



CAPRICORN DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Mayoral committee

Executive Mayor

Councillors

Mpe MJ

Lekganyane NM(Speaker)

Moasoga MC(Chief whip)

Ntsoane MA (MMC : Sports Arts and Culture)

Boloka MP(MMC : Finance)

Kgare MB (MMC : Community Services)

Malebana CWD (MMC : Developmental Planning and Environmental Management Services)

Mohale MM(MMC : Infrastructure Services)

Masubelele JA (MMC : Strategic Executive Management Services)

Selamolele MS (MMC : Local Economic Development)

Kgatla KE (MMC : Corporate Services)

Masoga PS (Chairperson : Committee of chairpersons)

Motjopi S (Chairperson : Ethics, Rules and Integrity Committee)

Molepo FJ (Chairperson : Infrastructure Services Portfolio Committee)

Morotoba NL (Chairperson : Community Services Portfolio Committee)

Mothata ML (Chairperson : Strategic Executive Management Services Portfolio Committee)

Phoshoko MS (Chairperson : Finance Portfolio Committee)

Ledwaba PE (Chairperson : Corporate Services Portfolio Committee)

Masekwameng MR (Chairperson : Development Planning and Environmental Management Portfolio Committee)

Makgato MP (Chairperson : Municipal Public Accounts Committee)

Baloyi RA (Member)

Botha AH (Member)

Chidi RDT(Member)

Dikgale SJ (Member)

Hlangwane KV (Member)

Hopane TE (Member)

Khan N (Member)

Kubheka DO (Member)

Legodi NJ (Member)

Lehong MV(Member)

Mabena KL(Member)

Mahlo NP(Member)

Makgahlela MM(Member)

Maleka ME (Member)

Malema RR (Member)

Mapakela MM (Member)

Mathabatha TP (Member)

Moabelo ML (Member)

Modiba MS(Member)

Mogashoa ME (Member)

Molokomme MM(Member)

Mosena DD (Member)

Mothata LS (Member)

Motolla MO(Member)

Phoshoko NC(Member)

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

	Rababalela MS (Member) Rakimana PT (Member) Ramaloko SE (Member) Ratau IG (Member) Sekgobela M (Member) Sesera MC (Member) Setjie ND (Member)
Accounting Officer	Mazibuko Nokuthula
Chief Finance Officer (CFO)	Thabo Nonyane CA(SA)
Grading of local authority	Category B - Grade 5
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
Email address	info@cdm.org.za



Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

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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 2018

Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2018, as set out 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 18 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.

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

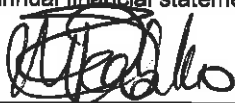
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, she sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year ended to 30 June 2019 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 61, which have been prepared on the going concern basis.



Mazibuko Nokuthula
Municipal Manager

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	4	5 666 386	4 944 382
Other financial assets	2	269 752 674	243 656 478
Receivables from exchange transactions	3	12 892 992	10 235 194
VAT receivable	6	42 960 855	20 154 472
Prepayments	5	3 469 618	4 881 275
Consumer debtors	15	47 107 071	49 337 408
Cash and cash equivalents	2	4 566 303	2 970 870
		386 415 899	336 180 079
Non-Current Assets			
Property, plant and equipment	7	2 374 333 464	2 085 583 884
Intangible assets	8	10 192 668	11 624 830
		2 384 526 132	2 097 208 714
Total Assets		2 770 942 031	2 433 388 793
Liabilities			
Current Liabilities			
Finance lease obligation	13	1 759 134	-
Operating lease liability	14	140 262	455 421
Payables from exchange transactions	10	243 989 899	172 988 146
Unspent conditional grants and receipts	12	371 801	1 347 320
Provisions	11	9 969 255	11 870 916
		256 230 351	186 661 803
Non-Current Liabilities			
Finance lease obligation	13	1 948 162	-
Provisions	11	40 787 187	29 040 301
		42 735 349	29 040 301
Total Liabilities		298 965 700	215 702 104
Net Assets		2 471 976 331	2 217 686 689
Accumulated surplus		2 461 438 361	2 217 686 689

* See Note 39

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	43	73 827 595	61 396 430
Other income	45	1 961 276	692 925
Interest received - external investment	47	32 028 873	25 367 411
Interest earned -outstanding receivables	47	19 484 498	7 838 453
Total revenue from exchange transactions		127 302 242	95 295 219
Revenue from non-exchange transactions			
Other income		-	3 997 788
Transfer revenue			
Government grants & subsidies	44	855 742 519	839 491 898
Total revenue from non-exchange transactions		855 742 519	843 489 686
Total revenue	16	983 044 761	938 784 905
Expenditure			
Employee related costs	17	(293 906 930)	(252 540 867)
Remuneration of councillors	18	(14 840 501)	(12 241 850)
Bad debts written off		-	(5 161 350)
Depreciation and amortisation	20	(87 815 632)	(43 685 336)
Finance costs	22	(473 782)	(912 628)
Debt Impairment	46	(78 739 166)	(49 295 804)
Commission paid		(27 993 598)	(20 524 928)
Bulk purchases	23	(65 223 237)	(47 965 290)
Contracted services		(112 282 642)	(116 289 153)
Transfers and Subsidies	24	-	(1 800 000)
Transitional costs		-	(9 293 752)
Loss on disposal of assets and liabilities		(906 686)	(291 286 166)
Impairment loss		(3 677 153)	(765 983)
Actuarial losses		(552 000)	(687 139)
Derecognition of assets		-	(30 968 200)
General Expenses	34	(52 881 762)	(60 209 072)
Total expenditure		(739 293 089)	(943 427 517)
Surplus/(Deficit) for the period		243 751 672	(4 642 612)

* See Note 39

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 231 848 838	2 231 848 838
Balance at 01 July 2016	2 231 848 838	2 231 848 838
Changes in net assets		
Correction of errors	(9 519 537)	(9 519 537)
Net income (losses) recognised directly in net assets	(9 519 537)	(9 519 537)
Surplus for the year	(4 642 612)	(4 642 612)
Total recognised income and expenses for the year	(14 162 149)	(14 162 149)
Total changes	(14 162 149)	(14 162 149)
Restated* Balance at 01 July 2017	2 217 686 689	2 217 686 689
Changes in net assets		
Deficit for the period	243 751 672	243 751 672
Total changes	243 751 672	243 751 672
Balance at 30 June 2018	2 461 438 361	2 461 438 361

* See Note 39

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Income received from service charges and other income		(30 365 349)	(9 000 000)
Grants		856 718 038	899 613 000
Interest received- external investments		32 028 873	25 367 411
Interest earned -outstanding receivables		19 484 498	7 838 453
		877 866 060	923 818 864
Payments			
Employee costs		(336 595 778)	(263 667 575)
Suppliers		(209 253 135)	(278 475 356)
Finance costs		(473 782)	(912 628)
		(546 322 695)	(543 055 559)
Undefined difference compared to the cash generated from operations note		(65 905 716)	-
Net cash flows from operating activities	27	265 637 649	380 763 305
Cash flows from Investing activities			
Purchase of property, plant and equipment	7	(309 502 206)	(338 048 373)
Proceeds from sale of property, plant and equipment	7	243 633	293 525
Purchase of other intangible assets	8	(3 025 474)	(505 484)
Net cash flows from investing activities		(312 284 047)	(338 260 332)
Cash flows from financing activities			
Finance lease payments		(315 159)	(1 370 528)
Net increase/(decrease) in cash and cash equivalents		(46 961 557)	41 132 445
Cash and cash equivalents at the beginning of the year		246 627 348	205 551 025
Cash and cash equivalents at the end of the year	2	199 665 791	246 627 324

