intangible assets (continued)

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.

#### 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.

#### 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.

#### 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.

#### 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.

### 1.9 Inventories

#### Initial recognition

Inventories assets in the form of materials or supplies to be consumed or distributed in the rendering of service. 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 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.

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

#### Subsequent measurement

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.9 Inventories (continued)

Inventories, consisting of consumable stores and raw materials, 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 distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### 1.10 Financial instruments

#### Classification

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

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

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

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

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

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



# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Initial recognition and measurement

##### 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.

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.

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.

##### 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

##### 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).

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Subsequent measurement

##### Impairment and uncollectability of financial assets

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

##### Impairment and uncollectability of financial assets

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

##### (a) Significant financial difficulty experienced by the borrower/debtor;

- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The municipality would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
  - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
  - national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)

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

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

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

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

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

#### Receivables from exchange transactions

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.

#### Payables from exchange transactions

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.

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### 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.

#### Gains and losses

Gains or losses 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 the 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.

#### Derecognition

##### Financial assets

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 the risks and rewards of the ownership of the 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.

##### Financial liabilities

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;
- 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).
- 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

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

#### 1.11 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.

#### 1.12 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.

#### 1.13 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.

#### 1.14 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.

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.14 Provisions (continued)

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;
- 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.

### 1.15 Leases

#### Finance leases - 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.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.16 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.

#### Measurement

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

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.16 Revenue from exchange transactions (continued)

#### 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 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.

#### Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the 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 extent of the expenses recognised that are recoverable.

#### Interest income

Revenue arising from the use by others of 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, and
- The amount of the revenue can be measured reliably. Interest shall be recognised on a time basis that takes into account the effective yield of interest

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.

### 1.17 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.

#### 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

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.18 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.

### 1.19 Employee benefits

#### 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.

#### 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.

#### Other post retirement obligations

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

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

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

#### Long term service awards and accumulated leave days

##### Long term service awards

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.

##### 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.

### 1.20 Change in accounting policy, accounting estimates and prior period errors

#### 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.

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.20 Change in accounting policy, accounting estimates and prior period errors (continued)

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.

#### 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.

#### 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.

### 1.21 Related parties

Related party means 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.

### 1.22 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 amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements.

The annual budget figures included in the financial statements are for the Municipality and these figures are those approved by the Council at the beginning and during the year.

### 1.23 Value added tax

VAT is payable on the accrual basis.



# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>2. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
First National Bank (Primary Bank Account)	7 024 869	19 619 073
Investment Accounts	198 503 156	218 669 850
Other cash and cash equivalents	26 252	39 488
	<b>205 554 277</b>	<b>238 328 411</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
First National Bank - Current account	7 036 423	19 639 817	46 824 905	7 024 869	19 619 073	46 824 905

### Summary of investments held

First National Bank - Call Account	302 190	299 612
Nedbank Deposit Account	111 332 533	179 058 702
Investec Call Account	86 868 433	39 311 536
	<b>198 503 156</b>	<b>218 669 850</b>

### 3. Receivables from exchange transactions

Trade debtors	9 671 002	10 433 093
Provision for bad debt	(4 875 403)	(6 054 028)
	<b>4 795 599</b>	<b>4 379 065</b>

### Reconciliation of provision for impairment of trade and other receivables

Opening balance	6 054 028	-
Provision for impairment	-	6 054 028
Amounts written off as uncollectible	(1 178 625)	-
	<b>4 875 403</b>	<b>6 054 028</b>

### Trade debtors

Local Municipalities -Operations and maintenance conditional grants	4 165 775	4 379 065
Vendor debit balances	629 824	-
	<b>4 795 599</b>	<b>4 379 065</b>

### 4. Inventories

Consumable stores	345 932	420 344
Maintenance materials	2 953 617	7 124 164
Water	190 059	250 471
	<b>3 489 608</b>	<b>7 794 979</b>

### 5. Prepayments

Prepaid expenses	2 852 980	2 521 718
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Advanced payment were made to SALGA for 2016/17 membership fees (2016: R2 320 116 - 2015: R2 521 718), office rental paid in advance (2016: R491 530 - 2015: R0) and audit software services paid in advance (2016: R 41 333 - 2015: R0)

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>6. VAT receivable</b>		
VAT	39 741 113	36 339 150

VAT is receivable on the accrual basis.

### 7. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	11 861 500	-	11 861 500	11 861 500	-	11 861 500
Buildings	68 151 939	(18 870 195)	49 281 744	65 503 971	(16 883 725)	48 620 246
Furniture and fixtures	12 978 768	(7 384 143)	5 594 625	13 057 490	(6 331 910)	6 725 580
Motor vehicles	46 870 337	(22 029 481)	24 840 856	47 244 221	(20 020 307)	27 223 914
Office equipment	10 569 671	(5 551 435)	5 018 236	9 842 833	(4 159 902)	5 682 931
IT equipment	12 814 461	(4 697 678)	8 116 783	10 490 726	(3 255 674)	7 235 052
Infrastructure	2 471 496 181	(456 809 706)	2 014 686 475	2 077 853 748	(413 039 364)	1 664 814 384
Leased assets	5 372 259	(4 046 916)	1 325 343	4 815 692	(2 000 757)	2 814 935
<b>Total</b>	<b>2 640 115 116</b>	<b>(519 389 554)</b>	<b>2 120 725 562</b>	<b>2 240 670 181</b>	<b>(465 691 639)</b>	<b>1 774 978 542</b>

No property, plant and equipment was pledged as security for liabilities.

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	11 861 500	-	-	-	-	-	11 861
Buildings	48 620 246	1 688 088	-	959 879	(1 986 469)	-	49 281
Furniture and fixtures	6 725 580	328 634	-	-	(1 459 589)	-	5 594
Motor vehicles	27 223 914	1 652 280	(695 960)	-	(3 339 378)	-	24 840
Office equipment	5 682 931	726 838	-	-	(1 391 533)	-	5 018
IT equipment	7 235 052	2 357 760	(29 252)	-	(1 446 777)	-	8 116
Infrastructure	1 664 814 384	408 975 794	-	(15 333 361)	(41 323 110)	(2 447 232)	2 014 686
Leased assets	2 814 935	149 211	-	-	(1 638 803)	-	1 325
	<b>1 774 978 542</b>	<b>415 878 605</b>	<b>(725 212)</b>	<b>(14 373 482)</b>	<b>(52 585 659)</b>	<b>(2 447 232)</b>	<b>2 120 725</b>

