

FRANCES BAARD

DISTRICT MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS
30 JUNE 2011

FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010

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GENERAL INFORMATION

GENERAL INFORMATION

1. GRADING

Grade 4 – Category C.

Council is accorded the same grading as the largest Category B municipality in the district, namely Sol Plaatje Municipality, which is a Grade 4 local authority in terms of the Public Office Bearers Act. According to the South African Local Government Bargaining Council, the District Municipality has been graded as level two in respect of the TASK.

2. AUDITORS

2.1. External Auditors

The Office of the Auditor-General
Private Bag X5013
KIMBERLEY

2.2. Internal Auditors

The Internal Audit section is fully staffed and operational according to council policy. The use of external service providers is limited to cases where internal capacity is insufficient to conduct specialized investigations.

2.3. Members of the Audit Committee

Mr. MTA Mabija	Chairperson
Mr. AKM Bhyat	
Mr. TC Marumo	

3. BANKERS

Absa Bank
80 Bultfontein Rd

Type of Account:
Account Number:

Current Account
940 000 327

KIMBERLEY

4. REGISTERED OFFICE

Frances Baard District Municipality
51 Drakensberg Avenue
CARTERS GLEN 8301

Private Bag X6088
KIMBERLEY 8300

5. GENERAL ACTIVITIES

Council undertakes the spectrum of a Category C municipality activities allocated by legislation, as well as the district roads maintenance function on behalf of the Northern Cape Provincial Department of Transport, Roads & Public Works which came to an end on 30 June 2011.

6. COUNCILLORS

Council's structure is based on the Executive Mayoral System, Incorporating:

*District Management Area; and
Category B Municipalities—*

- Sol Plaatje : Grade 4
- Phokwane : Grade 2
- Dikgatlong : Grade 2
- Magareng : Grade 2

6.1. Executive Mayor of District Municipality: (As at 30 June 2011)

Ms. MM Moloi Proportional

6.2 Speaker of District Municipality: (As at 30 June 2011)

Mr BM Maribe Proportional

6.3 *Members of the Mayoral Committee: (As at 30 Junr 2011)*

Ms MM Moloi (Chairperson)	Proportional
Mr. W Johnson	Proportional
Ms. PR Molefi	Proportional
Ms. TNicholas	Proportional
Mr. K Rifles	Dikgatlong Municipality
Mr. MB Silingile	Proportional

6.4 *Ordinary Council Members: (As at 30 June 2011)*

Ms. EK Hale	Sol Plaatje Municipality
Ms. EM Mathe	Sol Plaatje Municipality
Mr. JZ Mpampi	Sol Plaatje Municipality
Mr. TC Ngoma	Sol Plaatje Municipality
Mr. MG Nhlapo	Sol Plaatje Municipality
Mr. B Springbok	Sol Plaatje Municipality
Ms. ET Tsimakwane	Sol Plaatje Municipality
Mr. OC Fourie	Sol Plaatje Municipality
Mr. PJ Vorster	Sol Plaatje Municipality
Mr. DJP v d Merwe	Sol Plaatje Municipality
Ms. KG Mthukwane	Sol Plaatje Municipality
Ms. S Witkoei	Dikgatlong Municipality
Mr. CJS Adams	Phokwane Municipality
Ms. AO Moremong	Phokwane Municipality
Mr. DF Meyer	Phokwane Municipality
Ms. VB Ximba	Magareng Municipality
Mr. M Kaars	Proportional
Ms. GR Kok	Proportional
Mr. MI Pholoholo	Proportional
Mr. J Smit	Proportional

7. MANAGEMENT STRUCTURE

Council's senior management structure consists of the Municipal Manager and heads of the four main departments. The Office of the Municipal Manager includes management functions pertaining to municipal systems improvement and integrated development planning functions.

Acting Municipal Manager

The Director: Planning & Development - Mr. FS Mdee is currently acting as Municipal Manager since December 2010.

Director: Administration

Ms. NG Kgantsi
M. Public Admin

Director: Infrastructure Services

Mr. PJ van der Walt
B.Sc.Eng; M.Eng.(Civil); ECSA

Director: Finance

Mr. P.J van Biljon
B.A; Nat Dipl.; (AIMFO)

Director: Planning & Development

Mr. FS Mdee
M. Civil Design

7. CERTIFYING OF FINANCIAL STATEMENTS

I am responsible for the preparation of these financial statements, which are set out on pages FR-1 to FR-15, AP-1 to AP-29 and FS-1 to FS-82, in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 25 of these financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Cooperative Governance, Human Settlement & Traditional Affairs determination in accordance with this act.

ACTING MUNICIPAL MANAGER

DATE: 31 August 2011

AUDITOR GENERAL REPORT

**REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL
LEGISLATURE AND THE COUNCIL ON THE FRANCES BAARD DISTRICT MUNICIPALITY
REPORT ON THE FINANCIAL STATEMENTS**

Introduction

1. I have audited the accompanying financial statements of the Frances Baard District Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages XX to XX.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010, as amended) (DoRA), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on the financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified opinion

Irregular expenditure

7. The completeness of irregular expenditure disclosed at R40 164 (2010: R0) in note 39.3 to the financial statements could not be confirmed, as undisclosed irregular expenditure amounting to R160 808 was detected during the audit process. The undisclosed irregular expenditure related to the irregular procurement of various goods and services due to the non-adherence to Supply Chain Management (SCM) Regulation 13(c), as declarations of interest were not obtained from suppliers for payments between R10 000 and R30 000 from the date the SCM Regulations became effective. The municipality was not able to determine the extent of the error and I could subsequently not perform alternative tests to determine the extent of the misstatement.

Cash flow statement

8. Presentation of a cash flow statement, summarising the entity's operating, investing and financing activities, is required by the SA Standards of GRAP 2, *Cash flow statements*. The accuracy of the cash flow statement for the current and prior year could not be confirmed as it could not be accurately balanced. The municipality was not able to correct these errors.

Qualified opinion

9. In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Frances Baard District Municipality as at 30 June 2011 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

10. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Significant uncertainties

11. With reference to note 42.2 to the financial statements, the municipality is the permit holder of the landfill site of the Magareng Local Municipality. The site was incorrectly registered in the name of the district municipality. As the permit holder, the district municipality can be held liable for any incidents of non-compliance by the Magareng Local Municipality. The district municipality has implemented steps to ensure that a new permit is issued to Magareng Local Municipality.

Restatement of corresponding figures

12. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2010 have been restated for the provision for bonuses and trade payables as a result of an error discovered during the year ended 30 June 2011 in the financial statements of the municipality at, and for the year ended, 30 June 2011.
13. As disclosed in note 33 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of a change in accounting policy identified during the year ended 30 June 2011 for property, plant and equipment, intangible assets, revaluation reserve and accumulated surplus in the financial statements of the municipality at, and for the year ended, 30 June 2011.

Additional matter

14. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

15. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

16. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages XX to XX and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

17. There were no material findings on the annual performance report.

Compliance with laws and regulations

Annual financial statements

18. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. The material misstatement of cash and cash equivalents identified by the auditors was subsequently corrected and reclassified to investments, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

19. Awards were made to suppliers that did not submit a declaration on their employment by the state or their relationship to a person employed by the state, as per the requirements of SCM Regulation 13(c).
20. An award for a tender was made to a provider of which the director is in the service of another state institution, in contravention of the requirements of SCM Regulation 44. The provider failed to declare that he is in the service of the state, as required by SCM Regulation 13(c).

Expenditure management

21. The accounting officer did not take reasonable steps to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA.

INTERNAL CONTROL

22. In accordance with the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for the qualified opinion and the findings on compliance with laws and regulations included in this report.

Leadership

23. The leadership did not ensure that the SCM policy was fully applied, which resulted in processes not preventing and detecting irregular expenditure and non-compliance.

Financial and performance management

24. Goods and services were not procured in accordance with SCM Regulations due to incorrect interpretations by the SCM unit. Management contends that officials in the unit did not receive sufficient training and guidance on the SCM Regulations from treasury. Deficiencies also existed in the controls of the municipality to detect and prevent awards to suppliers in the service of the state. Material amendments to the financial statements were as a result of misstatements not being detected during the review of the financial statements prior to submission for auditing.

Governance

25. The municipality conducted a risk assessment, but control activities were not implemented in order to manage and determine what specific actions should be taken to mitigate the risks identified. Although the internal audit unit was functional, the scope of the work done for the year did not include procurement processes, which led to misstatements in irregular expenditure and non-compliance in the procurement processes.

Auditor - General

Kimberley

30 November 2011



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

CHIEF FINANCIAL OFFICER REPORT

FINANCIAL PERFORMANCE REVIEW

By the Chief Financial Officer

1. INTRODUCTION

According to the financial year end performance result, the district municipality continues to improve its financial position through efficiency and sound financial practices in order to deliver on its constitutional and developmental mandate.

The district municipality remains committed to support and build the capacity of its local municipalities within the district to meaningfully perform their functions and exercise their powers. It is therefore imperative to transform the local municipalities to such an extent that they become self-sufficient, responsive, developmental in nature and above all financially sustainable. Despite the global economic downturn experienced at the moment and the ripple effect it might have on local government to deliver in terms of its mandate, the district municipality is under severe pressure to allocate more resources as supplementary funding in an effort to protect the poor from the worst economic downturn impacts. Notwithstanding the negative impact on revenue streams and ability to spend according to service delivery and budget implementation plan, the district municipality manages to maintain focus on key service delivery areas in supporting the local municipalities in the district area by spending almost 34% of its total operating expenditure on infrastructure, maintenance and social related projects. The implementation of infrastructure and other related projects in the current financial year reflects fairly good as most of the projects have been completed timeously with the exception of eight projects to the estimated amount of R5,52m that will be rolled over for completion early in the new financial year.

The Community Wealth (CRR and Unappropriated Surplus) has grown from approximately R66,50 million to R80,31 million for the financial year under review. All of the provisions and resources are cash backed.

Council holds a substantial amount of conditional grants and receipts. The amount allocated in terms of DoRA increased for the financial year under review due to the fact that more money has been allocated for infrastructure and job creation related projects. Spending on grants and receipts, except for the expanded public works programme (EPWP), has increased significantly compared to the previous financial year and it is envisaged that the only unspent DoRA grant – firefighting equipment will be expended before the end of the next financial year as per already approved business plan.

2. OPERATING RESULTS

Council has achieved an operating surplus to the amount of R13,57m. The positive results are mainly due to savings on expenditure like salaries, unspent grants & subsidies for infrastructure, maintenance and social related projects at year end, contracted services and general expenses.