* See Note 39

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

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						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	60 830 000	-	60 830 000	73 827 595	12 997 595	
Other income	992 000	250 000	1 242 000	1 961 276	719 276	
Interest received - external investment	24 056 000	-	24 056 000	32 028 873	7 972 873	
Interest earned -outstanding receivables	-	-	-	19 484 498	19 484 498	
Total revenue from exchange transactions	85 878 000	250 000	86 128 000	127 302 242	41 174 242	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	856 136 000	93 706 000	949 842 000	855 742 519	(94 099 481)	
Total revenue	942 014 000	93 956 000	1 035 970 000	983 044 761	(52 925 239)	
Expenditure						
Personnel	(289 906 000)	(2 240 000)	(292 146 000)	(293 906 930)	(1 760 930)	
Remuneration of councillors	(12 165 000)	(1 550 000)	(13 715 000)	(14 840 501)	(1 125 501)	
Depreciation and amortisation	(51 016 000)	-	(51 016 000)	(87 815 632)	(36 799 632)	
Finance costs	(470 000)	-	(470 000)	(473 782)	(3 782)	
Debt impairment	(36 498 000)	31 104 000	(5 394 000)	(78 739 166)	(73 345 166)	
Commission paid	(12 166 000)	-	(12 166 000)	(27 993 598)	(15 827 598)	
Repairs and maintenance	(35 114 000)	(48 000)	(35 162 000)	20 108 781	55 270 781	
Bulk purchases	(57 960 000)	(12 000 000)	(69 960 000)	(65 223 237)	4 736 763	
Contracted Services	(161 965 000)	91 794 000	(70 171 000)	(82 020 722)	(11 849 722)	
Transfers and Subsidies	(3 000 000)	-	(3 000 000)	(3 000 000)	-	
General Expenses	(94 796 000)	(2 598 580)	(97 394 580)	(81 791 004)	15 603 576	
Total expenditure	(755 056 000)	104 461 420	(650 594 580)	(715 695 791)	(65 101 211)	
Operating surplus	186 958 000	198 417 420	385 375 420	267 348 970	(118 026 450)	
Loss on disposal of assets and liabilities	-	-	-	(906 686)	(906 686)	
(Impairment loss)/Reversal of impairment loss	-	-	-	(3 677 153)	(3 677 153)	
Actuarial gains/losses	-	-	-	(552 000)	(552 000)	
	-	-	-	(5 135 839)	(5 135 839)	
Surplus for the year	186 958 000	198 417 420	385 375 420	262 213 131	(123 162 289)	

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

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						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	5 666 386	5 666 386	
Other financial assets	103 220 797	10 000	103 230 797	269 752 674	166 521 877	
Receivables from exchange transactions	-	-	-	12 892 992	12 892 992	
VAT receivable	-	-	-	42 960 855	42 960 855	
Prepayments	-	-	-	3 469 618	3 469 618	
Consumer debtors	150 084 973	(91 478 000)	58 606 973	47 106 522	(11 500 451)	
Cash and cash equivalents	10 000	-	10 000	4 566 303	4 556 303	
	253 315 770	(91 468 000)	161 847 770	386 415 350	224 567 580	
Non-Current Assets						
Property, plant and equipment	2 541 464 000	(476 511 472)	2 064 952 528	2 374 333 464	309 380 936	
Intangible assets	10 950 114	674 716	11 624 830	10 192 668	(1 432 162)	
	2 552 414 114	(475 836 756)	2 076 577 358	2 384 526 132	307 948 774	
Total Assets	2 805 729 884	(567 304 756)	2 238 425 128	2 770 941 482	532 516 354	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	1 759 134	1 759 134	
Operating lease liability	-	-	-	140 262	140 262	
Payables from exchange transactions	100 334 000	27 739 303	128 073 303	243 989 899	115 916 596	
Unspent conditional grants and receipts	-	-	-	371 801	371 801	
Provisions	-	11 871 000	11 871 000	9 969 255	(1 901 745)	
	100 334 000	39 610 303	139 944 303	256 230 351	116 286 048	
Non-Current Liabilities						
Finance lease obligation	715 000	(715 000)	-	1 948 162	1 948 162	
Provisions	22 929 000	714 842	23 643 842	40 787 187	17 143 345	
	23 644 000	(158)	23 643 842	42 735 349	19 091 507	
Total Liabilities	123 978 000	39 610 145	163 588 145	298 965 700	135 377 555	
Net Assets	2 681 751 884	(606 914 901)	2 074 836 983	2 471 975 782	397 138 799	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 681 753 000	(606 915 075)	2 074 837 925	2 741 620 146	666 782 221	
Undefined Difference	(1 116)	174	(942)	(269 644 364)	(269 643 422)	
Total Net Assets	2 681 753 000	(606 915 075)	2 074 837 925	2 741 620 146	666 782 221	

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

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						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	61 822 000	250 000	62 072 000	52 149 754	(9 922 246)	
Grants	856 136 000	93 706 000	949 842 000	854 767	(948 987 233)	
Interest income	24 056 000	-	24 056 000	32 028 873	7 972 873	
	942 014 000	93 956 000	1 035 970 000	85 033 394	(950 936 606)	
Payments						
Employee costs	(302 071 000)	3 790 100	(298 280 900)	291 149 001	589 429 901	
Suppliers	(449 510 000)	29 073 900	(420 436 100)	303 470 957	723 907 057	
Finance costs	(475 000)	5 000	(470 000)	47 378	517 378	
Other payments	(3 000 000)	-	(3 000 000)	3 000 000	6 000 000	
	(755 056 000)	32 869 000	(722 187 000)	597 667 336	1 319 854 336	
Net cash flows from operating activities	186 958 000	126 825 000	313 783 000	682 700 730	368 917 730	
Cash flows from investing activities						
Purchase of property, plant and equipment	(237 974 000)	(149 802 063)	(387 776 063)	393 227 188	781 003 251	
Net increase/(decrease) in cash and cash equivalents	(51 016 000)	(22 977 063)	(73 993 063)	1 075 927 918	1 149 920 981	
Cash and cash equivalents at the beginning of the year	116 549 872	-	116 549 872	246 627 348	130 077 476	
Cash and cash equivalents at the end of the year	65 533 872	(22 977 063)	42 556 809	1 322 555 266	1 279 998 457	
Reconciliation						

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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.

These accounting policies are consistent with the previous period.

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 expectation 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	
Statements		No impact	GRAP 34	Separate Financial
Statements	No impact		GRAP 35	Consolidated Financial
Joint Ventures	No impact		GRAP 36	Investment in Associates and
	No impact		GRAP 37	Joint Arrangement
	No impact		GRAP 38	Disclosure of interest in other Entities
	No impact		GRAP 110	Living and Non-Living resources
	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.