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	11 861 500	-	-	-	-	11 861 500
Buildings	46 683 626	3 969 811	(113 753)	(1 919 438)	-	48 620 246
Furniture and fixtures	5 658 472	1 647 945	(32 937)	(547 900)	-	6 725 580
Motor vehicles	29 212 700	1 145 973	(121 498)	(3 013 261)	-	27 223 914
Office equipment	3 823 927	2 507 141	-	(648 137)	-	5 682 931
IT equipment	5 135 433	2 775 356	(26 385)	(649 352)	-	7 235 052
Infrastructure	1 358 325 724	342 795 249	-	(35 011 031)	(1 295 558)	1 664 814 384
Leased assets	4 181 590	187 877	-	(1 554 532)	-	2 814 935
	<b>1 464 882 972</b>	<b>355 029 352</b>	<b>(294 573)</b>	<b>(43 343 651)</b>	<b>(1 295 558)</b>	<b>1 774 978 542</b>

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 8. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	20 969 654	(5 541 060)	15 428 594	20 057 081	(1 864 848)	18 192 233

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	18 192 233	912 573	(3 676 212)	15 428 594

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	4 594 330	16 528 792	(1 315 080)	(1 615 809)	18 192 233

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 9. Employee benefit obligations

#### Defined benefit plan

##### Post retirement medical aid plan

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 2016 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

Liability as at 1 July	3 410 000	3 268 000
Benefits paid	(321 587)	(239 000)
Current service cost	-	-
Interest	301 000	282 000
Actuarial losses (gains)	491 587	99 000
	<b>3 881 000</b>	<b>3 410 000</b>
Current portion of liability	372 000	301 000
Non-current portion of liability	3 509 000	3 109 000
	<b>3 881 000</b>	<b>3 410 000</b>

#### Amounts recognised in the annual financial statements

Current service cost	-	-
Interest cost	301 000	282 000
Past service cost	-	-
Actuarial losses/ (gains)	491 587	99 000
	<b>792 587</b>	<b>381 000</b>

#### Sensitivity analysis

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

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

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

#### Mortality rate

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

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016

2015

### 9. Employee benefit obligations (continued)

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

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	4 244 000	3 881 000	3 598 000
Interest Cost	408 000	372 000	344 000
Service Cost	-	-	-
	<b>4 652 000</b>	<b>4 253 000</b>	<b>3 942 000</b>

### Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

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

	1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	3 510 000	3 881 000	4 322 000
Interest Cost	335 000	372 000	416 000
Service Cost	-	-	-
	<b>3 845 000</b>	<b>4 253 000</b>	<b>4 738 000</b>

### Actuarial Loss/(Gain)

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

	Current Valuation date 30 June 2016	1 Year Following the Valuation Date	2 Years Following the Valuation Date	3 Years Following the Valuation Date
PV of the obligation as at the previous valuation date	3 410 000	3 881 000	3 978 000	4 072 000
Current Service Cost	-	-	-	-
Interest Cost	301 000	372 000	381 000	390 000
Benefits Paid	(321 587)	(275 000)	(287 000)	(294 000)
Actuarial Loss / (Gain)	491 587	-	-	-
	<b>3 881 000</b>	<b>3 978 000</b>	<b>4 072 000</b>	<b>4 168 000</b>

### Membership Data

According to the information provided, the number of members entitled to receive postemployment medical aid subsidies from the Municipality were:

Category	30-06-2016 Valuation	30-06-2015 Valuation
Current (In Service) Members	-	-
Continuation Members (Pensioners)	6	6
	<b>6</b>	<b>6</b>

### Accrued Contractual Liability

The figures below reflect the total value of the accrued contractual liability of the Municipality in respect of post-employment medical aid benefits offered to employees:

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>9. Employee benefit obligations (continued)</b>		
<b>Category</b>	<b>30-06-2016 Valuation</b>	<b>30-06-2015 Valuation</b>
Current (In Service) Members	-	-
Continuation Members (Pensioners)	3 881 000	3 881 000
	<b>3 881 000</b>	<b>3 881 000</b>

### Interest and Service Costs

Category	30-06-2016 Valuation To be used in the 30 June 2017 Actuarial Loss/(Gain) calculation	30-06-2015 Valuation To be used in the 30 June 2016 Actuarial Loss/(Gain) calculation
Interest Cost	372 000	301 000
Current Service Cost	-	-
	<b>372 000</b>	<b>301 000</b>

### Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

#### Post-employment Medical Aid Liabilities

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

#### Valuation of Assets

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

#### Valuation Assumptions

In estimating the liability for post-employment medical aid benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

APN 301 states that the assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

#### Financial Variables

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

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>9. Employee benefit obligations (continued)</b>		
<b>Financial Variable</b>	<b>Assumed Value 30-06-2016 (Current Valuation)</b>	<b>Assumed Value 30-06-2015 (Preceding Valuation)</b>
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and yield curves (CPI+1%	Difference between nominal and yield curves (CPI+1%
Medical Aid Contribution Inflation	Yield curve based**	Yield curve based**
Net Effective Discount Rate		

### Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

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

\*Statement of Financial Position (herein referred to as the "balance sheet").

We used the nominal and real zero curves as at **30 June 2016** supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period.

### Medical Aid Inflation

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period.

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

### Average Retirement Age

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

### Normal Retirement Age

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

### Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

### Spouses and Dependents

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that **90%** of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be **five** years younger than their male spouses at retirement and vice versa.

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 9. Employee benefit obligations (continued)

#### Long service award

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 2016 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

Liability as at 1 July	9 769 000	9 331 000
Benefits paid	(2 254 466)	(1 522 704)
Current service cost	978 000	927 000
Interest	867 000	749 000
Actuarial losses (gains)	905 466	284 704
	<b>10 265 000</b>	<b>9 769 000</b>
Current portion of liability	2 043 000	1 845 000
Non-current portion of liability	8 222 000	7 924 000
	<b>10 265 000</b>	<b>9 769 000</b>

#### Expense recognised in Statement of Financial Performance

Current service cost	978 000	927 000
Interest cost	867 000	749 000
Past service cost	-	-
Actuarial losses/ (gains)	523 000	284 704
	<b>2 368 000</b>	<b>1 960 704</b>

#### Changes in the value of obligation

	Current Valuation date 30 June 2016	1 Year following the Valuation Date	2 Years following the Valuation Date	3 Years following the Valuation Date
Liability recognised in the balance sheet	9 769 000	10 265 000	11 217 000	11 522 758
Current service cost	978 000	1 064 000	1 113 987	1 170 838
Interest cost	867 000	979 000	1 075 771	1 126 042
Benefits paid	(2 254 466)	(1 091 000)	(1 884 000)	(1 540 000)
Actuarial Loss/ (Gain)	905 466	-	-	-
	<b>10 265 000</b>	<b>11 217 000</b>	<b>11 522 758</b>	<b>12 279 638</b>

#### Membership data

According to the information provided, the number of members entitled to receive long service leave awards from the municipality were:



# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 9. Employee benefit obligations (continued)

Gender	Number of active employees	Salary weighted average age (Years)	Weighted average past service (Years)
Male	340	45,34	13,85
Female	236	40,76	10,45