The operating results for the year ended 30 June 2011 are as follows:

<i>Revenue & Expenditure</i>	<i>Actual 2010 R</i>	<i>Actual 2011 R</i>	<i>Variance 2010/11 %</i>	<i>Budget 2011 R</i>	<i>Variance Actual / Budget %</i>
Operating Income for the year	93,622,826	97,842,397	4.51%	112,734,710	13.21%
Operating Expenditure for the year	(89,455,546)	(84,648,760)	-5.37%	(119,241,584)	29.01%
Discontinued Operations	180,745	379,473			
<i>SURPLUS / (DEFICIT) FOR THE YEAR</i>	<i>4,348,025</i>	<i>13,573,110</i>		<i>(6,506,874)</i>	
Accumulated Surplus / (Deficit) at the beginning of the year	50,182,581	62,896,454			
Nett appropriations for the year	8,365,848	(521,771)	-106.24%	5,243,140	109.95%
<i>Accumulated Surplus / (Deficit) at the end of the year</i>	<i>62,896,454</i>	<i>75,947,793</i>		<i>(1,263,734)</i>	

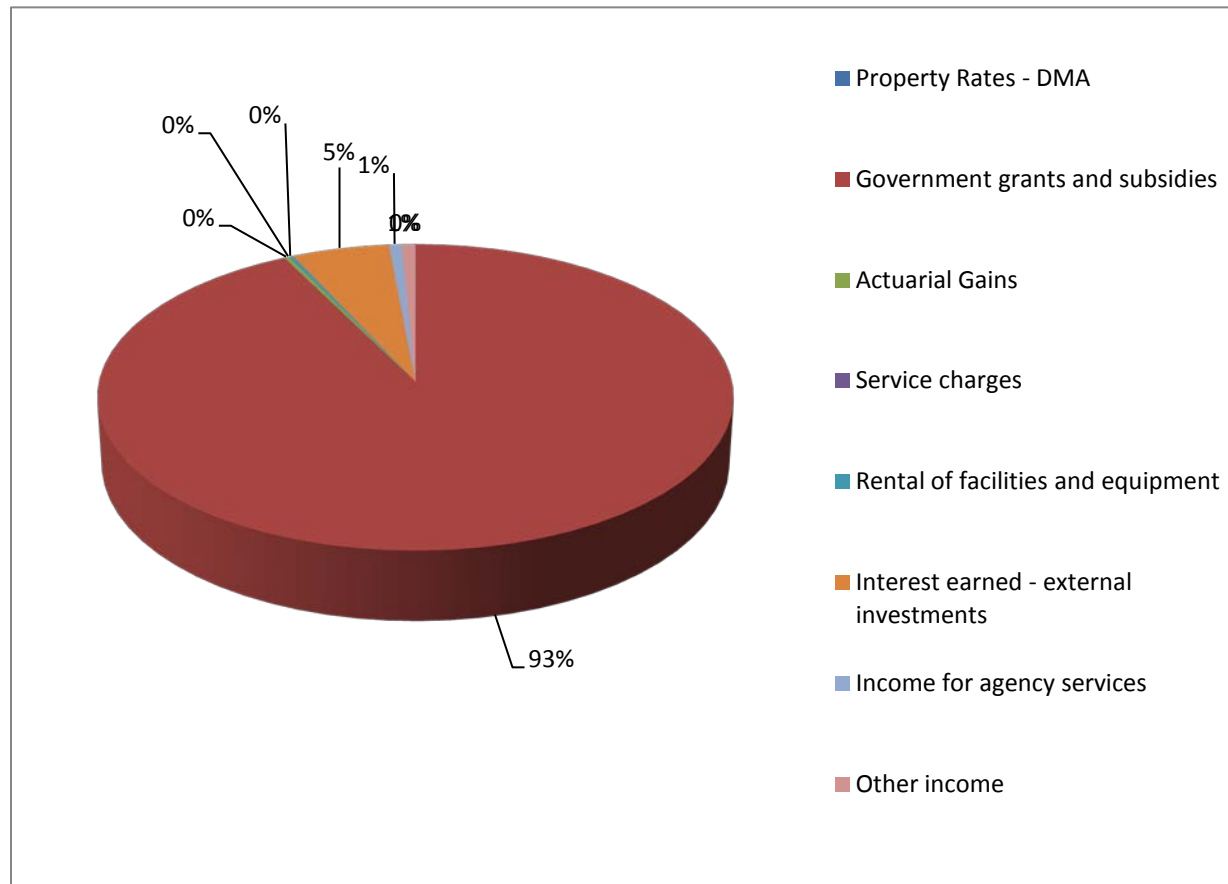
Details of the operating results per classification and object of income and expenditure are included in the statement of financial performance, note 38 to the financial statements and appendix E (1), whilst the detailed operating results per National Treasury functional classification are reflected in Appendix D.

Council's performance, when compared to the budget, must be seen in the context of conservative budgeting practices influenced by other factors such as the inability of some Category B municipalities to implement grant & subsidy allocated projects.

2.1 OPERATING REVENUE

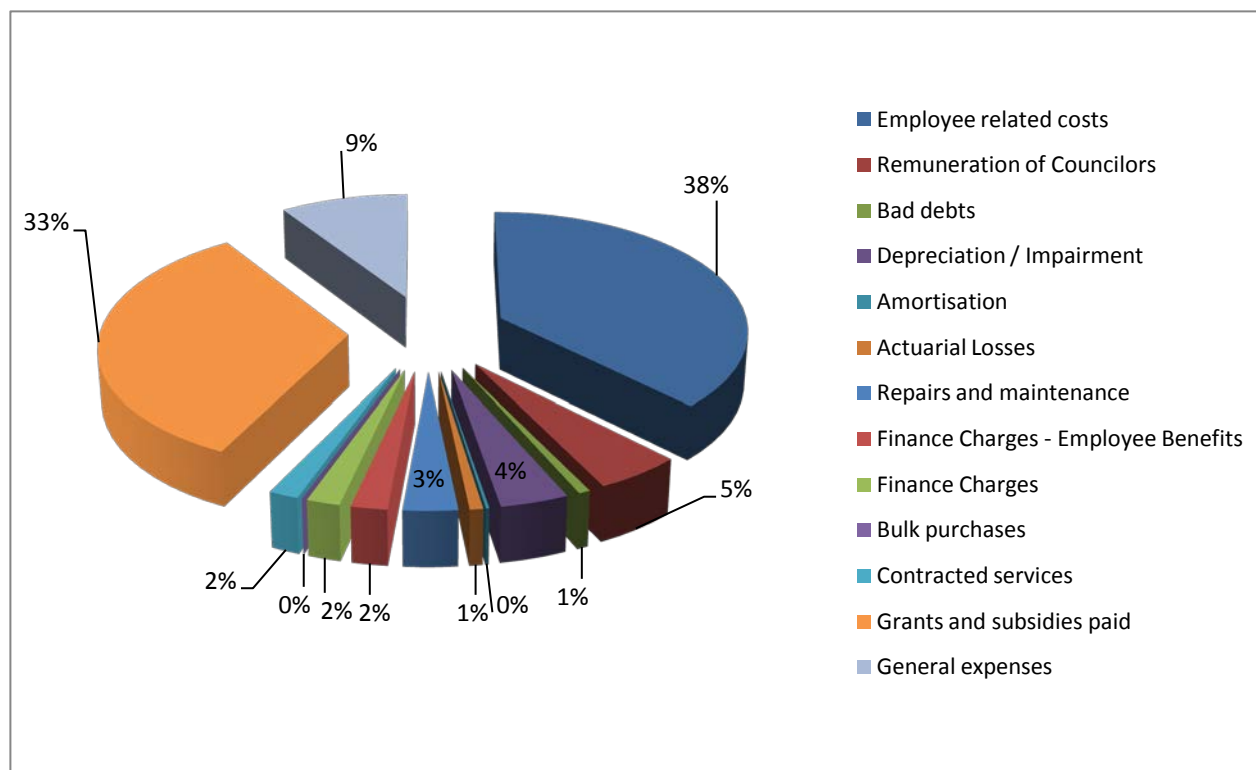
The major revenue streams that supported the programmes and activities of the district municipality were:

- Government Grants and Subsidies
- Interest Earned – External Investments
- Actuarial Gains
- Other: - Property Rates, Services Charges: Water, Electricity, Sewerage, Refuse Removal, Rental of Facilities and other income



2.2 OPERATING EXPENDITURE

The following graph indicates the main categories of expenditure for the year under review:



2.3 OPERATING PER NATIONAL TREASURY FUNCTIONAL CLASSIFICATIONS

Comments relating to budgeted income and expenditure as per National Treasury functional classifications are as follows:

2.3.1 Executive and Council:

<i>Revenue & Expenditure</i>	<i>Actual 2010 R</i>	<i>Actual 2011 R</i>	<i>Variance 2010/11 %</i>	<i>Budget 2011 R</i>	<i>Variance Actual / Budget %</i>
Revenue	1,258,810	1,393,914	10.73%	1,408,596	1.04%
Expenditure	17,653,753	12,762,910	-27.70%	17,524,876	27.17%
<i>SURPLUS / (DEFICIT)</i>	<i>(16,394,943)</i>	<i>(11,368,996)</i>	<i>-30.66%</i>	<i>(16,116,280)</i>	<i>29.46%</i>

Executive and Council consists of Council activities, the office of the Municipal Manager, Internal Audit Unit and Communications section and reflects a net deficit of R11,37m compared to the approved deficit of R16,12m.

The lower than expected operating deficit in relation to the budgeted amount can mainly be attributed due to vacant positions budgeted for the full year while not filled accordingly, under performance on grants and subsidies paid as well as general expenditure.

2.3.2 Finance & Administration:

<i>Revenue & Expenditure</i>	<i>Actual 2010 R</i>	<i>Actual 2011 R</i>	<i>Variance 2010/11 %</i>	<i>Budget 2011 R</i>	<i>Variance Actual / Budget %</i>
Revenue	69,775,704	70,948,160	1.68%	70,311,740	-0.91%
Expenditure	26,458,791	29,122,620	10.07%	30,447,660	4.35%
<i>SURPLUS / (DEFICIT)</i>	<i>43,316,913</i>	<i>41,825,540</i>	<i>-3.44%</i>	<i>39,864,080</i>	<i>-4.92%</i>

The vote of Finance & Administration reflects deviation of 4,92% compared to the approved budget. The nett result compared to the approved budget is not regarded as significant.

2.3.3 Planning & Development::

<i>Revenue & Expenditure</i>	<i>Actual 2010 R</i>	<i>Actual 2011 R</i>	<i>Variance 2010/11 %</i>	<i>Budget 2011 R</i>	<i>Variance Actual / Budget %</i>
Revenue	19,595,293	22,706,787	15.88%	35,300,168	35.68%
Expenditure	38,429,553	36,280,092	-5.59%	59,374,592	38.90%
<i>SURPLUS / (DEFICIT)</i>	<i>(18,834,259)</i>	<i>(13,573,304)</i>	<i>-27.93%</i>	<i>(24,074,424)</i>	<i>43.62%</i>

Revenue:

The negative deviation of 35,68% on revenue compared to the approved budget is mainly due to unrealistic DoRA allocation in respect of the Expanded Public Works Programme (EPWP) not realised to the amount of R10,21m as well as the unspent portion of grant funding budgeted for roll over in the next financial year to the estimated amount of R4,09m.