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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
Buildings	10 - 55
Furniture and fixtures	5 - 13
Motor vehicles	
Specialised services	5 - 17
Other vehicles	5 - 17
Office equipment	5 - 14
IT equipment	3 - 13
Computer software	3 - 13
Infrastructure	
Roads and paving	15 - 50
Community	
Buildings	10 - 55
Security	3 - 10
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, it's deemed cost is the carrying amount of the asset(s) given up.

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

Subsequent measurement - cost

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.5 Property, plant and equipment (continued)

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 non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service 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 Intangible assets

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.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised 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.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software 3 - 10 years

Initial Recognition

Capricorn District Municipality

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Accounting Policies

1.7 Intangible assets (continued)

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

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

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

Intangible assets are initially recognised at cost.

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

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

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.

1.8 Inventories

Initial recognition

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.8 Inventories (continued)

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 weighted average cost method.

Subsequent measurement

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.

1.9 Financial Instruments

1.10 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.

1.11 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.

1.12 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.

1.13 Provisions and Contingents

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.

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.13 Provisions and Contingents (continued)

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

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

- a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - 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.

1.14 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.

1.15 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.

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Measurement

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

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.

1.16 Revenue from non-exchange transactions

1.17 Events after reporting date

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

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.

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

1.18 Commitments (continued)

The commitments are not recognised as a liability in the statement of financial position but are disclosed in the notes to the financial statements.

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 entity'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

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.

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.

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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

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

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Policies

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 cash basis.



Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
2. Cash and cash equivalents		
Cash and cash equivalents consist of:		
First National Bank - Primary bank account	4 541 778	2 947 946
Other cash and cash equivalents	24 525	22 924
	4 566 303	2 970 870
Included in investments is a guarantee to Eskom amounting to R294 600	294 600	294 600
Cash and cash equivalents pledged as collateral		
Summary of Investments held		
Investments		
First National Bank - Call Account	296 947	2 128 731
Nedbank Deposit Account	90 353 213	83 213 360
Investec Call Account	12 238 905	99 922 540
First National Bank - Fixed Deposit 1	32 353 420	31 026 096
Standard Bank Call	85 145 619	27 365 751
ABSA Call	49 364 572	-
	269 752 676	243 656 478
3. Receivables from exchange transactions		
Trade debtors	12 892 992	10 235 194
Reconciliation of provision for Impairment of trade and other receivables		
Opening balance	6 639 877	6 054 028
Provision for impairment	(6 000)	585 849
Amounts written off as uncollectible	-	-
	6 633 877	6 639 877
Net trade debtors		
Local Municipalities - Operations and Maintenance conditional grants	3 409 550	1 827 267
Vendor debit balance payroll	9 600	26 505
Other debtors	9 473 842	8 381 422
	12 892 992	10 235 194
4. Inventories		
Consumable stores	627 950	437 059
Maintenance materials	4 859 506	4 284 254
Water	178 930	223 069
	5 666 386	4 944 382
No inventories were pledged as security for liabilities.		
Inventories recognised as an expense during the year	70 297 898	48 394 585
5. Prepayments		
Prepaid expenses	3 469 618	4 881 275

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018 2017

6. VAT receivable

VAT	42 960 855	20 154 472
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VAT is receivable on the accrual basis.

7. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7 768 000	-	7 768 000	3 521 000	-	3 521 000
Buildings	74 615 455	(25 120 645)	49 494 810	69 741 590	(20 786 551)	48 955 039
Furniture and fixtures	11 558 325	(5 115 998)	6 442 327	11 626 369	(5 102 673)	6 523 696
Motor vehicles	56 733 893	(23 004 148)	33 729 745	49 174 612	(19 989 813)	29 184 799
Office equipment	12 902 280	(5 289 281)	7 612 999	12 482 742	(4 678 808)	7 803 934
IT equipment	13 853 514	(3 678 148)	10 175 366	12 368 387	(2 835 945)	9 532 442
Infrastructure	2 156 180 797	(459 064 893)	1 697 115 904	1 876 083 608	(409 279 830)	1 466 803 778
Assets under construction - Infrastructure	558 463 848	-	558 463 848	513 259 196	-	513 259 196
Leased assets	5 295 712	(1 765 247)	3 530 465	4 964 903	(4 964 903)	-
Total	2 897 371 824	(523 038 360)	2 374 333 464	2 553 222 407	(467 638 523)	2 085 583 884

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	3 521 000	-	-	-	4 247 000	-	-	7 768 000
Buildings	48 955 038	2 068 870	-	2 804 994	-	(2 101 446)	(2 232 646)	49 494 810
Furniture and fixtures	6 523 696	926 859	(292 828)	146 569	-	(861 969)	-	6 442 327
Motor vehicles	29 184 799	8 109 231	(353 072)	-	-	(3 211 213)	-	33 729 745
Office equipment	7 803 934	1 120 042	(301 893)	107 452	-	(1 116 536)	-	7 612 999
IT equipment	9 532 442	1 576 676	(61 355)	-	-	(872 397)	-	10 175 366
Infrastructure	1 466 803 764	77 072 056	-	203 025 145	-	(48 340 528)	(1 444 533)	1 697 115 904
Assets under construction - Infrastructure	513 259 341	251 034 646	-	(205 830 139)	-	-	-	558 463 848
Leased assets	-	5 295 741	-	-	-	(1 765 247)	-	3 530 494
	2 085 584 014	347 204 121	(1 009 148)	254 021	4 247 000	(58 269 336)	(3 677 179)	2 374 333 493

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Prior period error	Disposals	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	3 521 000	-	-	-	-	-	-	-	3 521 000
Buildings	49 676 665	1 002 778	-	(606 112)	886 201	-	(2 004 494)	-	48 955 038
Furniture and fixtures	7 478 832	1 161 488	307 927	(1 267 402)	-	65 690	(1 222 839)	-	6 523 696
Motor vehicles	27 750 025	4 972 250	-	(716 469)	-	-	(2 821 007)	-	29 184 799
Office equipment	6 920 878	1 858 559	99 131	-	-	(27 113)	(1 047 521)	-	7 803 934
IT equipment	9 759 033	1 262 300	174 198	(620 517)	-	(38 576)	(1 003 996)	-	9 532 442
Infrastructure	1 422 293 214	335 037 509	27 386 754	(288 369 191)	12 692 891	-	(41 471 416)	(765 983)	1 466 803 778
Assets under construction - Infrastructure	588 723 733	248 471 770	(27 386 754)	-	(296 549 408)	-	-	-	513 259 341
Leased assets	1 172 402	-	-	-	-	-	(1 172 402)	-	-
	2 117 295 782	593 766 654	581 256	(291 579 691)	(282 970 316)	1	(50 743 675)	(765 983)	2 085 584 028

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

8. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	24 162 525	(13 969 857)	10 192 668	21 475 138	(9 850 308)	11 624 830

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	11 624 830	3 025 474	(67 449)	(4 390 187)	10 192 668

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	15 207 114	505 484	(4 087 768)	11 624 830

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

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2018

2017

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 2018 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	4 492 000	3 881 000
Benefits paid	(326 000)	(400 848)
Current service cost	-	-
Interest	440 000	372 000
Actuarial losses(gains)	(484 000)	639 848
	4 122 000	4 492 000
Current portion of liability	393 000	440 000
Non-current portion of liability	3 729 000	4 052 000
	4 122 000	4 492 000

Amounts recognised in the annual financial statements

Current service cost	-	-
Interest cost	440 000	372 000
Past service cost	-	-
Actuarial losses/(gains)	(484 000)	639 848
	(44 000)	1 011 848

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.