### Long Service Awards Liabilities

Category	30-06-2016 Valuation	30-06-2015 Valuation
Accrued liability	10 265 000	9 769 000

### Interest and service costs

Category	30-06-2016 Valuation. To be used in the 30 June 2017 Actuarial Loss/(Gain) calculation	30-06-2015 Valuation. To be used in the 30 June 2016 Actuarial Loss/(Gain) calculation	Column heading	Column heading	Column heading
Interest cost	979 000	867 000	-	-	-
Current service cost	1 064 000	978 000	-	-	-
	<b>2 043 000</b>	<b>1 845 000</b>	-	-	-

### Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date

### Long Service Awards Liabilities

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

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>9. Employee benefit obligations (continued)</b>		
<b>Completed Years of Service</b>	<b>Total Long Service Benefit Award (% of Annual Salary)</b>	<b>Formula used to calculate Total Long Service Benefit Award</b>
10		4% (10/250)*Annual Salary
15		8% (20/250)*Annual Salary
20,25,30,35,40, and 45		12% (30/250)*Annual Salary

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

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

### Valuation of Assets

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

In estimating the liability for long service leave benefits a number of assumptions are required. GRAP 25 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 25 and in discussion with the actuary.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the valuation and it is very important to monitor how this difference changes from one valuation to the next. The most relevant actuarial assumptions used in this valuation are discussed below.

### Financial Variables

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

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>9. Employee benefit obligations (continued)</b>		
<b>Financial Variable</b>	<b>Assumed Value 30-06-2016 (Current Valuation)</b>	<b>Assumed Value at 30-06-2015 (Preceding Valuation)</b>
Discount Rate CPI (Consumer Price Inflation)	Yield Curve Difference between nominal and real yield curve Equal to CPI+1%	Yield Curve Difference between nominal and real yield curve Equal to CPI+1%
Normal Salary Increase Rate	Yield Curve Based**	Yield Curve Based**
Net Effective Discount Rate		

### Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

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

\*Statement of Financial Position (herein referred to as the "balance sheet").

We use the nominal and real zero curves as at **30 June 2016** supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years. Previously only one discount rate was used to value all the liabilities.

\*\* The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

### Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between the (yield curve based) Conventional Bond Rate for each relevant time period and the (yield curve based) Inflation-linked Bond rate for each relevant time period. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2016 of 6%. The next salary increase was assumed to take place on 01 July 2017.

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

### Promotional Salary Increase Rates

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016

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### 9. Employee benefit obligations (continued)

Age band	Promotional Increase
20-24	5 %
25-29	4 %
30-34	3 %
35-39	2 %
40-44	1 %
45 and over	- %
	<hr/>
	<b>15 %</b>

#### Average Retirement Age

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

#### Normal Retirement Age

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

#### Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

#### Withdrawal Decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age Band	Withdrawal Rate Males	Withdrawal Rate Females
20 - 24	16 %	24 %
25 - 29	12 %	18 %
30 - 34	10 %	15 %
35 - 39	8 %	10 %
40 - 44	6 %	6 %
45 - 49	4 %	4 %
50 - 54	2 %	2 %
55 - 59	1 %	1 %
60 +	- %	- %
	<hr/>	<hr/>
	<b>59 %</b>	<b>80 %</b>

#### Membership Data

The information below is based on the membership data received from the Municipality.

#### Eligible male employees

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 9. Employee benefit obligations (continued)

Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
20 - 29	17	221 820	2,52	5 478
30 - 39	72	288 428	5,26	18 443
40 - 49	95	275 732	12,37	29 829
50 - 59	125	194 963	22,31	11 895
60 +	31	159 068	24,75	-
	<b>340</b>	<b>1 140 011</b>		<b>65 645</b>

### Eligible female employees

Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
20 - 29	11	210 597	2,43	2 914
30 - 39	19	283 831	6,01	18 958
40 - 49	66	284 480	10,74	30 354
50 - 59	52	186 089	23,01	11 743
60 +	8	149 336	24,15	-
	<b>156</b>	<b>1 114 333</b>		<b>63 969</b>

### Total eligible employees

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 9. Employee benefit obligations (continued)

Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
20 - 29	28	217 411	2,48	4 471
30 - 39	171	285 767	5,89	18 741
40 - 49	161	279 318	11,69	30 044
50 - 59	177	192 366	22,51	11 850
60 +	39	157 072	24,83	-
	<b>576</b>	<b>1 131 924</b>		<b>65 106</b>

#### Interest Cost

The Interest Cost represents the accrual of interest on the Accrued Defined Benefit Obligation, allowing for benefit payments, over the corresponding year. This arises because the long service benefits are one year closer to payment. This item should be accounted for in the Statement of profit or loss and other comprehensive income (herein after referred to as the "income statement") according to GRAP 25.

#### Current Service Cost

The Current Service Cost reflects the additional liability that is expected to accrue in respect of in service members' service over the corresponding year. This item should be accounted for in the income statement according to GRAP 25.

#### Sensitivity Analysis

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

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

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

#### Withdrawal rate

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

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

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 9. Employee benefit obligations (continued)

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	10 922 000	10 265 000	9 679 000
Current Service Cost	1 174 000	1 064 000	970 000
Interest Cost	1 050 000	979 000	917 000
	<b>13 146 000</b>	<b>12 308 000</b>	<b>11 566 000</b>

#### Normal salary inflation

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

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

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	9 642 000	10 265 000	10 945 000
Current Service Cost	981 000	1 064 000	1 156 000
Interest Cost	913 000	979 000	1 051 000
	<b>11 536 000</b>	<b>12 308 000</b>	<b>13 152 000</b>

#### Long-term leave

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

Liability as at 1 July	18 244 713	15 950 620
Annual leave forfeited	-	-
Net accrued leave days over the year	672 031	2 294 093
	<b>18 916 744</b>	<b>18 244 713</b>

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>9. Employee benefit obligations (continued)</b>		
Current portion of liability	1 228 926	1 109 577
Non-current portion of liability	17 687 817	17 135 136
	<b>18 916 743</b>	<b>18 244 713</b>

### Leave Days Provisional Liabilities

There is no standard actuarial formula that prescribes the way in which the accrued leave days balance should be broken down between short term and long-term components. We recommend that the municipality follow an approach that is consistent with its past experience.

No discontinuing is applied to the calculation of the annual leave provisions. The leave provision is based on the estimated 1 July 2016 salaries after allowing for an estimated salary increase of 6%. The provision is split between that which is expected to be taken within 12 months of the valuation date (short-term portion) and that which will be taken after 30 June 2017 (long-term portion)

In order to calculate the short term and long-term components of the accrued leave days provisional liability we assumed that:

1. Employees reaching the expected retirement age of 63 (2015: 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.

We assume that all employees will take up leave to avoid forfeiture of leave days. Employees that resign or retire over the coming year will have their leave balance cashed on resignation/ retirement. We assumed 250 working days per year for the purposes of calculating the value of the accrued benefit. The current portion of the accrued leave also takes into account withdrawals from service over the next 12 months according to the table below.