Expenditure:

The lower than expected results in relation to the budgeted amounts were mainly due to under expenditure on infrastructure projects to the amount of R10,30m as well as other social related special projects in the Local Economic Development Unit.

2.3.4 Health:

<i>Revenue & Expenditure</i>	<i>Actual 2010 R</i>	<i>Actual 2011 R</i>	<i>Variance 2010/11 %</i>	<i>Budget 2011 R</i>	<i>Variance Actual / Budget %</i>
Revenue	214,409	153,845	-28.25%	1,700,000	90.95%
Expenditure	2,203,681	1,610,855	-26.90%	3,590,730	55.14%
<i>SURPLUS / (DEFICIT)</i>	<i>(1,989,272)</i>	<i>(1,457,010)</i>	<i>-26.76%</i>	<i>(1,890,730)</i>	<i>22.94%</i>

The environmental health section reflects a total saving on expenditure to the amount of R1,98m or 22.94% compared to the approved budget due to savings on grants & subsidies paid in respect of a recycle project in Dikgatlong Local Municipality not completed at year end.

2.3.5 Community & Social Services:

<i>Revenue & Expenditure</i>	<i>Actual 2010 R</i>	<i>Actual 2011 R</i>	<i>Variance 2010/11 %</i>	<i>Budget 2011 R</i>	<i>Variance Actual / Budget %</i>
Revenue	-	-	0.00%	-	0.00%
Expenditure	399,477	101,742	-74.53%	1,025,820	90.08%
<i>SURPLUS / (DEFICIT)</i>	<i>(399,477)</i>	<i>(101,742)</i>	<i>-74.53%</i>	<i>(1,025,820)</i>	<i>90.08%</i>

The under expenditure reflected to the amount of R924k or 90,08% compared to the approved budget is mainly attributed to special community projects not completed due to the position of Community Development Officer not filled during the financial year under review.

2.3.6 Public Safety:

<i>Revenue & Expenditure</i>	<i>Actual 2010 R</i>	<i>Actual 2011 R</i>	<i>Variance 2010/11 %</i>	<i>Budget 2011 R</i>	<i>Variance Actual / Budget %</i>
Revenue	1,411,510	961,842	-31.86%	1,314,206	26.81%
Expenditure	2,435,139	2,622,317	7.69%	3,935,006	33.36%
<i>SURPLUS / (DEFICIT)</i>	<i>(1,023,629)</i>	<i>(1,660,475)</i>	<i>62.21%</i>	<i>(2,620,800)</i>	<i>36.64%</i>

Fire Fighting and Disaster Management section reflects an under expenditure to the amount of R1,31k compared to the approved budget.

The main reason for the variation is due to savings on the unforeseen emergency projects as well as under spending on the Fire Fighting and Disaster Management grant for special projects to be rolled over to the next financial year.

2.3.7 Water Services – Koopmansfontein:

<i>Revenue & Expenditure</i>	<i>Actual 2010 R</i>	<i>Actual 2011 R</i>	<i>Variance 2010/11 %</i>	<i>Budget 2011 R</i>	<i>Variance Actual / Budget %</i>
Revenue	21,259	12,789	-39.84%	51,610	75.22%
Expenditure	22,836	27,949	22.39%	51,610	45.85%
<i>SURPLUS / (DEFICIT)</i>	<i>(1,578)</i>	<i>(15,159)</i>	<i>861%</i>	<i>-</i>	<i>100.00%</i>

Transferred to Discontinued operations

The budget in respect of revenue and expenditure for Koopmansfontein water services were not realistic and the deviation with regard to the actual revenue and expenditure compared to the approved budget is not regarded as significant.

An estimate of 90% of the 37 households in Koopmansfontein are indigent. The tariff determined for water consumption is not sufficient to cover the full operating cost to render the service and therefore any loss will be funded as a contribution from the equitable share allocation.

2.3.8 Electricity Service – Koopmansfontein:

<i>Revenue & Expenditure</i>	<i>Actual 2010 R</i>	<i>Actual 2011 R</i>	<i>Variance 2010/11 %</i>	<i>Budget 2011 R</i>	<i>Variance Actual / Budget %</i>
Revenue	8,134	-	-100.00%	17,100	100.00%
Expenditure	8,741	14,140	61.77%	17,100	17.31%
<i>SURPLUS / (DEFICIT)</i>	<i>(607)</i>	<i>(14,140)</i>	<i>2229%</i>	<i>-</i>	<i>100%</i>

The deviation of actual expenditure versus the approved budget in respect of free basic services for electricity at Koopmansfontein is not regarded as significant.

An electricity pre-paid system is used and Eskom is the service provider with the district municipality responsible to fund the 50 kWh free basic service (if registered as an indigent) as a contribution from the equitable share allocation

Transferred to Discontinued operations

2.3.9 Sewerage – Koopmansfontein

<i>Revenue & Expenditure</i>	<i>Actual 2010 R</i>	<i>Actual 2011 R</i>	<i>Variance 2010/11 %</i>	<i>Budget 2011 R</i>	<i>Variance Actual / Budget %</i>
Revenue	-	3,360	100%	26,220	87.19%
Expenditure	-	2,890	100%	26,220	88.98%
<i>SURPLUS / (DEFICIT)</i>	-	<i>470</i>	<i>100%</i>	-	<i>100%</i>

The sewerage service at Koopmansfontein has only been introduced during the course of the financial year under review and the deviation compared to the approved budget is not regarded as significant.

The tariff determined for sewerage is not sufficient to cover the full operating cost to render the service and therefore any loss will be funded as a contribution from the equitable share allocation.

Transferred to Discontinued operations

2.3.10 Refuse Removal – Koopmansfontein

<i>Revenue & Expenditure</i>	<i>Actual 2010 R</i>	<i>Actual 2011 R</i>	<i>Variance 2010/11 %</i>	<i>Budget 2011 R</i>	<i>Variance Actual / Budget %</i>
Revenue	-	6,840	100%	13,000	47.38%
Expenditure	-	3,925	100%	13,000	69.81%
<i>SURPLUS / (DEFICIT)</i>	-	<i>2,915</i>	<i>100%</i>	-	<i>100%</i>

The refuse removal sewerage service at Koopmansfontein has only been introduced during the course of the financial year under review and the deviation compared to the approved budget is not regarded as significant.

The tariff determined for refuse removal is not sufficient to cover the full operating cost to render the service and therefore any loss will be funded as a contribution from the equitable share allocation.

Transferred to Discontinued operations

2.3.11 Housing

<i>Revenue & Expenditure</i>	<i>Actual 2010 R</i>	<i>Actual 2011 R</i>	<i>Variance 2010/11 %</i>	<i>Budget 2011 R</i>	<i>Variance Actual / Budget %</i>
Revenue	1,550,172	2,083,235	34.39%	2,700,000	22.84%
Expenditure	1,875,153	2,148,223	14.56%	3,234,970	33.59%
<i>SURPLUS / (DEFICIT)</i>	<i>(324,980)</i>	<i>(64,988)</i>	<i>-80%</i>	<i>(534,970)</i>	<i>88%</i>

The District Municipality has received accreditation level two during the financial year under review and the negative results with regard to the Housing Unit can mainly be attributed as a result of meeting the set conditions as prescribed by the responsible department in terms of a memorandum of understanding signed between the two parties involved.

3. APPROPRIATIONS

Appropriations for the year amount to a net outflow of R522k which can mainly be attributed to:

- Transfer to Capital Replacement Reserve (R4,415,020)

- Property, Plant and Equipment purchased R3,655,643
- Offsetting of depreciation R 237,605

4. POST-BALANCE SHEET EVENTS

No other significant events have occurred between the balance sheet date and the time of issuing this report.

5. CAPITAL EXPENDITURE AND FINANCING

	<i>Actual</i> <i>R</i> 2011	<i>Budget</i> <i>R</i> 2011	<i>Variance</i> <i>Actual / Budget</i> %	<i>Actual</i> <i>R</i> 2010
<u>Capital Expenditure</u>				
Executive & Council	185,142	95,270	-94.33%	118,006
Finance & Administration	2,482,542	2,702,800	8.15%	1,353,906
Planning & Development	711,606	1,091,460	34.80%	8,392,841
Health	-	-	100.00%	12,419
Community & Social Services	-	-	100.00%	-
Housing	6,279	6,290	0.18%	306,816
Public Safety	791,750	519,200	-52.49%	182,547
Water Services	-	-	0.00%	-
TOTAL CAPITAL EXPENDITURE:	4,177,319	4,415,020	5.38%	10,366,535
<u>Financing of Fixed Assets</u>				
Capital Replacement Reserve	3,655,529	4,415,020	17.20%	9,933,163
External Loans	-	-	0.00%	337,110
Government Grants & Subsidies	521,789	-	0.00%	46,816
TOTAL FUNDING OF CAPITAL EXPENDITURE:	4,177,319	4,415,020	5.38%	10,317,088

Actual expenditure incurred on fixed assets represents a decrease of R6,20m in comparison with the 2009/10 financial year.

The actual capital expenditure reflects a positive performance of 5,38% or R238k less than the approved budget.

(A complete analysis of capital expenditure per asset classification is included in appendix B)

6. EXTERNAL BORROWINGS

The District Municipality reflects an external loan of R15m from Development Bank of Southern Africa to partially finance the construction of the new Council Chamber, offices and training facilities to the total estimated value of R34m. as well as a capitalized lease liability for the rental of photocopier machine to the value of R266k. An amount of R14,11m reflects outstanding as at 30 June 2011 in terms of the external loan and capitalized leased liability agreements.

Some financial ratios relevant to external borrowings are:

	<u>2010/11</u>	<u>2009/10</u>
Interest Bearing Debt to Revenue	13,10%	15,13%
Average Interest Paid to Debt	12,81%	7,92%
Capital Charges to Operating Expenditure	1,94%	1,24%

7. CASH AND INVESTMENTS

Council's cash and investments to the amount of R76,03m reflect a increase of R10,16m compared to the previous financial year. Investments to the amount of R500k are ceded as collateral security on housing loans for officials of Council. *(Refer to note 19)*

8. OUTSTANDING RECEIVABLES

Overall receivables reflect a decrease of R1,70m compared to the previous financial year. The 45% decrease can mainly be attributed to the effective implementation of credit control policy and debt management procedures for the year under review. No provision for Bad Debt has been made.

(Details with regard to the breakdown of debtors per category is set out in Notes 15 & 16)

Some financial ratios relevant to debtors are:

	<u>2010/11</u>	<u>2009/10</u>
Debt to Revenue	3,76%	6,66%

9. OUTSTANDING PAYABLES

Decrease of outstanding payables to the amount of 3,38m can mainly be attributed to the decrease in sundry payables to the total value of R2,2m compared to the previous financial year.