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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	4 487 000	4 122 000	3 833 000
Interest Cost	429 000	393 000	364 000
Service Cost	-	-	-
	4 916 000	4 515 000	4 197 000

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	3 766 000	4 122 000	4 537 000
Interest Cost	358 000	393 000	434 000
Service Cost	-	-	-
	4 124 000	4 515 000	4 971 000

Actuarial Loss/(Gain)

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

	Current Valuation date 30 June 2018	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	4 492 000	4 122 000	4 181 000	4 235 000
Current Service Cost	-	-	-	-
Interest Cost	440 000	393 000	398 000	403 000
Benefits Paid	(326 000)	(334 000)	(334 000)	(349 000)
Actuarial Loss / (Gain)	(484 000)	-	-	-
	4 122 000	4 181 000	4 245 000	4 289 000

Membership Data

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

Category	30-06-2018 Valuation	30-06-2017 Valuation
Current (In Service) Members	-	-
Continuation Members (Pensioners)	6	7
	6	7

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:

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9. Employee benefit obligations (continued)		
Category	30-06-2018 Valuation	30-06-2017 Valuation
Current (In Service) Members	-	-
Continuation Members (Pensioners)	4 122 000	4 492 000
	4 122 000	4 492 000

Interest and Service Costs

Category	30-06-2018 Valuation To be used in the 30 June 2019 Actuarial Loss/(Gain) calculation	30-06-2017 Valuation To be used in the 30 June 2018 Actuarial Loss/(Gain) calculation
Interest Cost	393 000	440 000
Current Service Cost	-	-
	393 000	440 000

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:

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9. Employee benefit obligations (continued)

Financial Variable

	Assumed Value 30-06-2018 (Current Valuation)	Assumed Value 30-06-2017 (Preceding Valuation)
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 2018** as 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



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9. Employee benefit obligations (continued)

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.

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 2018 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	11 179 000	10 265 000
Benefits paid	(1 699 000)	(1 176 291)
Current service cost	1 104 000	1 064 000
Interest	1 142 000	979 000
Actuarial losses/(gains)	68 000	47 291
	11 794 000	11 179 000
Current portion of liability	2 275 000	2 246 000
Non-current portion of liability	9 519 000	8 933 000
	11 794 000	11 179 000

Expense recognised in Statement of Financial Performance

Current service cost	1 104 000	1 064 000
Interest cost	1 142 000	979 000
Past service cost	-	-
Actuarial losses/(gains)	68 000	47 291
	2 314 000	2 090 291

Changes in the value of obligation

	Current Valuation date 30 June 2018	1 Year following the Valuation Date	2 Years following the Valuation Date	3 Years following the Valuation Date
Liability recognised in the balance sheet	11 179 000	11 794 000	12 649 000	12 699 086
Current service cost	1 104 000	1 132 000	1 194 275	1 264 708
Interest cost	1 142 000	1 143 000	1 198 811	1 189 409
Benefits paid	(1 699 000)	(1 420 000)	(2 343 000)	(2 703 000)
Actuarial Loss/ (Gain)	68 000	-	-	-
	11 794 000	12 649 000	12 699 086	12 450 203

Membership data

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

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9. Employee benefit obligations (continued)

Gender	Number of active employees	Salary weighted average age (Years)	Weighted average past service (Years)
Male	335	46,52	14,31
Female	243	42,18	10,92

Long Service Awards Liabilities

Category	30-06-2018 Valuation	30-06-2017 Valuation
Accrued liability	11 179 000	10 265 000

Interest and service costs

Category	30-06-2018 Valuation. To be used in the 30 June 2019 Actuarial Loss/(Gain) calculation	30-06-2017 Valuation. To be used in the 30 June 2018 Actuarial Loss/(Gain) calculation	Column heading	Column heading	Column heading
Interest cost	1 142 000	1 143 000	-	-	-
Current service cost	1 104 000	1 132 000	-	-	-
	2 246 000	2 275 000	-	-	-

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:

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9. Employee benefit obligations (continued)

Completed Years of Service

Completed Years of Service	Total Long Service Benefit Award (% of Annual Salary)	Formula used to calculate Total Long Service Benefit Award
10	%	4 (10/250)*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:

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9. Employee benefit obligations (continued)

Financial Variable

Financial Variable	Assumed Value 30-06-2017 (Current Valuation)	Assumed Value at 30-06-2016 (Preceding Valuation)
Discount Rate	Yield Curve	Yield Curve
CPI (Consumer Price Inflation)	Difference between nominal and real yield curve Equal to CPI+1%	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	Yield Curve Based**	Yield Curve Based**

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 29 June 2018 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 2017 of 7.36%. The next salary increase was assumed to take place on 01 July 2019.

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

Promotional Salary Increase Rates



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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	- %
	15 %

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 Decrement

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 +	- %	- %
	59 %	80 %

Membership Data

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

Eligible male employees

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9. Employee benefit obligations (continued)

Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
20 - 29	7	144 697	2,55	2 593
30 - 39	75	301 941	5,57	16 413
40 - 49	84	332 006	10,89	31 858
50 - 59	134	244 793	20,86	15 563
60 +	35	200 625	27,15	-
	335	1 224 062		66 427

Eligible female employees

Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
20 - 29	8	244 862	2,32	2 965
30 - 39	90	318 598	6,63	20 412
40 - 49	85	342 494	10,40	35 196
50 - 59	49	240 587	21,53	18 997
60 +	11	193 153	25,01	-
	243	1 339 694		77 570

Total eligible employees

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9. Employee benefit obligations (continued)

Age band	Number of employees	Average annual salary	Salary weighted average past service (Years)	Average accrued liability
20 - 29	15	198 119 2,4		2 791
30 - 39	165	311 027 6,16		18 594
40 - 49	169	337 281 10,64		33 537
50 - 59	183	243 667 21,04		16 482
60 +	46	198 838 26,65		-
	578	1 288 932		71 404

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:

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	12 485 000	11 794 000	11 171 000
Current Service Cost	1 230 000	1 132 000	1 046 000
Interest Cost	1 216 000	1 143 000	1 077 000
	14 931 000	14 069 000	13 294 000

Normal salary inflation

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

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

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9. Employee benefit obligations (continued)

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	11 108 000	11 794 000	12 542 000
Current Service Cost	1 050 000	1 132 000	1 223 000
Interest Cost	1 071 000	1 143 000	1 222 000
	13 229 000	14 069 000	14 987 000

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	20 227 136	18 916 744
Annual leave forfeited	(161 577)	(2 787 968)
Net accrued leave days over the year	9 627 473	4 098 360
	29 693 032	20 227 136
Current portion of liability	2 208 774	4 171 833
Non-current portion of liability	27 484 257	16 055 302
	29 693 031	20 227 135

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 2018 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 2018 (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 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

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9. Employee benefit obligations (continued)

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+	- %	- %
	59 %	80 %

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:

Gender	Number of active employees	Salary weighted average age (Years)	Average Annual Salary
Male	337	73,92	355 248
Female	238	52,92	406 953
	575		762 201

10. Payables from exchange transactions

Trade payables	74 349 641	38 310 026
Retention Creditors	75 959 222	68 790 514
Other Creditors	5 508 394	4 577 045
Commission Payable	88 172 642	61 310 561
	243 989 899	172 988 146

The fair value of trade and other payables approximates their carrying amounts. Commission payable is 30% of cash collected and to be collected by local municipalities for the provision of water services in line with the Service Level agreements. In 2018/19 the commission payable is 10% of the cash to be collected.