### Withdrawal decrements

Age band	Withdrawal Rate Males	Withdrawal Rate Females
20-24	16 %	24 %
25-29	12 %	18 %
30-34	10 %	15 %
35-39	8 %	10 %
40-44	6 %	6 %
45-49	4 %	4 %
50-54	2 %	2 %
55-59	1 %	1 %
60+	- %	- %
	<b>59 %</b>	<b>80 %</b>

### Membership data

The information below is based on the membership data received from the municipality.

According to the information provided, the number of members entitled to receive leave days from the municipality were:



# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015	
<b>9. Employee benefit obligations (continued)</b>			
<b>Gender</b>	<b>Number of active employees</b>	<b>Salary weighted average age (Years)</b>	<b>Average Annual Salary</b>
Male	335	45,34	226
Female	228	40,76	259
	<b>563</b>		<b>485</b>

### 10. Payables from exchange transactions

Trade Creditors	144 078 887	76 835 975
Retention Creditors	71 688 634	52 033 862
Other Creditors	731 639	186 557
	<b>216 499 160</b>	<b>129 056 394</b>

The fair value of trade and other payables approximates their carrying amounts.

### 11. Provisions

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonuses	6 444 277	7 150 537	(6 444 277)	7 150 537
Provision 13th cheque	3 685 342	4 080 079	(3 469 709)	4 295 712
Provision for leave	18 244 713	1 049 454	(377 424)	18 916 743
Post-employment medical benefits	3 410 000	772 000	(238 794)	3 945 206
Long-service award	9 769 000	1 921 236	(1 425 236)	10 265 000
	<b>41 553 332</b>	<b>14 973 306</b>	<b>(11 953 440)</b>	<b>44 573 198</b>

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	5 800 000	6 491 065	(5 846 788)	6 444 277
13th Cheque	3 411 339	9 743 462	(9 469 459)	3 685 342
Provision for leave	15 950 620	2 294 093	-	18 244 713
Post-employment medical	3 268 000	381 000	(239 000)	3 410 000
Long-service awards	9 331 000	1 960 704	(1 522 704)	9 769 000
	<b>37 760 959</b>	<b>20 870 324</b>	<b>(17 077 951)</b>	<b>41 553 332</b>

Non-current liabilities	29 719 817	28 168 136
Current liabilities	14 853 381	13 385 196
	<b>44 573 198</b>	<b>41 553 332</b>

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>12. Unspent conditional grants and receipts</b>		
Unspent conditional grants and receipts comprises of:		
<b>Unspent conditional grants and receipts</b>		
Finance management grant (FMG)	121 088	-
Municipal Infrastructure Grant(MIG)	-	7 000 000
Municipal Water Infrastructure grant(MWIG)	7 449 016	-
EEDG	-	994 094
Rural Transport Infrastructure Grant(RHIG)	4 897	4 500 000
	<b>7 575 001</b>	<b>12 494 094</b>
<b>Municipal infrastructure grant (MIG)</b>		
Balance unspent at beginning of year	7 000 000	93 614 151
Funds returned to Treasury	-	(64 167 050)
Current year receipts	259 986 000	259 059 000
Conditions met - transferred to revenue	(333 314 786)	(281 506 101)
Transferred to debtor	66 348 786	-
	<b>-</b>	<b>7 000 000</b>
<b>Finance management grant (FMG)</b>		
Balance unspent at beginning of year	-	517 072
Funds returned to Treasury	-	-
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 128 912)	(1 767 072)
	<b>121 088</b>	<b>-</b>
<b>Water services operating grant (WSOG)</b>		
Balance unspent at beginning of year	-	7 999 841
Funds returned to Treasury	-	(500 000)
Current year receipts	35 000 000	25 000 000
Conditions met - transferred to revenue	(35 000 000)	(32 499 841)
	<b>-</b>	<b>-</b>
<b>Municipal Systems Improvement Grant (MSIG)</b>		
Balance unspent at beginning of year	-	-
Funds returned to Treasury	-	-
Current year receipts	940 000	934 000
Conditions met - transferred to revenue	(940 000)	(934 000)
	<b>-</b>	<b>-</b>
<b>Expanded Public Works Programme Integrated Grant for Municipalities (EPWP)</b>		
Balance unspent at beginning of year	-	107 511
Funds returned to Treasury	-	(40 637)
Current year receipts	1 921 000	1 964 000
Conditions met - transferred to revenue	(1 921 000)	(2 030 874)
	<b>-</b>	<b>-</b>
<b>Municipal Water Infrastructure Grant (MWIG)</b>		
Balance unspent at beginning of year	-	-
Funds returned to Treasury	-	-
Current year receipts	58 308 000	27 379 000
Conditions met - transferred to revenue	(50 858 984)	(27 379 000)
	<b>7 449 016</b>	<b>-</b>

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>12. Unspent conditional grants and receipts (continued)</b>		
<b>EEDG</b>		
Balance unspent at beginning of year	994 094	-
Funds returned to Treasury	-	-
Current year receipts	-	4 000 000
Conditions met - transferred to revenue	(994 094)	(3 005 906)
	<b>-</b>	<b>994 094</b>
<b>Rural household infrastructure grant (RHIG)</b>		
Balance unspent at beginning of year	4 500 000	3 706 529
Funds returned to Treasury	-	-
Current year receipts	4 500 000	4 500 000
Conditions met - transferred to revenue	(8 995 103)	(3 706 528)
	<b>4 897</b>	<b>4 500 001</b>
<b>Rural transport services infrastructure grant (RTSIG)</b>		
Balance unspent at beginning of year	-	-
Funds returned to Treasury	-	-
Current year receipts	2 190 000	2 184 000
Conditions met - transferred to revenue	(2 190 000)	(2 184 000)
	<b>-</b>	<b>-</b>
<b>13. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	1 432 235	1 847 804
- in second to fifth year inclusive	83 539	1 386 722
	1 515 774	3 234 526
less: future finance charges	(86 149)	(249 171)
<b>Present value of minimum lease payments</b>	<b>1 449 625</b>	<b>2 985 355</b>
<b>Present value of minimum lease payments due</b>		
- within one year	1 370 528	1 651 511
- in second to fifth year inclusive	79 097	1 333 844
	<b>1 449 625</b>	<b>2 985 355</b>
Non-current liabilities	79 097	1 333 844
Current liabilities	1 370 528	1 651 511
	<b>1 449 625</b>	<b>2 985 355</b>
<b>14. Operating lease asset (accrual)</b>		
Current liabilities	(253 767)	-
	<b>(253 767)</b>	<b>-</b>
Future lease payments under non- cancellable operating lease:		