Unspent government grants reflect a decrease of 17,70% mainly due to an increase in the spending grants and subsidies rolled-over from the previous financial year.

Some financial ratios relevant to payables are:

<u>Creditors Management</u>	<u>2010/11</u>	<u>2009/10</u>
Creditors system efficiency	100%	100%

A trademark of the District Municipality is its commitment and ability to fully settle its creditors' accounts within the required terms of 30 days or as per applicable legislative requirement. This statement is supported by the constant 100% payment levels to creditors.

(Details with regard to outstanding payables is set out in Notes 4)

10. RATIO ANALYSIS / BENCHMARKS

Financial viability and sustainability is one of the key performance areas of the District Municipality as determined in the IDP. In order to ensure that the District Municipality maintains a healthy financial position, appropriate financial ratios / benchmarks are used to assist the District Municipality in assessing its financial wealth.

The appropriate financial ratios / benchmarks to assets relevant to the District Municipality's financial position are:

<u>Liquidity</u>	<u>2010/11</u>	<u>2009/10</u>
Liquidity - Current Ratio	5,95: 1	3,90: 1
Cash to Current Liabilities	5,41: 1	3,55: 1
Total Asset Turnover	1,90 Times	2,05 Times
Grant Dependency (Actual receipts per DoRA allocation)	92,25%	89,17%
<u>Efficiency</u>	<u>2010/11</u>	<u>2009/10</u>
Personnel costs to operating expenditure (Inclusive of councilor remuneration)	43,00%	36,00%

11. EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, the Speaker, members of the Mayoral Committee, the Chairperson and members of the Finance Portfolio Committee, Councilors, the members of the Audit Committee, the Municipal Manager, Heads of Departments and staff for their support and co-operation received during the past financial year.

A special word of appreciation is appropriate to the staff involved with the compilation of the financial statements for their dedication and hard work, as well as to all the staff in the Directorate Finance for the months of hard work, sacrifices and concerted effort during the financial year to enable the District Municipality to finalise the financial statements within the prescribed period.

P.J. VAN BILJON
CHIEF FINANCIAL OFFICER

ACCOUNTING POLICIES

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 101	Agriculture
GRAP 102	Intangible assets
IGRAP 1	Applying the probability test on initial recognition of exchange revenue
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required 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 notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions in the prior years for the following GRAP Standards (Refer to correction of error note as transitions was not utilised in the prior year):

GRAP 12 – Inventories

GRAP 16 – Investment Property

GRAP 17 – Property, Plant and Equipment

GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets

GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations

GRAP 102 – Intangible Assets

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

In terms of Directive 7: “The Application of Deemed Cost on the Adoption of Standards of GRAP” issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

As noted below, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 paragraph 11 to 14 have been disclosed in the financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

1.6. 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:

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Standard	Description	Effective Date
GRAP 6 (Revised)	Consolidated and Separate Financial Statements No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 7 (Revised)	Investments in Associate No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 8 (Revised)	Interest in Joint Ventures No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	Presentation of Budget Information in Financial Statements Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 103	Heritage Assets No adjustments will necessary as the Municipality has no heritage assets.	1 April 2012
GRAP 105	Transfer of Functions Between Entities Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	Transfer of Functions Between Entities Not Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107	Mergers No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.7. RESERVES

1.7.1 Capital Replacement Reserve (CRR)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.7.2 Revaluations Reserve

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.8. LEASES

1.8.1 Municipality as Lessee

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and 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.

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

1.8.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality,

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

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

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 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 possible.

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

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

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

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.12. EMPLOYEE BENEFITS

(a) Post Retirement Medical obligations

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(d) *Accrued Leave Pay*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

(e) *Staff Bonuses*

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(f) *Performance bonuses*

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(g) *Pension and retirement fund obligations*

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.13. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.14. PROPERTY, PLANT AND EQUIPMENT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.14.1 Initial Recognition

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

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets 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.

1.14.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Land & Buildings are measured on the revaluation model and Plant and Equipment on the cost model.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.14.3 Subsequent Measurement – Cost Model

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.

1.14.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

	<i>Years</i>		<i>Years</i>
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	30	Buildings	5-100
Pedestrian Malls	30	Specialist vehicles	5-30
Electricity	20-30	Other vehicles	5-20
Water	15-20	Office equipment	3-30
Sewerage	15-20	Furniture and fittings	3-30
Housing	30	Watercraft	15
		Bins and containers	5-10
		Specialised plant and	
<u>Community</u>		Equipment	10-30
Buildings	5-100	Other plant and	
Recreational Facilities	20-30	Equipment	2-30
Security	5-15	Landfill sites	5-30
Halls	10-30	Quarries	25
Libraries	10-30	Emergency equipment	5-30
Parks and gardens	10-20	Computer equipment	2-30
Other assets	10-20		
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.14.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed 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.

1.14.6 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.15. INTANGIBLE ASSETS

1.15.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 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.

1.15.2 Subsequent Measurement – Cost Model

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

1.15.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5
Computer Software Licenses	5

1.15.4 De-recognition

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Intangible assets are derecognised when the asset is disposed 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.

1.15.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.16. INVESTMENT PROPERTY

1.16.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of self-constructed investment property is the cost at date of completion.

1.16.2 Subsequent Measurement – Cost Model

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

1.16.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.16.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.17. NON-CURRENT ASSETS HELD FOR SALE

1.17.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.17.2 Subsequent Measurement

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.18.1 *Cash-generating assets*

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.18.2 *Non-cash-generating assets*

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.19. NON CURRENT INVESTMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.20. INVENTORIES

1.20.1 Initial Recognition

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

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

1.20.2 Subsequent Measurement

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

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

In general, the basis of allocating cost to inventory items is the first in first out method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.21 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include trade and other receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and trade and other payables.

1.21.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.21.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. , Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.2 Trade and Other Receivables

Trade and other receivables are classified as loans and receivables, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.2.3 Trade and Other Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.4 Cash and Cash Equivalents

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

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

1.21.3 De-recognition of Financial Instruments

1.21.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.21.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.22 REVENUE

1.22.1 *Revenue from Non-Exchange Transactions*

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

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.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.22.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.22.3 Grants, Transfers and Donations (Non-Exchange Revenue)

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

1.23. RELATED PARTIES

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

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.24. UNAUTHORISED EXPENDITURE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 a 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.

1.25. 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, and (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.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could 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.

1.27. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gartia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of on independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. AMENDED DISCLOSURE POLICY

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

FINANCIAL STATEMENTS

30 JUNE 2011

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED ON 30 JUNE 2011

	Note	2011 R	2010 R
<u>NET ASSETS AND LIABILITIES</u>			
Net Assets		86 187 966	72 614 855
Capital Replacement Reserve		4 411 867	3 652 491
Government Grant Reserve		-	-
Revaluation Reserve		5 828 305	6 065 911
Accumulated Surplus / (Deficit)		75 947 793	62 896 454
Non-current Liabilities		32 913 606	33 074 523
Long-Term Liabilities	1	12 814 927	14 136 733
Employee Benefits	2	20 098 679	18 937 790
Current Liabilities		13 516 295	18 222 838
Current Employee Benefits	3	5 228 584	4 905 244
Trade Payables	4	2 267 558	5 643 379
Unspent Conditional Grants and Receipts	5	4 727 383	6 544 350
Operating Lease Liability	6.1	-	-
Current Portion of Long-term Liabilities	1	1 292 770	1 129 864
TOTAL: NET ASSETS AND LIABILITIES		132 617 867	123 912 216
<u>ASSETS</u>			
Non-current Assets		52 185 456	51 434 909
Property, Plant and Equipment	7	51 574 304	50 803 050
Non-Current Assets Held for Sale	8	-	-
Investment Property	10	-	-
Intangible Assets	11	611 151	614 106
Financial Assets	12	-	17 754
Long-term Receivables	13	-	-
Current Assets		80 432 411	72 477 307
Taxes	14	1 489 596	2 226 349
Trade Receivables from Exchange Transactions	15	-	-
Trade Receivables from Non-Exchange Transactions	16	2 184 489	3 874 396
Operating Lease Asset	6.2	9 383	11 954
Inventory	18	370 274	273 545
Current Portion of Long-term Receivables	13	-	-
Discontinued Operations	9	344 298	223 754
Current Financial Assets	12	6 218	-
Term Deposits	19	2 900 000	2 800 000
Cash and Cash Equivalents	19	73 128 152	63 067 308
TOTAL: ASSETS		132 617 867	123 912 216

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED ON 30 JUNE 2011

Budget		Actual		
2011 R	2010 R	Note	2011 R	2010 R
REVENUE				
105 307 940	94 948 470	Revenue from Non-Exchange Transactions	90 506 744	86 213 207
386 740	108 400	Taxation Revenue	-	-
384 740	108 400	Property Rates - DMA	-	-
2 000	-	Property rates - penalties imposed and collection charges	-	-
104 921 200	94 840 070	Transfer Revenue	90 264 456	83 345 642
62 056 000	56 927 000	Regional Service Levy Replacement Grant	62 056 000	56 927 000
42 865 200	37 913 070	Government grants and subsidies	28 208 456	26 418 642
-	-	Public contributions	-	-
-	-	Other Revenue	242 288	2 867 566
-	-	Fines	-	-
-	-	Actuarial Gains	242 288	2 867 566
7 426 770	9 642 540	Revenue from Exchange Transactions	7 335 653	7 409 619
14 450	14 000	Service charges	-	-
50 000	36 000	Rental of facilities and equipment	254 499	42 701
5 580 000	7 780 000	Interest earned - external investments	5 337 922	5 880 677
590 000	715 000	Income for agency services	685 046	742 358
90 000	372 000	Gains on disposal of property, plant and equipment	302 302	372 000
1 102 320	725 540	Other income	755 884	371 883
112 734 710	104 591 010	Total Revenue	97 842 397	93 622 826
EXPENDITURE				
37 744 320	29 394 810	Employee related costs	31 783 065	28 353 272
4 550 380	4 344 290	Remuneration of Councilors	4 315 775	4 244 467
115 500	2 000	Bad debts	580 000	21 558
3 357 600	2 879 720	Depreciation / Impairment	3 368 524	2 456 146
-	-	Amortisation	161 329	82 687
-	-	Actuarial Losses	655 877	176 834
2 648 300	2 264 170	Repairs and maintenance	2 679 743	1 172 759
-	-	Finance Charges - Employee Benefits	1 786 691	2 295 803
1 637 430	1 652 600	Finance Charges	1 641 000	1 119 034
13 750	18 580	Bulk purchases	-	-
5 567 760	4 329 430	Contracted services	1 462 860	1 483 581
51 444 689	63 838 570	Grants and subsidies paid	28 326 868	41 790 767
12 161 855	7 365 705	General expenses	7 838 782	6 103 687
-	-	Loss on disposal of property, plant and equipment	48 246	154 952
-	-	Changes in Fair Value	-	-
119 241 584	116 089 875	Total Expenditure	84 648 760	89 455 546
(6 506 874)	(11 498 865)	SURPLUS / (DEFICIT) FOR THE YEAR	13 193 637	4 167 280
-	-	Discontinued operations	428 377	212 464
-	-	Revenue	(48 903)	(31 719)
-	-	Expenditure		
(6 506 874)	(11 498 865)	NET SURPLUS / (DEFICIT) FOR THE YEAR	13 573 110	4 348 025