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11. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonuses	5 013 083	5 600 000	(4 989 597)	5 623 486
Provision for leave	20 227 134	11 428 955	(2 823 797)	28 832 292
Post-employment medical benefits	4 492 000	323 000	(271 841)	4 543 159
Long-service award	11 179 000	1 856 080	(1 277 575)	11 757 505
	40 911 217	19 208 035	(9 362 810)	50 756 442

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	7 150 537	5 000 000	(7 137 454)	5 013 083
Provision for leave	18 916 743	1 997 925	(687 534)	20 227 134
Post-employment medical	3 881 000	1 011 848	(400 848)	4 492 000
Long-service awards	10 265 000	2 090 291	(1 176 291)	11 179 000
	40 213 280	10 100 064	(9 402 127)	40 911 217

Non-current liabilities		40 787 187	29 040 301
Current liabilities		9 969 255	11 870 916
		50 756 442	40 911 217

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Finance management grant (FMG)	-	9 118
Water Services Operating Grants(WSOG)	-	-
Municipal Infrastructure Grant(MIG)	-	-
Municipal Systems Improvement Grant(MSIG)	-	-
Expanded Public Works Programme(EPWP)	371 801	450 919
Rural Transport Services Infrastructure Grant (RTSIG)	-	106 087
EEDG	-	-
Water Services Infrastructure Grants (WSIG)	-	781 196
	371 801	1 347 320

Municipal infrastructure grant (MIG)

Balance unspent at the beginning of the year	-	-
Current year receipts	235 037 000	273 872 000
Conditions met - transferred to revenue	(235 037 000)	(207 523 214)
Transferred to/from debtor	-	(66 348 786)
	-	-

Finance management grant (FMG)

Balance unspent at the beginning of the year	9 118	121 088
Funds returned to treasury	(9 118)	(121 088)
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 240 882)
	-	9 118

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12. Unspent conditional grants and receipts (continued)		
Water services operating grant (WSOG)		
	-	-
	-	-
	-	-
Municipal Systems Improvement Grant (MSIG)		
	-	-
	-	-
	-	-
Expanded Public Works Programme Integrated Grant for Municipalities (EPWP)		
Balance unspent at the beginning of the year	450 919	-
Funds returned to treasury	(450 919)	-
Current year receipts	5 080 000	2 922 000
Conditions met - transferred to revenue	(4 708 199)	(2 471 081)
	371 801	450 919
Municipal Water Infrastructure Grant (MWIG)		
Balance unspent at beginning of the year	-	7 449 016
Funds returned to treasury	-	(7 449 016)
	-	-
EEDG		
	-	-
	-	-
	-	-
Rural household infrastructure grant (RHIG)		
Balance unspent at beginning of the year	-	4 897
Funds returned to treasury	-	(4 897)
	-	-
Rural transport services infrastructure grant (RTSIG)		
Opening Balance	106 087	-
Amount surrendered to Treasury	(106 087)	-
Current year - receipts	-	3 634 000
Conditions met - transferred to revenue	-	(3 527 913)
	-	106 087
Water Services Infrastructure grant (WSIG)		
Opening Balance	781 196	-
Amount surrendered to Treasury	(781 196)	-
Current year - receipts	90 000 000	102 800 000
Conditions met - transferred to revenue	(90 000 000)	(102 018 804)
	-	781 196

MWIG and WSOG have been discontinued and a new grant (Water Services Infrastructure Grant) is now being received by the municipality

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
13. Finance lease obligation		
Minimum lease payments due		
- within one year	2 058 011	-
- in second to fifth year inclusive	2 058 011	-
	4 116 022	-
less: future finance charges	(408 728)	-
Present value of minimum lease payments	3 707 294	-
Present value of minimum lease payments due		
- within one year	1 759 133	-
- in second to fifth year inclusive	1 948 161	-
	3 707 294	-
Non-current liabilities	1 948 162	-
Current liabilities	1 759 134	-
	3 707 296	-
Contingent rents	1 506 801	-
Contingent rent is payable based on the paper usage.		-
14. Operating lease accrual		
Current liabilities	(140 262)	(455 421)
Future lease payments under non- cancellable operating lease:		
Rental of office buildings		
Payable within one year	1 832 199	6 493 416
Payable within two to five years	60 440	1 892 639
Payable more than five years	-	-
	1 892 639	8 386 055
Minimum lease payments recognised in statement of financial performance.		
Rental of buildings	6 178 257	6 123 145
15. Consumer debtors		
Gross balances		
Water	275 042 156	185 501 220
Less: Allowance for impairment		
Water	(227 935 084)	(136 163 812)
Net balance		
Consumer debtors - Water	47 107 071	49 337 408

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
15. Consumer debtors (continued)		
Water		
Current (0 -30 days)	7 759 088	5 384 621
31 - 60 days	6 920 478	5 292 866
61 - 90 days	5 533 928	4 597 006
91 - 120 days	4 909 894	3 903 047
121 - 365 days	21 983 218	30 159 868
	47 106 606	49 337 408

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
15. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	7 157 722	5 161 849
31 - 60 days	7 166 351	5 829 779
61 - 90 days	6 314 938	5 672 269
91 - 120 days	6 503 529	5 438 947
121 - 365 days	216 847 244	131 850 314
	<hr/>	<hr/>
	243 989 784	153 953 158
Less: Allowance for impairment	(206 678 221)	(128 638 538)
	<hr/>	<hr/>
	37 311 563	25 314 620
Industrial/ commercial		
Current (0 -30 days)	658 556	339 615
31 - 60 days	573 672	437 121
61 - 90 days	401 848	310 585
91 - 120 days	312 899	287 387
121 - 365 days	10 038 287	7 785 720
	<hr/>	<hr/>
	11 985 262	9 160 428
Less: Allowance for impairment	(9 596 438)	(7 525 273)
	<hr/>	<hr/>
	2 388 824	1 635 155
National and provincial government		
Current (0 -30 days)	746 415	478 117
31 - 60 days	694 593	308 147
61 - 90 days	756 457	352 861
91 - 120 days	584 509	280 180
121 - 365 days	14 779 354	20 905 908
	<hr/>	<hr/>
	17 561 328	22 325 213
Total		
Current (0 -30 days)	8 610 355	5 979 580
31 - 60 days	8 543 878	6 575 047
61 - 90 days	7 499 552	6 335 715
91 - 120 days	7 424 156	6 006 514
121 - 365 days	242 963 665	160 604 363
	<hr/>	<hr/>
	275 041 606	185 501 219
Less: Allowance for impairment	(227 935 084)	(136 163 811)
	<hr/>	<hr/>
	47 106 522	49 337 408
Less: Allowance for impairment		
Current (0 -30 days)	(851 267)	(594 959)
31 - 60 days	(1 623 400)	(1 282 182)
61 - 90 days	(1 965 624)	(1 738 709)
91 - 120 days	(2 514 263)	(2 103 468)
121 - 365 days	(220 980 527)	(130 444 494)
	<hr/>	<hr/>
	(227 935 081)	(136 163 812)