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>14. Operating lease asset (accrual) (continued)</b>		
<b>Rental of office buildings</b>		
Payable within one year	3 563 567	-
Payable within two to five years	3 998 623	-
Payable within more than five years	-	-
	<u>7 562 190</u>	<u>-</u>
Minimum lease payments recognised in statement of financial performance.		
Rental of buildings	<u>2 903 080</u>	<u>3 581 582</u>
<b>15. Consumer debtors</b>		
<b>Gross balances</b>		
Water and sanitation	<u>166 181 768</u>	<u>123 874 491</u>
<b>Less: Allowance for impairment</b>		
Water and sanitation	<u>(120 487 651)</u>	<u>(83 283 498)</u>
<b>Net balance</b>		
Water and sanitation	<u>45 694 117</u>	<u>40 590 993</u>
<b>Water and sanitation</b>		
Current (0 -30 days)	5 206 087	15 274 735
31 - 60 days	4 424 194	6 518 506
61 - 90 days	3 765 674	18 797 752
91- 120 days	3 913 671	-
121 - 365 days	28 384 491	-
	<u>45 694 117</u>	<u>40 590 993</u>

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>15. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	4 260 220	-
31 - 60 days	4 703 522	-
61 - 90 days	4 414 498	-
91 - 120 days	4 280 794	-
121 - 365 days	102 427 027	-
	<u>120 086 061</u>	-
Less: Allowance for impairment	(99 100 747)	-
	<u><b>20 985 314</b></u>	-
<b>Industrial/ commercial</b>		
Current (0 -30 days)	656 302	-
31 - 60 days	483 958	-
61 - 90 days	360 342	-
91 - 120 days	503 625	-
121 - 365 days	12 425 418	-
	<u>14 429 645</u>	-
Less: Allowance for impairment	(11 963 698)	-
	<u><b>2 465 947</b></u>	-
<b>National and provincial government</b>		
Current (0 -30 days)	821 266	-
31 - 60 days	298 050	-
61 - 90 days	378 476	-
91 - 120 days	886 723	-
121 - 365 days	19 858 342	-
	<u>22 242 857</u>	-
<b>Total</b>		
Current (0 -30 days)	5 737 787	15 274 735
31 - 60 days	5 485 531	6 518 506
61 - 90 days	5 153 316	18 797 752
91 - 120 days	5 671 143	-
121 - 365 days	134 710 788	-
	<u>156 758 563</u>	<u>40 590 993</u>
Less: Allowance for impairment	(111 064 446)	-
	<u><b>45 694 117</b></u>	<u><b>40 590 993</b></u>
<b>Less: Allowance for impairment</b>		
Current (0 -30 days)	(531 700)	-
31 - 60 days	(1 061 337)	-
61 - 90 days	(1 387 642)	-
91 - 120 days	(1 757 471)	-
121 - 365 days	(115 749 501)	(83 283 498)
	<u>(120 487 651)</u>	<u>(83 283 498)</u>

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>15. Consumer debtors (continued)</b>		
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(83 283 498)	(62 510 886)
Contributions to allowance	(33 792 458)	(19 438 520)
VAT on impairment	(3 411 695)	(1 334 092)
	<b>(120 487 651)</b>	<b>(83 283 498)</b>
<b>16. Revenue</b>		
Service charges	58 284 250	44 299 735
Other income	1 164 177	1 230 331
Interest received - external investment	23 258 349	21 439 028
Interest earned -outstanding receivables	1 776 658	9 908 548
Other income	-	3 671 016
Government grants & subsidies	873 052 878	885 382 336
	<b>957 536 312</b>	<b>965 930 994</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	58 284 250	44 299 735
Other income	1 164 177	1 230 331
Interest received - external investment	23 258 349	21 439 028
Interest earned -outstanding receivables	1 776 658	9 908 548
	<b>84 483 434</b>	<b>76 877 642</b>

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>16. Revenue (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
Other income	-	3 671 016
Transfer revenue		
Government grants & subsidies	873 052 878	885 382 336
	<b>873 052 878</b>	<b>889 053 352</b>

Included within Government Grants and Subsidies are the following:

### 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.

### 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.

### 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.

### Municipal Water Infrastructure Grant (MWIG)

To assist Water Services Authorities (WSAs) to provide water supply services to consumers currently without services, particularly those in rural areas.

### Energy Efficiency and Demand Side Management Grant (EEDG)

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.

### Rural Household Infrastructure Grant (RHIG)

To provide specific capital funding for the reduction of rural sanitation backlogs and to target existing households where bulk-dependent services are not viable.

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>17. Employee related costs</b>		
Basic	148 137 351	134 444 375
Bonus	8 937 654	6 380 049
Medical aid - company contributions	45 968 331	34 741 925
Other employee related benefits	2 915 268	1 884 983
Travel, motor car, accommodation, subsistence and other allowances	17 462 639	17 026 619
Overtime payments	16 014 832	12 653 070
Housing benefits and allowances	2 344 565	2 103 295
	<b>241 780 640</b>	<b>209 234 316</b>
<b>Other employee related costs includes</b>		
Employee assistant programme	2 739 736	1 612 641
Union Affiliations	61 995	44 348
Special Allowance	454 692	285 133
	<b>3 256 423</b>	<b>1 942 122</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	-	1 121 979
Car Allowance and other allowances	909 431	220 875
Performance Bonuses	-	63 464
Contributions to UIF, Medical and Pension Funds	-	292 118
	<b>909 431</b>	<b>1 698 436</b>
The Municipal Manager resigned June 2015, and the position is still vacant. The amount paid in 2016 financial year relates to acting allowances.		
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	-	763 045
Car Allowance and other allowances	401 053	172 095
Performance Bonuses	78 689	59 623
Contributions to UIF, Medical and Pension Funds	-	22 459
	<b>479 742</b>	<b>1 017 222</b>
The Chief Finance Officer resigned April 2015, and the position is still vacant. The amount paid in 2016 financial year relates to acting allowances.		
<b>Remuneration of Technical Services</b>		
Annual Remuneration	364 918	-
Car Allowance and other allowances	479 782	331 761
Contributions to UIF, Medical and Pension Funds	936	-
	<b>845 636</b>	<b>331 761</b>
During 2015 financial year the position of Technical Services Manager was vacant and only acting allowance was paid. The Executive Manager Technical Services was appointed January 2016.		
<b>Remuneration of Development, Economic and Planning Management Services</b>		
Annual Remuneration	1 008 656	866 662
Car Allowance and other allowances	137 445	174 562
Performance Bonuses	55 466	52 132
Contributions to UIF, Medical and Pension Funds	77 536	66 866
	<b>1 279 303</b>	<b>1 160 222</b>



# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>17. Employee related costs (continued)</b>		
<b>Remuneration of Strategic Support Services</b>		
Annual Remuneration	971 479	790 223
Car Allowance and other allowances	196 835	202 040
Performance Bonuses	83 961	47 346
Contributions to UIF, Medical and Pension Funds	238 230	175 716
	<b>1 490 505</b>	<b>1 215 325</b>

### Remuneration of Corporate Services

Annual Remuneration	349 828	-
Car Allowance and other allowances	449 945	309 569
Contributions to UIF, Medical and Pension Funds	75 625	-
	<b>875 398</b>	<b>309 569</b>

During 2015 financial year the position of Corporate Services Manager was vacant and only acting allowance was paid. The Executive Manager Corporate Services was appointed January 2016.