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED ON 30 JUNE 2011

	Capital Replacement Reserve R	Government Grant Reserve R	Revaluation Reserve R	Accumulated surplus (Deficit) R	Total R
2010					
Balance at 1 July 2009	10 943 550	-	6 396 928	45 320 288	62 660 766
Change in Accounting Policy - Note 33	-	-	145 858	4 862 293	5 008 151
Prior year errors - Note 32	-	-	-	-	-
Restated balance at 1 July 2009	10 943 550	-	6 542 786	50 182 581	67 668 917
Surplus/(deficit) for the year	-	-	-	4 348 025	4 348 025
Revaluation of Land & Buildings	-	-	-	-	-
Transfer to Capital Replacement Reserve	2 691 550	-	-	(2 691 550)	-
Property, plant and equipment purchased	(9 982 610)	-	-	9 982 610	-
Capital grants used to purchase Property Plant & Equipment	-	-	-	-	-
Donated/contributed Property Plant & Equipment	-	-	-	-	-
Asset disposals	-	-	(149 920)	149 920	-
Offsetting of depreciation	-	-	(233 543)	233 543	-
BALANCE AT 30 JUNE 2010	3 652 491	-	6 159 323	62 205 129	72 016 942
2010					
Correction of error (Note 32)	-	-	-	-	-
Change in accounting policy (Note 33)	-	-	(93 412)	691 325	597 913
RESTATED BALANCE	3 652 491	-	6 065 911	62 896 454	72 614 855
2011					
Surplus/(deficit) for the year	-	-	-	13 573 110	13 573 110
Revaluation of Land & Buildings	-	-	-	-	-
Transfer to Capital Replacement Reserve	4 415 020	-	-	(4 415 020)	-
Property, plant and equipment purchased	(3 655 643)	-	-	3 655 643	-
Capital grants used to purchase Property Plant & Equipment	-	-	-	-	-
Donated/contributed Property Plant & Equipment	-	-	-	-	-
Asset disposals	-	-	-	-	-
Offsetting of depreciation	-	-	(237 605)	237 605	-
BALANCE AT 30 JUNE 2011	4 411 867	-	5 828 305	75 947 793	86 187 966

FRANCES BAARD DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 30 JUNE 2011

	Note	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		142 300 423	178 516 694
Cash receipts from ratepayers, government and other - discontinued operations		157 119	55 989
Cash paid to suppliers and employees - discontinued operations		(48 903)	(31 719)
Cash paid to suppliers and employees		(126 818 381)	(168 317 084)
NET CASH FROM OPERATING ACTIVITIES	34	15 590 258	10 223 880
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4 177 319)	(14 366 535)
Proceeds on disposal of property, plant and equipment		55 000	372 000
(Increase) / decrease in intangible assets		(158 375)	(597 913)
Increase / (decrease) in non-current receivables		-	-
(Increase) / decrease in investments / Term Deposits		(89 821)	(700 000)
NET CASH FROM INVESTING ACTIVITIES		(4 370 515)	(15 292 448)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings raised / (repaid)		(1 158 900)	(70 513)
Increase in consumer deposits		-	-
Decrease / (increase) in short-term borrowings		-	-
NET CASH FROM FINANCING ACTIVITIES		(1 158 900)	(70 513)
NET CASH FROM ACTIVITIES		10 060 843	(5 139 081)
NET DECREASE IN CASH AND CASH EQUIVALENTS		10 060 844	(5 139 081)
Cash and cash equivalents at the beginning of the year		63 067 308	68 206 389
Cash and cash equivalents at the end of the year	19	73 128 152	63 067 308

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

1 LONG-TERM LIABILITIES

1.1	Local Registered Stock Loans
1.2	Annuity Loans
1.3	Capitalised Lease Liability
1.4	Government Loans
	Sub-total

-	-
13 948 476	15 000 000
159 221	266 597
-	-
14 107 697	15 266 597

Less : Current portion transferred to current liabilities

Local Registered Stock Loans
Annuity Loans
Capitalised Lease Liability
Government Loans

1 292 770	1 129 864
-	-
1 167 848	1 022 489
124 923	107 376
-	-

Total Long-Term Liabilities

12 814 927	14 136 733
-------------------	-------------------

Total Interest Paid

Local Registered Stock Loans
Annuity Loans
Capitalised Lease Liability
Government Loans

-	-
1 607 683	1 084 027
33 317	35 007
-	-

Total Interest Paid

1 641 000	1 119 034
------------------	------------------

1.1 Registered Stock Loans

No Stock Loans are registered in the name of Frances Baard District Municipality

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

1.2

Annuity Loans

Balance at the beginning of the year
Received during the period
Redeemed, written off during the period

15 000 000	15 000 000
-	-
1 051 524	-

Balance at the end of the financial year

13 948 476	15 000 000
-------------------	-------------------

Less: Transferred to Current Liabilities

1 167 848	1 022 489
-----------	-----------

Total Annuity Loans

12 780 628	13 977 511
-------------------	-------------------

Interest paid during the year

1 607 683	1 084 027
------------------	------------------

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year
Payable within two to five years
Payable after five years

Minimum Annuity Loan Payments	
2 659 207	2 659 207
10 636 829	10 636 829
7 977 622	10 636 829
21 273 658	23 932 865
(7 325 182)	(8 932 865)
13 948 476	15 000 000

Less: Future finance obligations

Present value of annuity loan obligations

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

1.2.1 Development Bank of Southern Africa
Construction of new Council Chamber & offices
Loan No. 103363/1
Redeemable: 10 Years

Balance at the beginning of the year

Received during the period

Redeemed, written off during the period

Balance at the end of the financial year

Less: Transferred to Current Liabilities

Total: Development Bank of Southern Africa

Interest paid during the year

A fixed term loan over a period of 10 years was taken up with the Development Bank of Southern Africa to construct a new council Chamber and offices. In terms of the service level agreement, as amended, the loan will be repaid in 18 six -monthly instalments with the first instalment payable on 31 December 2010 at a interest rate of 10.9 %. Interest payments commenced on 30 June 2009.

1.3 Capitalised Lease Liability

Balance at the beginning of the year

Received during the period

Redeemed, written off during the period

Balance at the end of the financial year

15 000 000	15 000 000
-	-
1 051 524	-
13 948 476	15 000 000
1 167 848	1 022 489
12 780 628	13 977 511
1 607 683	1 084 027

266 597	-
-	337 110
107 376	70 513
159 221	266 597

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Less: Transferred to Current Liabilities	124 923	107 376
Total: Capitalised Lease Liability	34 299	159 221
Interest paid during the year	33 317	35 007
The obligations under Capitalised Lease Liability are scheduled below:		
Amounts payable under capitalised lease liability:		
Payable within one year	140 692	140 692
Payable within two to five years	35 173	175 865
Payable after five years	-	-
	175 865	316 557
Less: Future finance obligations	(16 644)	(49 961)
Present value of capitalised lease liability	159 221	266 597

Minimum Capitalised Lease Liability Payments

A financing lease over three years payable in 36 installments was taken up to acquire a photo copier.

1.4 Government Loans

No Government Loans registered in the name of Frances Baard District Municipality

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2 EMPLOYEE BENEFITS

Employment Benefits

Post Employment Health Care Benefits

Ex-Gratia Pension Benefits

Long Service Leave Awards

Less Short Term Portion Transferred to Current Employee Benefits

Total Employee Benefits

2011

R

2010

R

20 022 772

833 298

789 848

21 645 918

(1 547 239)

20 098 679

18 576 826

782 897

1 013 696

20 373 418

(1 435 628)

18 937 790

EMPLOYEE BENEFITS

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Post Employment Health Care Benefits

Balance 1 July

Contribution for the year

Expenditure for the year

Actuarial Loss/(Gain)

Total post retirement benefits 30 June

Less: Transfer of Current Portion to Current Employee Benefits - Note 3

Balance 30 June

18 576 826

2 051 757

(1 203 492)

597 681

20 022 772

(1 369 008)

18 653 764

20 279 882

2 300 947

(1 136 438)

(2 867 566)

18 576 826

(1 203 492)

17 373 334

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Long Service Leave Awards

	2011 R	2010 R
Balance 1 July	1 013 696	758 174
Contribution for the year	179 322	180 225
Expenditure for the year	(160 882)	(53 401)
Actuarial Loss/(Gain)	(242 288)	128 698
Total provision 30 June	789 848	1 013 696
Less: Transfer of Current Portion to Current Employee Benefits - Note 3	(102 645)	(160 882)
Balance 30 June	687 203	852 814

Ex-Gratia Pensions

Balance 1 July	782 896	724 910
Contribution for the year	63 460	78 708
Expenditure for the year	(71 254)	(68 859)
Actuarial Loss/(Gain)	58 196	48 137
Total long service 30 June	833 298	782 896
Less: Transfer of Current Portion to Current Employee Benefits - Note 3	(75 586)	(71 254)
Balance 30 June	757 712	711 642

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<u>Total Employee Benefits</u>		
Balance 1 July	20 373 418	21 762 966
Contribution for the year	2 294 539	2 559 881
Expenditure for the year	(1 435 628)	(1 258 698)
Actuarial Loss/(Gain)	413 589	(2 690 731)
Total long service 30 June	21 645 918	20 373 418
<u>Less:</u> Transfer of Current Portion to Current Employee Benefits - Note 3	(1 547 239)	(1 435 628)
Balance 30 June	20 098 679	18 937 790

2.1 Post Retirement Health Care Benefits

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continuation member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The Post Employment Health Care Benefit plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	49	66
Continuation members (e.g. retirees, widows, orphans)	50	49
Total Members	99	115

The liability in respect of past service has been estimated to be as follows:

In-service members	3 209 359	4 487 770
Continuation members	16 813 413	14 089 056
Total Liability	20 022 772	18 576 826

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
Keyhealth
LA Health
ProSano
SAMWU Medical Aid

The Future-service Cost for the ensuing year is estimated to be R 304,037, whereas the Interest- Cost for the next year is estimated to be R 1,613,230.