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
15. Consumer debtors (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(136 163 812)	(120 487 651)
Contributions to allowance	(79 734 500)	(48 709 955)
Debt impairment written off against allowance	-	39 853 188
VAT on impairment	(12 036 769)	(6 819 394)
	(227 935 081)	(136 163 812)
16. Revenue		
Service charges	73 827 595	61 396 430
Other income	1 961 276	692 925
Interest received - external investment	32 028 873	25 367 411
Interest earned -outstanding receivables	19 484 498	7 838 453
Other income	-	3 997 788
Government grants & subsidies	855 742 519	839 491 898
	983 044 761	938 784 905
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	73 827 595	61 396 430
Other income	1 961 276	692 925
Interest received - external investment	32 028 873	25 367 411
Interest earned -outstanding receivables	19 484 498	7 838 453
	127 302 242	95 295 219
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Other income	-	3 997 788
Transfer revenue		
Government grants & subsidies	855 742 519	839 491 898
	855 742 519	843 489 686

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand

	2018	2017
17. Employee related costs		
Basic	181 323 104	155 464 252
Bonus	26 159 369	5 866 709
Medical aid - company contributions	19 538 588	13 705 150
UIF	2 253 959	1 007 969
Short term benefit 1	-	330 189
Travel, motor car, accommodation, subsistence and other allowances	31 081 929	18 064 540
Overtime payments	-	18 069 249
Housing benefits and allowances	2 481 444	2 395 023
Other # 4	30 784 262	28 725 472
Other # 8	284 275	-
	293 906 930	243 628 553
Other employee related costs includes		
Union affiliations	-	65 971
Special allowance	-	22 968
	-	88 939
Remuneration of Municipal Manager		
Annual Remuneration	615 938	-
Car Allowance and other allowances	265 716	498 030
Contributions to UIF, Medical and Pension Funds	40 109	-
	921 763	498 030
Remuneration of Chief Finance Officer		
Annual Remuneration	463 299	-
Car Allowance	50 000	83 973
Contributions to UIF, Medical and Pension Funds	55 121	-
	588 420	83 973
Remuneration of Technical Services		
Annual Remuneration	-	1 344 273
Car Allowance	-	642 801
Performance Bonuses	-	23 801
Contributions to UIF, Medical and Pension Funds	-	1 487
	-	2 012 362
Remuneration of Development, Economic and Planning Management Services		
Annual Remuneration	411 815	1 076 603
Car Allowance	40 203	137 499
Performance Bonuses	-	65 801
Contributions to UIF, Medical and Pension Funds	76 306	82 530
	528 324	1 362 433
Remuneration of Strategic Support Services		
Annual Remuneration	-	1 346 370
Car Allowance	-	558 277
Performance Bonuses	-	63 363
Contributions to UIF, Medical and Pension Funds	-	168 529
	-	2 136 539

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand 2018 2017

17. Employee related costs (continued)

Remuneration of Corporate Services

Annual Remuneration	346 705	489 729
Car Allowance	50 000	687 098
Performance Bonuses	-	22 817
Contributions to UIF, Medical and Pension Funds	87 557	108 288
	484 262	1 307 932

Remuneration of Community Services

Annual Remuneration	1 012 787	911 502
Car Allowance	443 787	438 140
Performance Bonuses	38 788	29 456
Contributions to UIF, Medical and Pension Funds	161 189	131 947
	1 656 551	1 511 045

18. Remuneration of councillors

Executive Mayor	1 000 857	914 563
Chief Whip	770 630	703 432
Mayoral Committee Members	4 995 134	3 899 851
Speaker	824 956	679 920
Councillors	6 142 640	4 589 613
Councillors' pension and medical aid contribution	-	380 416
Councillors' allowances	2 516 114	1 074 055
	16 250 331	12 241 850

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	26 671 935	20 993 330
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20. Depreciation and amortisation

Property, plant and equipment	87 815 632	39 597 568
Intangible assets	-	4 087 768
	87 815 632	43 685 336

21. Derecognition of Assets

Derecognition of assets	-	30 968 200
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Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
21. Derecognition of Assets (continued)		
These relate to Aganang water projects which were under construction at the time of the demarcation date on the 10th of August 2016. These assets were transferred to Polokwane Municipality directly from work in progress (R23 009 195) and roads completed in the current year (R7 959 004).		
22. Finance costs		
Finance, other interest and penalties	473 782	912 628
23. Bulk purchases		
Water	65 223 237	47 965 290
Purchases of water from Lepelle Northern Water.		
24. Grants and subsidies paid		
Other subsidies		
Grants paid to local municipalities	-	1 600 000
25. Loss on Actuarial Valuations		
Actuarial losses/(gains)	(552 000)	(687 139)
Actuarial gains/losses	(552 000)	(687 139)

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
26. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
Property, plant and equipment	305 786 316	80 760 662
Investment property	759 600	3 063 813
	306 545 916	83 824 475
Total capital commitments		
Already contracted for but not provided for	306 545 916	83 824 475
This expenditure will be financed from:		
Government grants - conditional	305 786 316	80 760 662
Equitable share grants	759 600	3 063 813
	306 545 916	83 824 475
Authorised operational expenditure		
Already contracted for but not provided for		
Infrastructure	34 316 745	2 361 850
Community	3 197 939	7 809 402
Other	1 736 654	5 619 905
	39 251 338	15 791 157
Total operational commitments		
Already contracted for but not provided for	39 251 338	15 791 157
This expenditure will be financed from:		
Equitable share grant	39 251 338	15 791 157
Total commitments		
Total commitments		
Authorised capital expenditure	306 545 916	83 824 475
Authorised operational expenditure	39 251 338	15 791 157
	345 797 254	99 615 632
This expenditure will be financed from:		
Government grants	305 786 316	80 760 662
Equitable share grant	40 010 938	18 854 970
	345 797 254	99 615 632

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
27. Cash generated from operations		
Surplus (deficit)	243 751 672	(4 642 612)
Adjustments for:		
Depreciation and amortisation	87 815 632	43 685 336
Changes on disposal of assets	-	291 286 166
Impairment of assets	3 677 153	765 983
Impairment reversals	-	(1)
Debt impairment	78 739 166	49 295 804
Movements in operating lease assets and accruals	-	201 652
Movements in provisions	12 298 887	-
Loss on actuarial valuations	552 000	687 139
Other income- retention liability written back	-	(3 997 788)
Other income- retention liability written back		
Inventories	(766 144)	(112 927)
Receivables from exchange transactions	-	(7 399 017)
Derecognition of assets	-	30 968 200
Other receivables from non-exchange transactions	5 023 692	66 348 786
Prepayments	1 411 657	(2 028 295)
Current provisions	-	(3 219 261)
Payables from exchange transactions	(71 001 753)	(37 706 196)
VAT	(22 806 383)	19 595 283
Unspent conditional grants and receipts	(975 519)	(6 227 681)
Non-current provisions	-	(1 065 655)
Consumer debtors	(72 082 411)	(55 671 614)
	265 637 649	380 763 305

28. Unauthorised expenditure

Opening balance	122 659 509	122 659 509
Less : Amount condoned	(122 659 509)	-
	-	122 659 509

2018: No unauthorised expenditure has been incurred.