### Remuneration of Community Services

Annual Remuneration	583 213	194 404
Car Allowance and other allowances	367 240	186 088
Contributions to UIF, Medical and Pension Funds	108 606	29 346
	<b>1 059 059</b>	<b>409 838</b>

The Community Services Manager was appointed March 2015

### 18. Remuneration of councillors

Executive Mayor	884 921	867 613
Chief Whip	654 093	731 749
Mayoral Committee Members	3 554 512	4 232 652
Speaker	696 069	727 258
Councillors	3 962 256	2 843 290
Councillors' pension and medical aid contribution	485 048	480 821
Councillors' allowances	1 492 326	1 521 322
	<b>11 729 225</b>	<b>11 404 705</b>

The salaries, allowances and benefits of political office-bearers and councillors of the municipality, are within the upper limits of the framework envisaged in section 219 of the Constitution read with the Remuneration of Public Office Bearers Act (Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

### In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor and the Speaker have use of a Council owned vehicle for official duties.

The Executive Mayor has three full-time bodyguards.

### 19. Commission Expense

Commission is paid to local municipalities for the management of water related services.

Water commission paid	27 425 686	35 986 694
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# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>20. Depreciation and amortisation</b>		
Property, plant and equipment	52 585 657	43 343 649
Intangible assets	3 676 212	1 615 809
	<u>56 261 869</u>	<u>44 959 458</u>
<b>21. Derecognition of Assets</b>		
Derecognition of assets	<u>14 373 482</u>	<u>1 007 259</u>
<b>22. Finance costs</b>		
Finance, other interest and penalties	<u>207 880</u>	<u>361 975</u>
<b>23. Bulk purchases</b>		
Water	<u>46 808 766</u>	<u>46 783 840</u>
Purchases of water from Lepelle Northern Water.		

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>24. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure	145 814 530	52 053 422
• Community	-	15 725 760
	<u>145 814 530</u>	<u>67 779 182</u>
<b>Total capital commitments</b>		
Already contracted for but not provided for	<u>145 814 530</u>	<u>67 779 182</u>
<b>This expenditure will be financed from:</b>		
Government Grants - conditional	145 814 530	52 053 422
Equitable share grants	-	15 725 760
	<u>145 814 530</u>	<u>67 779 182</u>
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure	571 789	10 357 231
• Community	6 849 137	54 555 892
• Other	3 708 869	-
	<u>11 129 795</u>	<u>64 913 123</u>
<b>Total operational commitments</b>		
Already contracted for but not provided for	<u>11 129 795</u>	<u>64 913 123</u>
<b>This expenditure will be financed from:</b>		
Government grants - conditional	-	10 357 231
Equitable share grant	11 129 795	54 555 892
	<u>11 129 795</u>	<u>64 913 123</u>
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	145 814 530	67 779 182
Authorised operational expenditure	11 129 795	64 913 123
	<u>156 944 325</u>	<u>132 692 305</u>
<b>This expenditure will be financed from:</b>		
Government grants - conditional	145 814 530	62 410 652
Equitable share grant	11 129 795	70 281 653
	<u>156 944 325</u>	<u>132 692 305</u>

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>25. Cash generated from operations</b>		
Surplus	297 243 964	384 328 257
<b>Adjustments for:</b>		
Depreciation and amortisation	56 261 869	44 959 458
Changes on disposal of assets	119 773	1 745 674
Impairment of assets	2 447 232	1 295 558
Debt impairment	32 635 222	24 275 617
Movements in operating lease assets and accruals	253 767	(130 217)
Movements in provisions	3 019 866	3 792 373
Changes on fair value adjustment	1 397 053	383 704
Retention	-	(3 671 016)
<b>Changes in working capital:</b>		
Inventories	4 305 371	(679 001)
Receivables from exchange transactions	(416 534)	5 486 091
Other receivables from non-exchange transactions	(66 348 786)	-
Prepayments	(331 262)	(463 182)
Payables from exchange transactions	82 339 646	(7 943 799)
VAT	(3 401 963)	(16 529 268)
Unspent conditional grants and receipts	(4 919 093)	(93 451 009)
Consumer debtors	(33 537 505)	(18 221 584)
Receivables from exchange transactions	(345 557)	(6 054 028)
	<b>370 723 063</b>	<b>319 123 628</b>

### 26. Unauthorised expenditure

Opening balance	56 310 723	-
Unauthorised expenditure - current year	66 348 786	56 310 723
	<b>122 659 509</b>	<b>56 310 723</b>

2015: Unauthorised expenditure relates to commission payable to local municipalities.

2016: Unauthorised expenditure relates to the municipal infrastructure grant that was overspend.

### 27. Irregular expenditure

Opening balance	41 836 300	64 196 083
Add: Irregular Expenditure - current year	1 185 649	619 384
Less: Amounts condoned	-	(22 979 167)
	<b>43 021 949</b>	<b>41 836 300</b>

2016: The irregular expenditure is as a result of appointments made in the 11/12 financial year that are in the process completion in the 13/14 financial year. The above expenditure was mainly due to the payments of the final retention certificates after completion of the projects.

2015: Irregular expenditure relates to overpayment of councillors allowances.

The opening balance of 2014 increased from R63 444 412 with R751 671 to R64 196 083 from 2015 due to overpayment of councillors allowances not previously disclosed as irregular.

### 28. Fruitless and wasteful expenditure

Opening balance	607 085	586 882
Fruitless and wasteful expenditure current year	-	20 203
	<b>607 085</b>	<b>607 085</b>

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>28. Fruitless and wasteful expenditure (continued)</b>		
2015: Fruitless and wasteful expenditure relates to interest and penalties paid to SARS.		
<b>29. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	2 521 718	2 166 880
Subscription fees	(2 846 534)	(2 263 700)
Amount paid - current year	2 852 980	2 521 718
Amount paid - previous years	324 816	96 820
	<b>2 852 980</b>	<b>2 521 718</b>
<b>Audit fees payable</b>		
Opening balance	25 316	-
Subscription fees	3 311 356	2 582 446
Amount paid - current year	(3 250 726)	(2 557 130)
	<b>85 946</b>	<b>25 316</b>
<b>PAYE, UIF and SDL payable</b>		
PAYE, UIF, and SDL	39 015 264	31 813 657
Amount paid - current year	(39 015 264)	(31 813 657)
	<b>-</b>	<b>-</b>
<b>Pension, UIF and medical aid deductions payable</b>		
Pension, UIF and medical aid	38 899 833	35 328 089
Amount paid - current year	(38 899 833)	(35 328 089)
	<b>-</b>	<b>-</b>
<b>Arrear consumer account: Councillors</b>		
The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2016:		
During the year the following Councillors' had arrear accounts outstanding for more than 90 days.		
	Amount	Amount
Ramoshaba L.L	1 640	-
Machete K.J	5 156	-
Sibanda P.S	472	573
Phaahla K.G	208	748
Mashiane M.E	308	-
Phosa N.B	105	77
Ramalla T	9 060	-
Mokgophi M.T	14 174	-
Phaahla M.V	-	385
Thobejane M.M	-	1 685
	<b>31 123</b>	<b>3 468</b>

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 29. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Supply chain management regulations

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 Municipal Manager and noted by Council.