Key actuarial assumptions used:

i) Rate of interest

Discount rate	8.34%	9.11%
Health Care Cost Inflation Rate	7.23%	7.19%
Net Effective Discount Rate	1.04%	1.79%

ii) Mortality rates

The PA 90 ult. Mortality table was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 60 years.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	20 022 772	18 576 826
Fair value of plan assets	-	-
Unrecognised past service cost -	-	-
Unrecognised actuarial gains / (losses) -	-	-
Present value of unfunded obligations	-	-
Net liability / (asset)	20 022 772	18 576 826

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	18 576 826	20 279 882
Current service cost	412 556	164 095
Interest Cost	1 639 201	2 136 852
Benefits Paid	(1 203 492)	(1 136 438)
Total expenses	19 425 091	21 444 392
Actuarial (gains) / losses	597 681	(2 867 566)
Present value of fund obligation at the end of the year	20 022 772	18 576 826

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets -	-	-
Contributions : employer	-	-
Contributions : employee -	-	-
Past service costs -	-	-
Actuarial (gains) / losses -	-	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	-	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

Effect on the aggregate of the current service cost
Effect on the defined benefit obligation

2011	2010
R	R
+1%	-1%
503 600	341 600
1 844 500	1 466 900

2.2 Long Service Bonusses

The Long Service Bonus plans are defined benefit plans. As at year end, 120 employees were eligible for Long Service Bonusses.

The Future-service Cost for the ensuing year is estimated to be R 84,030, whereas the Interest- Cost for the next year is estimated to be R 60,480.

Key actuarial assumptions used:

i) Rate of interest

Discount rate	8.18%	8.99%
General Salary Inflation (long-term)	6.20%	6.34%
Net Effective Discount Rate applied to salary-related Long Service Bonusses	1.86%	2.49%

Analysis of accrued liability

Fair value of plan assets -	-	-
Accrued Liability	789 848	1 013 696
Unrecognised past service cost -	-	-
Present value of unfunded obligations	-	-
Net liability / (asset)	<u><u>789 848</u></u>	<u><u>1 013 696</u></u>

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Reconciliation of accrued liability values:

Present value of fund obligation at the beginning of the year
Current service cost
Present value of fund obligation recognised for the first time
Interest Cost
Benefits Paid
Total expenses
Actuarial (gains) / losses
Present value of fund obligation at the end of the year

2011	2010
R	R
1 013 696	758 174
95 292	99 982
	-
84 030	80 243
(160 882)	(53 401)
1 032 136	884 998
(242 288)	128 698
789 848	1 013 696

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year
Expected return on plan assets -
Contributions : employer
Contributions : employee
Past service costs
Actuarial (gains) / losses
Benefits paid
Fair value of plan assets at the end of the year

-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

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

Effect on the aggregate of the current service cost
Effect on the defined benefit obligation

+1%	-1%
97 673	93 094
186 647	172 595

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

2.3 Ex-Gratia Pension Benefits

The Ex-Gratia Pension Benefit plans are defined benefit plans. As at year end, 4 former employees were eligible for Ex-Gratia Benefits.

There is no Current-service cost as there are no in-service members eligible for ex-gratia pension benefits, whereas the Interest- Cost for the next year is estimated to be R 69,122

Key actuarial assumptions used:

i) Rate of interest

Discount rate	7.94%	8.14%
Benefit Increase Rate (CPI Inflation)	5.38%	5.16%

Analysis of accrued liability

Fair value of plan assets -	-	-
Accrued Liability	833 299	782 897
Unrecognised past service cost -	-	-
Unrecognised actuarial gains / (losses) -	-	-
Present value of unfunded obligations	-	-
Net liability / (asset)	833 299	782 897

Reconciliation of accrued liability values:

Present value of fund obligation at the beginning of the year	782 897	724 910
Current service cost	-	-
Present value of fund obligation recognised for the first time	-	-
Interest Cost	63 460	78 708
Benefits Paid	(71 254)	(68 858)
Total expenses	775 103	734 760
Actuarial (gains) / losses	58 196	48 137
Present value of fund obligation at the end of the year	833 299	782 897

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2010
R

Fair value of plan assets at the beginning of the year
Expected return on plan assets -
Contributions : employer
Contributions : employee
Past service costs
Actuarial (gains) / losses
Benefits paid
Fair value of plan assets at the end of the year

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--	--

-1%

58 050

762 509

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2009 - 100%). Actuarial valuations also determined that there was a shortfall in the investment return for the 30 June 2010 financial year.

CAPE JOINT RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).

MUNICIPAL COUNCILLORS PENSION FUND

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
3 CURRENT EMPLOYEE BENEFITS		
3.1 Performance Bonusses	405 240	491 556
3.2 Staff Leave	2 370 735	2 212 376
3.3 Staff Bonuses	905 370	765 684
Current Portion of Non-Current Employee Benefits - Note 2	1 547 239	1 435 628
Total Provisions	5 228 584	4 905 244
3.1 Performance Bonuses		
Balance at beginning of year	491 556	586 791
Transfer from non-current	-	-
Contributions to provision - current year provision	405 240	484 512
Contributions to provision - prior year over provision		77 084
Expenditure incurred	491 556	656 831
Balance at end of year	405 240	491 556
3.2 Staff Leave		
Balance at beginning of year	2 212 376	1 532 721
Transfer from non-current	-	-
Contributions to provision - current year provision	158 359	679 655
Contributions to provision - prior year over provision	-	-
Expenditure incurred	-	-
Balance at end of year	2 370 735	2 212 376
3.3 Staff Bonuses		
Balance at beginning of year	765 684	608 330
Transfer from non-current	-	-
Contributions to provision - current year provision	1 608 094	966 101
Contributions to provision - prior year over provision	-	-
Expenditure incurred	(1 468 408)	(808 747)
Balance at end of year	905 370	765 684

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Annual leave provision is based on the total number of leave days due on 30 June, at individual salary values effective on the reporting date.(Nett movement on leave provision included in employee cost for the financial year under review)

Council does not make provision for leave benefits due to the Roads Agency personnel.

Obligations for accumulated leave at the reporting date amount to:

Roads Agency obligations are dealt with as part of the annual operating subsidy provided by the principal.

All leave relating to Roads Agency Personnel to the amount of R459,201 has been paid on 30 June 2011 due to the transfer of the roads function back to the Department as from 1 July 2011.

Performance bonusess are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exists.

-	359 367
---	---------

4 TRADE PAYABLES

Other Creditors

2 267 558

5 643 379

Total creditors at year end

2 267 558

5 643 379

Other Creditors

Payments received in advance

37 252

19 444

Retentions

432 923

689 086

Creditors Control

-

1 460 635

Sundry Creditors

939 116

3 154 487

ABSA Fleet Card

61 454

28 948

Salary Control

-

23 923

Salary Control: - SITE / PAYE

-

1 438

Salary Control: - Union Deduction

-

297

Salary Control:- Workmen's Compensation

329 968

264 697

Salary Control - Debit Order & Other Deductions Control

-

424

Salary Control - Traffic Fines

700

-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Stale Cheque Account	-	-
RD Cheque Control	-	-
Suspense Account	466 145	-
Total: Other Creditors	2 267 558	5 643 379

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

5.1	Conditional Grants from Other Spheres of Government	4 727 383	6 544 350
5.1.1	Equitable Share	-	-
5.1.2	Financial Management Grant	-	-
5.1.3	Municipal Systems Improvement Grant	-	511 947
5.1.4	DWA - Sanitation (Mvula Trust)	1 489 217	3 275 455
5.1.5	NC Tourism - Contribution Tourism Month	-	-
5.1.6	Department of Public Works: Expanded Public Works Program Incentive	-	-
5.1.7	District Aids Council	114 682	19 596
5.1.8	NEAR Control Centre	-	-
5.1.9	NCPA - Housing Accreditation Grant	1 077 953	-
5.1.10	NCPA Firefighting Equipment	352 364	239 206
5.1.11	NCPA - Eradication of Bucket System	-	-
5.1.12	MIG - Projects	-	99 596
5.1.13	SETA - Skills Grant	-	-
5.1.14	NCPA: Vuna Awards	-	1 500 000
5.1.15	DWA: Backlogs in Water & Sanitation at Clinics and Schools	-	-
5.1.16	NCPA: EPWP: DMA Bush Clearance	185 421	316 959
5.1.17	NCPA: Environmental Health Recycling Project	1 427 746	581 591
5.2.1	Koopmansfontein Electricity Self Build Scheme	80 000	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Summary of Movements - External Funds

Balance unspent at beginning of year

Current year receipts

Internal Transfers

Gross Funding

Conditions met – transferred to revenue

Written Off

Internal Transfers

Unspent Portion at Year end

	2011 R	2010 R
<i>Balance unspent at beginning of year</i>	6 544 350	7 951 454
<i>Current year receipts</i>	89 947 488	81 842 538
<i>Internal Transfers</i>	-	-
Gross Funding	96 491 838	89 793 992
<i>Conditions met – transferred to revenue</i>	(90 264 456)	(83 249 642)
<i>Written Off</i>	(1 500 000)	-
<i>Internal Transfers</i>	-	-
Unspent Portion at Year end	4 727 383	6 544 350

The following allocations were made to the municipality according to the stipulations of the Division of Revenue Act. Revenue received are recognised as revenue to the extent that the conditions or obligations are met. Conditions still to be met are transferred to liabilities.

5.1.1 Equitable Share

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

<i>Balance unspent at beginning of year</i>	-	-
<i>Current year receipts</i>	76 377 573	67 907 018
Gross Funding	76 377 573	67 907 018
<i>Conditions met – transferred to revenue</i>	(76 377 573)	(67 907 018)
Unspent Portion at Year end	-	-

Department of Cooperative Governance & Traditional Leaders

Objective: To assist municipalities to provide basic infrastructure and services to low income households.

5.1.2 Financial Management Grant

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

<i>Balance unspent at beginning of year</i>	-	-
<i>Current year receipts</i>	1 000 000	750 000
Gross Funding	1 000 000	750 000
<i>Conditions met – transferred to revenue</i>	(1 000 000)	(750 000)
Unspent Portion at Year end	-	-

National Treasury

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Objective: To finance the reform programme for municipal budgeting and financial management practices

5.1.3 Municipal Systems Improvement Grant

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

511 947	1 379 409
1 000 000	1 300 000
1 511 947	2 679 409
(1 511 947)	(2 167 462)
-	511 947

Department of Cooperative Governance & Traditional Leaders

Objective: To assist municipalities to build capacity for the new development system of local government.

5.1.4 DWA - Sanitation (Mvula Trust)

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

3 275 455	3 524 916
75 000	1 667 124
3 350 455	5 192 040
(1 861 238)	(1 916 584)
1 489 217	3 275 455

Department of Water Affairs & Environmental Affairs

Objective: To provide adequate water and sanitation facilities to farm workers in the rural areas in the district as well as to support operation and maintenance programmes at local municipalities in the district.

5.1.5 NC Tourism - Contribution Tourism Month

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

-	-
50 000	50 000
50 000	50 000
(50 000)	(50 000)
-	-

Northern Cape Tourism

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Objective: Funding of tourism month activities at schools.