2017: No Unauthorised expenditure has been incurred.

29. Irregular expenditure

Opening balance	44 194 619	43 021 949
Add: Irregular Expenditure - current year	71 845	1 172 670
	44 266 464	44 194 619

2018: The irregular expenditure is as a result of payment of repairs on vehicle.
The irregular expenditure is as a result of payment of repairs on vehicle.

2017: Qualis invoices paid to court settlement

30. Fruitless and wasteful expenditure

Opening balance	1 537 101	607 085
Add : Current year amount	403 331	930 016
Less : Amount condoned by council	(607 085)	-
	1 333 347	1 537 101

Capricorn District Municipality

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Notes to the Annual Financial Statements

Figures in Rand 2018 2017

30. Fruitless and wasteful expenditure (continued)

2018: Late payments of invoice due to disputes of statement

2017: Fruitless and wasteful expenditure relates to interest charges for late payments of invoices.

31. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2 842 932	2 852 980
Current year subscription / fee	(2 842 932)	(2 852 980)
Amount paid - current year	2 811 582	2 842 932
	2 811 582	2 842 932

The amount of R 2 811 582 is paid in advance as a result of the discount given for early payment.

Audit fees payable

Opening balance	17 202	85 946
Current year subscription / fee	3 748 700	2 570 606
Amount paid - current year	(3 765 902)	(2 639 350)
	-	17 202

PAYE, UIF and SDL payable

Current year subscription / fee	47 850 786	45 557 187
Amount paid - current year	(47 850 786)	(45 557 187)
	-	-

Pension, UIF and medical aid deductions payable

Current year subscription / fee	69 200 194	43 299 433
Amount paid - current year	(69 200 194)	(43 299 433)
	-	-

Arrear consumer account: Councillors

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2018:

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2018		
Ramokolo M.M	443	-
Kgweedi M.M	3 583	5 689
Doubada N.M	8 306	18 694
Morotoba N.L	5 907	5 661
Choung C.M	6 568	9 214
Tlabjane	-	41 601
Maleka P.I	-	518
Mphahlele M.T	-	11 206
Mphuti T	-	4 079
	24 807	96 662

Capricorn District Municipality

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31. 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

Acquitting a service to repair and calibrate - Sole provider	-	18 155
Lephalale Wilderness School - Sole provider	144 210	-
Transactional Advisor for Feasibility Study - Impractical to follow procurement process	1 681 850	-
Durban Tourism Indaba - Stand design and Construction - Sole Provider	-	92 232
Durban Tourism Indaba - 2015 Stand design and Construction - Sole Provider	-	47 148
Africa Travel Indaba - Sole provider	85 446	-
Forensic investigation in respect of irregularities identified by CDM	700 000	314 404
Environmental education awareness programme - Sole provider	-	141 240
inauguration Gala dinner for the new council - impractical to follow procurement process	-	128 040
Servicing and maintenance of Cascade Systems - Sole Provider	-	13 333
Training of Bead Makers - Special work of art	-	131 763
Repair and Calibrate E Samples - Sole Provider	56 215	63 177
Maintenance of Back up Generators - impractical to follow procurement process	-	34 368
Cape town World travel market - Sole provider	51 554	46 445
Environmental education awareness programme - Sole provider	-	141 240
Purchasing of fire arms - impractical to follow procurement process	-	71 440
Provision of programme director and local artist - Special work of art	40 000	20 520
Performing artist(gospel artist) - special work of art	-	5 000
Performing artist(Morasky) - special work of art	-	10 000
Performing artist(Janisto and CK) - special work of art	-	15 000
Performing artist(Spenza Man) - special work of art	-	9 500
Performing artist(Dr Malinga) - Special work of art	30 000	30 000
Implementation of records management module - impractical to follow procurement process	-	1 599 185
	2 789 275	2 932 190

The following deviations were made on rate basis;

Radio Broadcasting - Special works of art
Newspaper Publishing - Special works of art

Capricorn District Municipality

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32. Contingent Liability

Claim for damages

The Municipality has a contingent liability of R36 643 600 due to it being sued by service providers.

M Tech Rustenburg	14 004 865	16 105 595
In Sithu Consulting Engineers	223 421	256 934
Physon Business Solution (Pty) Ltd	1 031 700	-
Storm Fencing	506 514	582 491
Hulisani Vincent Sithagu	3 220 000	-
T Phogole/CDM	230 378	230 378
Qualis Consulting	-	1 725 856
In Touch	3 044 503	3 501 178
M Rapetsoa	120 000	138 000
SS Sebone	-	69 627
Royal Haskoning	9 932 669	11 422 569
Star Mills	-	661 269
	32 314 050	34 693 897

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.

Interest and penalties	-	1 762 944
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Guarantee held by Eskom for the supply of electricity to Lebowakgomo sewage plant amounting to R294 600 .

The Guarantor reserves the right to withdraw from the guarantee upon providing 3 (three) months notice in writing of its intention.

The guarantee is neither negotiable or transferable and is limited to the payment of money only.

33. Related parties

Relationships

Compensation to councillors	Note 18
Contributions to organised local government	Note 31
Post employment benefit plan for employees of entity and/or other related parties	Note 11
Members of key management	Note 17

Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
34. General expenses		
Advertising	-	2 392 242
Bank charges	-	127 748
Cleaning	-	245 217
Consulting and professional fees	-	6 043 407
Consumables	3 930 183	574 778
Insurance	-	1 003 522
Conferences and seminars	-	2 405 899
Packaging	-	2 161 978
Printing and stationery	-	1 080 671
Subscriptions and membership fees	-	461 849
Telephone and fax	-	1 921 022
Training	-	3 418 589
Travel - local	-	13 853 376
Water and sanitation	-	10 327 220
Uniforms	-	3 449 636
Expense 1	-	1 460 472
Expense 8	-	4 749 951
Stock losses	-	2 835 741
Expense 10	-	1 508 769
Other expenses	48 951 579	186 985
	52 881 762	60 209 072

35. Key sources of estimation uncertainty and Judgements

In using estimates a number of assumptions are required. GRAP 1 places the responsibility on management to set these assumptions, as guided by the principles set out in GRAP 1 and in discussion with the professional consultants.

The assumptions should be realistic and mutually compatible. The difference between the assumptions drives the estimate and it is very important to monitor how this difference changes from one year's estimate to the next.