#### Incident

Acquiring a service to repair and calibrate - Sole provider	28 158	-
Disaster Services - Emergency	69 560	-
Replacement of the faulty power board - Sole provider	3 990	-
Durban Tourism Indaba: 2015 Stand Design and Construction - Sole provider	169 998	-
Durban Tourism Indaba: 2015 Stand Design and Construction - Sole provider	74 118	-
Environmental education awareness programme - Only limpopo based organisation offering the programme	217 380	-
Procurement of water tankers for the shortage of water - Emergency	136 000	-
Provision of Protocol Training for councillors and officials - Most providers do not offer the accredited protocol training	29 009	-
Repair and calibrate Lancom Fluegas analyser - Sole provider	11 479	-
Verification and unbundling of municipal assets - Impractical to follow procurement process	2 500 000	-
SAMTRAC training course	-	204 700
Hiring a service to repair and calibrate	-	74 719
Stage drama	-	10 000
Stage performance	-	12 000
Testing of work suits materials	-	13 255
Basic disaster management and first aid training	-	140 000
Exhibition space Tourism Indaba	-	61 317
Job evaluation services	-	25 600
Stand design and construction of the tourims exhibition stand- Tourism Indaba	-	164 396
Caseware working papers	-	371 764
CASCADE system	-	111 327
Training of bead makers	-	341 000
Water safety and security plans project	-	126 615
SAP licencing for performance management module	-	612 930
	<b>3 239 692</b>	<b>2 269 623</b>

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 30. Contingent Liability

#### Claim for damages

The Municipality has a contingent liability of R37 717 651 due to it being sued by service providers.

M.Tech Rustenburg	16 105 595	16 296 495
In Situ Consulting Engineers	256 934	-
BC Viljoen	131 957	460 000
Storm Fencing	582 491	582 491
ALS BEE	-	170 077
T. Phogole/ CDM	230 378	241 837
Qualis Consulting	1 725 856	1 725 856
In Touch	3 501 178	3 501 178
M Rapetsoa	138 000	138 000
SS Sebone	69 627	69 627
Mantella Trading	3 553 066	3 553 066
Royal Haskoning	11 422 569	1 454 075
	<u>37 717 651</u>	<u>28 192 702</u>

#### Interest and penalties

SARS has conducted a PAYE audit and levied additional PAYE, SDL, interest and penalties against the municipality. The municipality has objected to this and is of the view that the objection will be successful.

SARS	1 762 944	-
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Guarantee held by Eskom with regard to electricity accounts amounting to R294 600 .

### 31. Related parties

Relationships	
Compensation to councillors	Note 18
Contributions to organized Local Government - Note 27.4	Note 28
Post employment benefit plan for employees of entity and/or other related parties	Note 9
Members of key management	Note 17

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>32. General expenses</b>		
Advertising	3 651 901	3 441 587
Assessment rates & municipal charges	1 513 960	1 633 788
Auditors remuneration	3 311 356	2 582 446
Bank charges	165 163	134 901
Bursaries	1 630 401	1 296 023
Cleaning	595 010	673 392
Conferences and seminars	4 219 792	3 586 294
Consulting and professional fees	3 426 346	3 824 415
Consumables	429 295	440 784
Entertainment	119 000	104 370
Financial Management	9 479 959	9 742 817
Fleet	7 355 745	8 875 153
Insurance	1 453 713	1 126 265
Legal expenses	9 255 419	1 517 571
Membership fees	2 606 606	2 295 944
Operational projects	40 604 037	40 800 469
Postage and courier	6 759	7 601
Printing and stationery	970 888	1 106 590
Rental of buildings	2 903 080	3 581 582
Rental of office equipment	2 047 861	451 955
Security (Guarding of municipal property)	11 251 483	9 386 608
Skills Development	2 057 219	1 853 656
Subscriptions and membership fees	1 037 680	1 076 310
Subsistence and travel	14 425 073	13 562 629
Telephone and fax	1 869 174	1 522 597
Training	3 512 483	2 831 273
Uniforms	989 100	1 254 880
Water and sanitation	45 395 749	41 618 134
	<b>176 284 252</b>	<b>160 330 034</b>
<b>Operational projects</b>		
Elect -Infrastructure	1 810 688	8 802 367
OPEX Environmental projects	20 490 065	14 732 385
Computer Services	5 141 674	3 686 059
Stakeholder Participation	3 314 700	4 332 947
Other projects	9 846 910	9 446 711
	<b>40 604 037</b>	<b>40 800 469</b>
<b>Water and Sanitation</b>		
O&M FBW Eskom payments	18 648 376	15 291 585
Water Quality projects	1 774 614	4 778 795
Household sanitation	23 691 459	19 588 827
Other water related projects	1 281 300	1 958 927
	<b>45 395 749</b>	<b>41 618 134</b>
<b>33. Key sources of estimation uncertainty and judgements</b>		
<p>In using estimates a number of assumptions are required. GRAP 1 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 1 and in discussion with the professional consultants.</p> <p>The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the estimate and it is very important to monitor how this difference changes from one year's estimate to the next.</p> <p>The following areas involve a significant degree of estimation uncertainty:</p> <ul style="list-style-type: none"> <li>• Useful lives and residual values of property, plant, and equipment</li> <li>• Recoverable amounts of property, plant and equipment</li> </ul>		



# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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2016

2015

### 33. Key sources of estimation uncertainty and judgements (continued)

- 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

### 34. Risk management

#### 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 the interest is included in borrowings:

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1 370 528	-	79 097	-
Trade and other payables	144 810 526	-	71 688 634	-

  

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1 651 511	-	1 333 844	-
Trade and other payables	77 022 532	-	52 033 862	-

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 34. Risk management (continued)

#### Credit risk

##### 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:

Financial instrument	2016	2015
Call investments	198 503 156	218 669 850
Cash and cash equivalents	7 051 121	19 658 561
Trade receivables	45 694 117	40 590 993
Other receivables	71 144 385	4 379 065

#### Interest rate risk

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

### 35. Impairment loss

#### Fair value less cost to sell

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

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

Property, plant and equipment	(2 447 232)	(1 295 558)
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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.