5.1.6 Department of Public Works: Expanded Public Works Program Incentive

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

-	-
165 850	-
165 850	-
(165 850)	-
-	-

Department of Public Works

Objective: To contribute to employment creation efforts through the employment of previously unemployed people

5.1.7 District Aids Council

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

19 596	38 406
100 000	-
119 596	38 406
(4 914)	(18 810)
114 682	19 596

Department of Health - Northern Cape Province

Objective: To finance the costs of District Aids Councils in the campaign against AIDS.

Also to provide HIV /AIDS prevention care programs and services in the region.

5.1.8 NEAR Control Centre

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

-	83 938
725 000	714 000
725 000	797 938
(725 000)	(797 938)
-	-

Department of Cooperative Governance, Human Settlement & Traditional Affairs

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Objective: To maintain effective functioning of the NEAR control centres and provide additional funds for training NEAR personnel.

5.1.9 NCPA - Housing Accreditation Grant

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

-	269 444
3 161 188	1 280 728
3 161 188	1 550 172
(2 083 235)	(1 550 172)
1 077 953	-

Department of Cooperative Governance, Human Settlement & Traditional Affairs

Objective: To enable the District Municipality to obtain full accreditation to administer national housing programmes in terms of the delegation of functions from Department of Cooperative Government, Human Settlement & Traditional Affairs.

5.1.10 NCPA Firefighting Equipment

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

239 206	532 778
350 000	320 000
589 206	852 778
(236 842)	(613 572)
352 364	239 206

Department of Cooperative Governance, Human Settlement & Traditional Affairs

Objective: To enhance municipalities' capacity to deal with fire hazards.

5.1.11 NCPA - Eradication of Bucket System

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

-	104 182
-	-
-	104 182
-	(104 182)
-	-

Department of Cooperative Governance, Human Settlement & Traditional Affairs

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Objective: To eliminate the use of bucket sanitation systems in the district by end of September 2008

5.1.12 MIG - Projects

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unsent portion paid back to donor

Unspent Portion at Year end

99 596	-
5 746 000	7 036 000
5 845 596	7 036 000
(5 845 596)	(6 936 404)
-	-
-	99 596

Department of Cooperative Governance & Traditional Leaders

Objective: To provide service delivery infrastructure to households in poorer residential areas

Balance of R99 596 is due to a payment of R 700 000 received for the 2010 / 11 financial year and expenditure to the amount of R600 404.

5.1.13 SETA - Skills Grant

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

-	-
116 877	117 667
116 877	117 667
(116 877)	(117 667)
-	-

Sector Education and Training Authority

Objective: To be used for training and capacity building of employees as per approved Skills Work Plan.

5.1.14 NCPA: Vuna Awards

Balance unspent at beginning of year

Current year receipts

Gross Funding

Written off

Unspent Portion at Year end

1 500 000	1 500 000
-	-
1 500 000	1 500 000
(1 500 000)	-
-	1 500 000

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Department of Cooperative Governance, Human Settlement & Traditional Affairs

Objective: To initiate community projects as per approved business plans by the Department of Housing and Local Government.

The amount of R1,500,000 for the 2005/06 and 2006/07 has been written off by Council due to none response from the donor department to pay amounts due to the District Municipality

5.1.15 DWA: Backlogs in Water & Sanitation at Clinics and Schools

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

-	201 424
-	-
-	201 424
-	(201 424)
-	-

Department of Water Affairs and Environmental Affairs

Objective: To eradicate water supply and sanitation backlogs of all clinics and schools which were never served by December 2009.

5.1.16 NCPA: EPWP: DMA Bush Clearance

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

316 959	316 959
-	-
316 959	316 959
(131 538)	-
185 421	316 959

Department of Roads & Public Works

Clearance and vegetation control of areas in the DMA

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

5.1.17 NCPA: Environmental Health Recycling Project

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

581 591	-
1 000 000	700 000
1 581 591	700 000
(153 845)	(118 409)
1 427 746	581 591

Department of Environment & Nature Conservation - Northern Cape Province

Frances Baard Recycling projects

5.2 Other Conditional Receipts

5.2.1 Koopmansfontein Electricity Self Build Scheme

Balance unspent at beginning of year

Current year receipts

Gross Funding

Conditions met – transferred to revenue

Unspent Portion at Year end

-	-
80 000	-
80 000	-
-	-
80 000	-

Private contributions: ESKOM & Farmers

Objective: To complete the Koopmansfontein self build scheme with financial contribution from ESKOM and farmers.

6 OPERATING LEASE ARRANGEMENTS

6.1 The Municipality as Lessee

Leases not previously recognised

Balance on 30 June

-	-
-	-

At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Up to 1 Year
2 to 5 Years
More than 5 Years
Total Operating Lease Arrangements

-	-
-	-
-	-
-	-

Reconciliation

Balance 1 July
Amount previously recorded
Change in accounting policy - Note 30
Movement during the year
Balance on 30 June

-	19 432
-	-
-	-
-	(19 432)
-	-

6.2 The Municipality as Lessor

Up to 1 Year
1 to 5 Years
More than 5 Years
Total Operating Lease Arrangements

15 424	14 282
33 150	48 575
-	-
48 575	62 856

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has an undetermined conditional income.

Reconciliation

Amount previously recorded (Through change in accounting policy)
Change in accounting policy - Note 30
Movement during the year
Balance on 30 June

11 954	12 182
-	-
(2 571)	(228)
9 383	11 954

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

7 PROPERTY, PLANT & EQUIPMENT

7.1 GRAP 17 - Property, Plant and Equipment

Fully Depreciated assets still in use were as follows:

Cost

Land and Buildings

Infrastructure

Community Assets

Lease Assets

Heritage

Other

Accumulated depreciation

Land and Buildings

Infrastructure

Community Assets

Lease Assets

Heritage

Other

Carrying value

-	3 402 869
-	-
-	-
-	-
-	-
-	-
-	3 402 869
-	3 402 869
-	-
-	-
-	-
-	-
-	-
-	3 402 869
-	-
-	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Carrying value of assets retired from active use and held for disposal:		
Cost	-	50 025
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	50 025
Accumulated depreciation	-	50 025
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	50 025
Carrying value	-	-
Carrying value of temporarily idle property plant and equipment:		
Cost	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Accumulated depreciation	-	-
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
Carrying value	-	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Assets pledged as security:

No assets are pledged as security.

Third party payments received for losses incurred:

Payments received (Excluding VAT)
Carrying value of assets written off/lost
Surplus/Deficit

2011 R	2010 R
16 020	6 253
	4 951
16 020	1 302

Impairment of property plant and equipment

Impairment charges on Property, plant and equipment recognised in statement of financial performance

Land and Buildings
Infrastructure
Community Assets
Lease Assets
Heritage
Other

-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

Cumulative impairment charges included in major balances

Land and Buildings
Infrastructure
Community Assets
Lease Assets
Heritage
Other

-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Effect of changes in accounting estimates

No changes in accounting estimates occurred.

Effect on Property, plant and equipment

2011
R

2012
R

2013
R

Details of property plant and equipment carried at fair value

The revaluation of council's land and buildings was done during the 2006 / 07 financial year by De Bruyn & Strauss Incorporated on the method of estimated building cost less depreciation with the effective date 01 February 2007.

Carrying value of revalued property, plant and equipment that would have been recognised under the cost model if the cost model was applied:

Cost

Land & Buildings

Accumulated Depreciation

42 662 839

34 336 861

5 220 446

3 600 540

37 442 393

30 736 321

Reconciliation of revaluation surplus:

Opening balance

Movement for the period

Closing balance

6 065 911

6 542 786

(237 605)

(383 463)

5 828 305

6 159 323

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

7.2 Analysis of Property, Plant and Equipment

30 June 2011	Cost / Revaluation								Accumulated Depreciation									Carrying Value	Budget Additions 2011
	Balance at 01/07/2010	Transfers to / from other categories	Change in Accounting Policy	Restated balance	Additions	Under Construction	Disposals	Balance at 30/06/2011	Balance at 01/07/2010	Transfers to / from other categories	Change in Accounting Policy - 2010	Restated balance	Change in Accounting Policy - 2011	Additions	Impairments	Disposals	Balance at 30/06/2011		
COMMUNITY ASSETS																			
Land & Buildings	151 676	-	-	151 676	(45 000)	45 000	-	151 676	42 670			42 670		10 668		-	53 338	98 338	-
Security Measures	539 869	-	-	539 869	2 807	-	-	542 676	102 027			102 027		73 071		-	175 098	367 578	3 200
Total: Community Assets	691 544	-	-	691 544	(42 193)	45 000	-	694 351	144 697	-	-	144 697	-	83 739	-	-	228 436	465 916	3 200
HERITAGE ASSETS																			
Statues	627 427	-	-	627 427	-	-	-	627 427	-		-	-		-		-	-	627 427	-
Total: Heritage Assets	627 427	-	-	627 427	-	-	-	627 427	-	-	-	-	-	-	-	-	-	627 427	-
OTHER ASSETS																			
Land & Buildings	42 005 330	3 200	-	42 008 530	601 802	52 507	-	42 662 839	3 884 449	419	-	3 884 868	-	1 335 578		-	5 220 446	37 442 393	810 060
Office Equipment	2 848 421	-	-	2 848 421	331 086	-	30 840	3 148 667	542 294	-	-	542 294	-	387 467		30 840	898 921	2 249 745	6 770
Office Equipment - Finance leases	337 110	-		337 110	-	-	-	337 110	28 092	-	-	28 092	-	48 159		-	76 251	260 859	
Furniture & Fittings	2 957 607	-	-	2 957 607	28 669	-	22 258	2 964 019	683 820	-	-	683 820	-	376 514	592	22 258	1 038 668	1 925 351	77 300
Plant & Machinery	1 494 669	-	-	1 494 669	491 539	-	2 399	1 983 809	325 384	-	-	325 384	-	215 309		2 399	538 295	1 445 515	703 400
Plant & Machinery - Residual Value	298 000	-	-	298 000	-	-	-	298 000	-	-	-	-	-	-		-	-	298 000	
Emergency Equipment	562 364	-	-	562 364	411 728	-	-	974 092	216 145	-	-	216 145	-	81 303		-	297 448	676 644	120 000
Motor Vehicle	1 964 134	-	-	1 964 134	479 860	-	105 288	2 338 706	779 071	-	-	779 071	-	294 982	9 871	105 288	978 636	1 360 069	660 000
Motor Vehicle - Residual Value	1 182 662	-	-	1 182 662	119 965	-	48 246	1 254 382	-	-	-	-	-	-		-	-	1 254 382	
Land Fill Sites	3 200	(3 200)	-	-	-	-	-	-	419	(419)	-	-	-	-		-	-	-	
Computer Equipment	4 039 025	-	-	4 039 025	1 657 356	-	637 775	5 058 607	1 492 285	-	-	1 492 285	-	520 517	14 494	637 775	1 389 522	3 669 085	2 034 290
Total: Other Assets	57 692 522	-	-	57 692 522	4 122 005	52 507	846 805	61 020 229	7 951 961	-	-	7 951 961	-	3 259 829	24 956	798 559	10 438 187	50 582 043	4 411 820
Less transferred to Non - Current Assets Held for Sale Discontinued operations	(50 025)			(50 025)				(154 876)	(50 025)			(50 025)					(53 795)	(101 081)	
TOTAL ASSETS	58 961 468	-	-	58 961 468	4 079 812	97 507	846 805	62 187 132	8 046 632	-	-	8 046 632	-	3 343 567	24 956	798 559	10 612 827	51 574 304	4 415 020