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts of property, plant and equipment
- Present value of defined benefit obligation
- Provision for doubtful debts
- Impairment of assets
- Provision for long-term service award and medical aid benefits

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of assets
- Provisions

Capricorn District Municipality

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36. 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 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	1 759 133	-	1 948 162	-
At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	57 935 074	-	68 790 514	-

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 2018 was:

Financial instrument	2018	2017
Call investments	249 752 676	243 656 478
Cash and cash equivalents	4 463 618	2 970 870
Consumer debtors	47 087 119	49 337 408
Other receivables	50 905 512	35 270 942

Market risk

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.

Capricorn District Municipality

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37. Impairment loss

Impairments

Property, plant and equipment

-

(1)

Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]

Property, plant and equipment

(3 677 153)

(765 983)

38. Comparison with the Budget

Material differences between budget and actual amounts

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 2017 to 30 June 2018. 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 as a consequence of adjustments and roll-overs of grants

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

Service charges – water and sanitation revenue (+21%) there was a lot of increase in households around the district thab

Other income - exchange transactions (+58%) The municipality received donations from Lepelle Northern Water and FNB for 4 in 1 Marathon. The sale of tender documents was high, consisting mostly of water projects.

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

Interest earned - external investments (+33%) More funds were invested as the municipality received the grants. The municipality received good interest rates during the year.

Commission received (+30%) The commission received resulted from the implementation of the service level agreement which indicates that only 10% commission is payable in 2018/19 financial year.

Grants and subsidies (-10%) including Equitable shares - The conditional grants such as EPWP was not fully spent with less than 7% of the grant, at the end of the financial year and will be applied for as roll overs to be spent in the 2018/19 financial year.

Commission paid (+129%) The reversal of commission expense as a result of 10% commission payable in 2018/19 financial year as per service level agreement.

Contracted services (-23%) there was a delay in the appointment of service providers such as for revenue management and photocopy machines

General expenses (-45%) Operational projects such as disaster management projects and water quality projects had less spending than anticipated.

Capital expenditure (-15%) some of the appointments were done late.

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

* Derecognition of asset

* Loss on the disposal of assets and liabilities

* Actuarial gains/losses

* Impairment loss

Service charges – water and sanitation revenue (+15%) there was a lot of increase in households



Capricorn District Municipality

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

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38. Comparison with the Budget (continued)

around the district

thab

Other income - exchange transactions (+30%) The municipality received donations from Lepelle Northern Water and FNB for 4 in 1 Marathon. The sale of tender documents was high, consisting mostly of water projects.

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

Interest earned - external investments (+33%) More funds were invested as the municipality received the grants. The municipality received good interest rates during the year.

Commission received (+30%) The commission received resulted from the implementation of the service level agreement which indicates that only 10% commission is payable in 2018/19 financial year.

Grants and subsidies (-10%) including Equitable shares - The conditional grants such as EPWP was not fully spent with less than 7% of the grant, at the end of the financial year and will be applied for as roll overs to be spent in the 2018/19 financial year,

Commission paid (+394%) The reversal of commission expense as a result of 10% commission payable in 2018/19 financial year as per service level agreement.

Contracted services (-11%) there was a delay in the appointment of service providers such as for revenue management and photocopy machines

General expenses (-41%) Operational projects such as disaster management projects and water quality projects had less spending than anticipated.

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

- * Derecognition of asset
- * Loss on the disposal of assets and liabilities
- * Actuarial gains/losses
- * Impairment loss

39. Changes in accounting estimates, errors and disclosure

Correction of error

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

Commission expense due to the local municipalities was incorrectly recorded as commission income.

Recognition of prior period employee accrual that was not accounted for.

Correction of prior year depreciation due to revision of useful lives.

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2018

2017

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

Derecognition of finance lease liability and assets for the lease that end on 30 June 2018..

Revaluation of the land.

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
Vat receivable	14 954 411	5 200 061	-	20 154 472
Payables from exchange transactions	-	-	-	-
Property, plant and equipment	2 084 470 222	1 113 662	-	2 085 583 884
Operating lease liability	288 159	167 262	-	455 421
Finance lease obligation -current	64 982	(64 982)	-	-
Finance lease obligation - non current	14 115	(14 115)	-	-
Payable from exchange transactions	126 725 588	46 262 558	-	172 988 146
	2 226 517 477	52 664 446		- 2 279 181 923

Statement of financial performance	As previously reported	Correction of error	Reclassification	Restated
Commission received	20 765 444	(20 765 444)	-	-
	20 765 444	(20 765 444)	-	-
Expenditure	-	-	-	-
Employee related costs	252 299 612	511 189	-	252 810 801
Depreciation	(54 746 765)	(11 061 429)	-	(65 808 194)
Commission expense	(227 886)	(20 297 042)	-	(20 524 928)
Finance costs	(991 725)	79 097	-	(912 628)
General expenses	(144 624 649)	(84 313)	-	(144 708 962)
	72 474 031	(51 617 942)		- 20 856 089

Prior period errors affecting 2016 financial year

Retained earnings

Opening balance	- 2 231 848 838
Property plant and equipment - Furniture and Fitting depr reversal	- 1 911 311
Property plant and equipment - Motor vehicle depr reversal	- 3 732 291
Property plant and equipment - Office equipment depr reversal	- 1 816 508
Property plant and equipment - Computer equipment	- 1 646 828
Revaluation of land	- (8 340 500)
Restated opening balance 01 July 2016	- 2 232 615 276

40. Distribution Loss

Unit purchased (kl)	8 903 511	8 368 933
Units sold (kl)	(5 067 405)	(4 539 106)
	3 836 106	3 829 827
Average cost per unit purchases (cents per kl)	6.68	6.33



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40. Distribution Loss (continued)		
Net loss in rands	25 625 192	24 242 802
% Loss in purchases of water	38.05 %	39.86 %
41. Other Income		
Other income	-	3 997 788
42. Receivables from non-exchange transactions		
43. Service charges		
Sale of water	73 827 595	61 396 430
44. Government grants and subsidies		
Operating grants		
Equitable share	521 770 216	435 839 373
Finance Management Grant	1 250 000	1 240 882
Rural Transport Infrastructure Grant	2 977 104	3 527 913
EPWP Grant	4 708 199	2 471 081
Municipal Infrastructure Grant	-	3 402 727
Water Services Infrastructure Grant	90 000 000	102 018 804
	620 705 519	548 500 780
Capital grants		
Municipal Infrastructure Grant	235 037 000	204 120 487
Equitable Share	-	86 870 631
	235 037 000	290 991 118
	855 742 519	839 491 898
45. Other income - exchange		
Other income	-	3 997 788
46. Debt Impairment		
Contributions to debt impairment provision	78 739 166	49 295 804
47. Interest revenue		
Interest received - outstanding receivables		
Interest received - outstanding receivables	19 484 498	7 838 453
Interest revenue from financial institutions		
Interest received - external investment	32 028 873	25 367 411
48. Auditors' fees		
Fees	-	2 570 577

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49. Events after the reporting date

No events after balance sheet date has been identified.

50. Bad debt written-off

Bad debts written off

5 161 350