### 36. Comparison with the Budget

#### Material differences between budget and actual amounts

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016

2015

### 36. Comparison with the Budget (continued)

The comparison of the Municipality's actual financial performance with that budgeted is set out in the statement of comparison of budget and actual amounts.

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 2015 to 30 June 2016. The budget and accounting basis are the same.

#### Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

Variances of 10% or more are explained as set out below:

**Other income - 67%** (During the adjustment budget R2,440,819 were identified as cash available from 2014/15 financial year. This was added to the budget, however the spending thereof was recognised in the Statement of Financial Position and not the Statement of Financial Performance.)

**Interest earned - outstanding receivables - 100%** (The municipality does not budget for interest earned on outstanding receivables.)

**Depreciation and amortisation - 30%** (Depreciation on assets were over budget for. It should be noted that this is a non-cash item and therefore does not affect the cash position of the municipality.)

**Finance cost - 56%** (There was a reduction in finance costs due to the term of leased assets that is coming to an end.)

**Debt impairment - 17%** (There was an increase in consumer debtors that were impaired due to a decrease in revenue collections)

**Commission paid - 28%** (There was an increase in the commission paid to local municipalities due to the increase in service charges billed during the year.)

**Repairs and maintenance - 22%** (The MWIG allocation was not fully spend therefore the variance between the budget and actual. R7,449,015.54 was applied for as a roll-over and will be spend in 2016/17.)

The following items were not budgeted for and will have a 100% variance:

- \* Derecognition of assets
- \* Loss on the disposal of assets and liabilities
- \* Actuarial gains/losses

### 37. Changes in accounting estimates, errors and disclosure

#### Correction of error

During the financial year under review the following accounting errors were identified:

Understatement of finance costs due to not all leased assets being capitalised in 2015.

Roll overs requested for MIG, EPWP and DWA were not approved by National Treasury.

Overstatement of rental for external equipment due to not all leased assets being capitalised in 2015

Computer hardware understated due to incorrect accounting at 30 June 2015.

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 37. Changes in accounting estimates, errors and disclosure (continued)

#### Prior period errors

2015 Surplus for the period as previously reported	319 792 756
Government grants and subsidies- EPWP	40 637
Government grants and subsidies - MIG	64 167 051
Government grants and subsidies - DWA	500 000
Finance costs	(3 754)
Debt impairment	(5 417 966)
General expenses - Rental of External equipment	(131 625)
General Expense - Computer Hardware	(16 058)
Depreciation	(28 906)
Commission paid	5 426 123
	<b><u>384 328 258</u></b>

#### Prior period errors affecting 2014

Retained earning as previously reported	1 552 687 366
Payables from exchange transactions	21 454
VAT receivable	(1 161)
	<b><u>1 552 707 659</u></b>

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior year adjustments and reclassifications.

#### Statement of financial position

	As previously reported	Correction of error	Reclassification	Restated
Receivable from exchange transactions	4 370 908	8 157	-	4 379 065
Vat receivable	36 338 064	1 086	-	36 339 150
Consumer debtors	46 776 774	(6 185 781)	-	40 590 993
Unspent conditional grant	(77 201 781)	64 707 687	-	(12 494 094)
Payables from exchange transactions	(135 245 326)	6 188 932	-	(129 056 394)
Finance lease -current	(1 572 427)	(79 084)	-	(1 651 511)
Finance lease -non current	(1 277 549)	(56 295)	-	(1 333 844)
Property, plant and equipment	1 775 007 450	(28 908)	-	1 746 098 542
	<b><u>1 647 196 113</u></b>	<b><u>64 555 794</u></b>	<b><u>-</u></b>	<b><u>1 711 751 907</u></b>

#### Statement of financial performance

	As previously reported	Correction of error	Reclassification	Restated
Revenue	-	-	-	-
Government grant and subsidies	820 674 649	64 707 688	-	885 382 337
	<b><u>820 674 649</u></b>	<b><u>64 707 688</u></b>	<b><u>-</u></b>	<b><u>885 382 337</u></b>
Expenditure	-	-	-	-
Employee related costs	(215 376 687)	-	-	(215 376 687)
Remuneration of councillors	(11 404 706)	-	-	(11 404 706)
Depreciation	(44 930 552)	(28 906)	-	(44 959 458)
Debt impairment	(18 857 651)	(5 417 966)	-	(24 275 617)
Finance costs	(358 221)	(3 754)	-	(361 975)
General expenses	(160 182 352)	(147 681)	-	(160 330 033)
Commission paid	(41 412 817)	5 426 123	-	(35 986 694)
	<b><u>328 151 663</u></b>	<b><u>64 535 504</u></b>	<b><u>-</u></b>	<b><u>392 687 167</u></b>

# Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>38. Distribution Loss</b>		
Unit purchased (kl)	8 260 729	8 765 358
Units sold (kl)	(5 024 239)	(5 790 042)
	<b>3 236 490</b>	<b>2 975 316</b>
Average cost per unit purchases (cents per kl)	5.53	5.53
Net loss in rands	17 897 785	16 453 500
% Loss in purchases of water	33,60 %	33,94 %
<b>39. Service charges</b>		
Sale of water	58 284 250	44 299 735
<b>40. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	432 984 680	492 497 687
Finance Management Grant	1 128 912	1 767 072
Municipal Systems Improvement Grant	940 000	934 000
LG Seta Grant	-	151 327
Rural Transport Infrastructure Grant	2 190 000	2 184 000
Municipal Water Infrastructure Grant	50 858 984	27 379 000
Energy Efficiency and Demand Management Grant	994 093	3 005 906
Rural Household Infrastructure Grant	8 995 103	3 706 528
EPWP Grant	1 921 000	2 030 874
Municipal Infrastructure Grant	7 737 021	-
	<b>507 749 793</b>	<b>533 656 394</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	325 577 765	281 506 101
Equitable Share	4 725 320	37 720 000
Water Services Operating Grant	35 000 000	32 499 841
	<b>365 303 085</b>	<b>351 725 942</b>
	<b>873 052 878</b>	<b>885 382 336</b>
<b>41. Other revenue</b>		
Other income	1 164 177	1 230 331
<b>42. Debt impairment</b>		
Contributions to debt impairment provision	32 635 222	24 275 617

# Capricorn District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>43. Interest revenue</b>		
Interest received - outstanding receivables	1 776 658	9 908 548
Interest received - external investment	23 258 349	21 439 028
	<b>25 035 007</b>	<b>31 347 576</b>
<b>44. Auditors' remuneration</b>		
Fees	3 311 356	2 582 446

### 45. Events after the reporting date

Aganang Local Municipality was de-established with effect from 3 August 2016.