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Analysis of Property, Plant and Equipment

30 June 2010	Cost / Revaluation								Accumulated Depreciation									Carrying Value	Budget Additions 2010
	Balance at 01/07/2009	Transfers to / from other categories	Change in Accounting Policy	Restated balance	Additions	Under Construction	Disposals	Balance at 30/06/2010	Balance at 01/07/2009	Transfers to / from other categories	Change in Accounting Policy - 2009	Restated balance	Change in Accounting Policy - 2010	Additions	Impairments	Disposals	Balance at 30/06/2010		
COMMUNITY ASSETS																			
Land & Buildings	106 676	-	-	106 676	-	45 000		151 676	10 677	-	21 326	32 003	7 101	3 567			42 670	109 005	-
Security Measures	366 828	-	3 475	370 303	16 988	152 577		539 869	136 621	-	(80 221)	56 401	(62 059)	107 685			102 027	437 842	-
Total: Community Assets	473 504	-	3 475	476 979	16 988	197 577	-	691 544	147 299	-	(58 895)	88 403	(54 958)	111 252	-	-	144 697	546 847	-
HERITAGE ASSETS																			
Statues	591 898	-	-	591 898	35 529			627 427	-	-	-	-		-	-	-	-	627 427	35 530
Total: Heritage Assets	591 898	-	-	591 898	35 529	-	-	627 427	-	-	-	-		-	-	-	-	627 427	35 530
OTHER ASSETS																			
Land & Buildings	36 649 912	-	-	36 649 912	5 256 111	249 308	150 000	42 005 330	4 102 243		(1 134 722)	2 967 520	(86 452)	1 003 380		-	3 884 449	38 120 882	6 965 680
Office Equipment	497 336	(87 662)	143 406	553 080	2 276 665	25 430	6 754	2 848 421	347 376	136 424	(215 888)	267 912	(149 657)	425 842		1 802	542 294	2 306 126	115 300
Office Equipment - Finance leases	-	337 110		337 110				337 110	-	28 092	-	28 092	-	-		-	28 092	309 017	
Furniture & Fittings	1 285 634	35 905	723 788	2 045 327	912 280			2 957 607	209 585	32 052	117 613	359 250	132 862	191 709		-	683 820	2 273 787	301 340
Plant & Machinery	1 680 606	(224 010)	13 283	1 469 879	24 790			1 494 669	289 189	(135 328)	(31 668)	122 193	51 194	151 998		-	325 384	1 169 285	222 010
Plant & Machinery - Residual Value	298 000			298 000				298 000	-	-	-	-	-	-		-	-	298 000	
Emergency Equipment	454 055	-	32 742	486 797	75 567			562 364	332 279		(167 809)	164 470	(8 700)	60 375		-	216 145	346 219	-
Motor Vehicle	1 488 266	(1)	153 533	1 641 798	530 189		207 853	1 964 134	1 932 641	91	(1 139 302)	793 430	(166 430)	359 924		207 852	779 071	1 185 062	680 000
Motor Vehicle - Residual Value	1 034 171	-	-	1 034 171	148 491			1 182 662	-	-	-	-	-	-		-	-	1 182 662	
Land Fill Sites	3 200	-	-	3 200	-			3 200	-			-	312	107		-	419	2 781	-
Computer Equipment	3 362 503	(61 341)	120 254	3 421 416	617 610			4 039 025	2 208 345	(61 331)	(1 088 117)	1 058 896	(218 871)	652 260		-	1 492 285	2 546 740	782 690
Total: Other Assets	46 753 682	-	1 187 006	47 940 688	9 841 703	274 738	364 607	57 692 522	9 421 657	-	(3 659 894)	5 761 763	(445 742)	2 845 594	-	209 654	7 951 961	49 740 562	9 067 020
Less transferred to Non - Current Assets Held for Sale Discontinued operations	(150 000)			(150 000)				(50 025) (154 876)	-	-	-	-	-	-	-	-	(50 025) (43 089)	- (111 786)	
TOTAL ASSETS	47 669 084	-	1 190 481	48 859 565	9 894 219	472 315	364 607	58 806 592	9 568 956	-	(3 718 789)	5 850 167	(500 700)	2 956 846	-	209 654	8 003 543	50 803 049	9 102 550

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

7.3 Segmental Analysis of Property, Plant and Equipment

30 June 2011	Cost							ACCUMULATED DEPRECIATION						Carrying Value	
	Balance at 01/07/2010	Residual value - Opening balance	Additions	Residual value additions	Under Construction	Disposal residual values	Disposals / Adjustments	Balance at 30/06/2011	Balance at 01/07/2010	Change in accounting policy	Additions / Impairments	Change in accounting policy	Disposals / Adjustments		Balance at 30/06/2011
Executive and Council	3 043 424		185 142				103 107	3 125 459	877 535		390 152		103 107	1 164 879	1 960 580
Finance & Admin	6 133 295	1 130 662	2 436 542	46 000	-	48 246	661 996	9 036 257	2 349 924		768 518		661 996	2 472 353	6 563 905
Planning & Development	47 098 529	298 000	659 099		97 507		22 093	48 131 042	4 567 997		1 963 525		22 093	6 518 181	41 612 862
Health	290 871		-		-		11 363	279 508	99 996		8 752		11 363	122 085	157 423
Community & Social Services	-		-		-		-	-	-		33 452			-	0
Housing	314 266	52 000	6 279		-		-	372 544	29 459		50 272			79 730	292 814
Public Safety	605 446		717 785	73 965	-		-	1 397 196	171 747		137 648			309 395	1 087 802
Sport & Recreation	-		-		-		-	-	-		-		-	-	-
Environmental Protection	-		-		-		-	-	-		-		-	-	-
Waste Management	-		-		-		-	-	-		-		-	-	-
Road Transport	-		-		-		-	-	-		-		-	-	-
Water	-		-		-		-	-	-		-		-	-	-
Electricity	-		-		-		-	-	-		-		-	-	-
Other	-		-		-		-	-	-		-		-	-	-
TOTAL PER VOTE	57 485 831	1 480 662	4 004 847	119 965	97 507	48 246	- 798 559 *	62 342 008	8 096 657	-	24 956 3 343 567	-	- 798 559 *	10 666 622	51 675 386
Less transferred to Non- Current Assets Held for Sale	-50 025							-	-50 025					-	-
Discontinued operations								(154 876)						(53 795)	(101 081)
Total Assets	57 435 806	1 480 662	4 004 847	119 965	97 507	48 246	798 559	62 187 132	8 046 632	-	3 368 524	-	798 559	10 612 827	51 574 305
* Internal Transfers															

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Segmental Analysis of Property, Plant and Equipment

30 June 2010	Cost								ACCUMULATED DEPRECIATION						Carrying Value
	Balance at 01/07/2009	Change in accounting policy	Additions	Residual value additions	Under Construction	Disposal residual values	Disposals / Adjustments	Balance at 30/06/2010	Balance at 01/07/2009	Change in accounting policy	Additions	Change in accounting policy	Disposals / Adjustments	Balance at 30/06/2010	
Executive and Council	1 774 100	1 018 221	118 006				139 850 * 6 753.51 (13 730 710) *	3 043 424	273 806	(62 440)	344 109	6 019	317 844 1 802.22 (4 371 782)	877 535	2 165 889
Finance & Admin	19 270 698	577 917	1 353 906				207 853 14 192 344 *	7 263 957	8 264 589	(1 960 217)	913 317	(288 130)	207 852 4 308 470	2 349 924	4 914 033
Planning & Development	25 528 958	(522 614)	8 073 103		319 738		150 000 (30 453) *	47 441 529	380 727	(1 508 598)	1 560 207	(172 810)	3 132	4 567 997	42 873 533
Health	271 711	37 194	12 419				(11 054) *	290 871	107 054	(42 595)	43 781	(11 376)	(3 552)	99 996	190 875
Community & Social Services	10 995	59					23 875 *	0	3 533	13	7		9 938	(0)	0
Housing	26 594	8 981	306 816				(583 851) *	366 266	10 195	(10 136)	39 536	(20 074)	(264 050)	29 459	336 807
Public Safety	981 028	25 722	29 970		152 577			605 446	529 053	(134 817)	55 896	(14 336)		171 747	433 700
Sport & Recreation	-		-		-		-	-	-		-		-	-	-
Environmental Protection	-		-		-		-	-	-		-		-	-	-
Waste Management	-		-		-		-	-	-		-		-	-	-
Road Transport	-		-		-		-	-	-		-		-	-	-
Water	-		-		-		-	-	-		-		-	-	-
Electricity	-		-		-		-	-	-		-		-	-	-
Other	-		-		-		-	-	-		-		-	-	-
TOTAL PER VOTE	47 864 084	1 145 481	9 894 219	-	472 315	-	- * 364 607	59 011 493	9 568 956	(3 718 790)	2 956 852	(500 707)	- * 209 654	8 096 657	50 914 836
Less transferred to Non- Current Assets Held for Sale	-150 000							-50 025						-50 025	-
Discontinued operations								-154 876						-43 089	(111 786)
Total Assets	47 714 084	1 145 481	9 894 219	-	472 315	-	364 607	58 806 592	9 568 956	-3 718 790	2 956 852	-500 707	209 654	8 003 543	50 803 050

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011

2010

8 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale at beginning of year - at book value

- 150 000

Additions for the year at cost

- 50 025

Less: Accumulate Depreciation

- (50 025)

- **150 000**

Non-current assets sold / written off during the year

- (150 000)

Non-current assets held for sale at end of year - at book value

- -

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities - Note 45.5

9 DISCONTINUED OPERATIONS

The District Management Area of the municipality will be transferred to the relevant category B municipalities with effect from 1 July 2011. The relevant assets and liabilities associated with the District Management Area are disclosed below:

Assets

Property, Plant & Equipment

101 081 111 786

Trade Receivable from Exchange Transactions

1 674 491

Trade Receivables from Non-Exchange Transactions

9 080 1 649

Property Rates

232 464 109 828

Total Assets

344 298 223 754

The Municipality hold no Liabilities relating to this service

10 INVESTMENT PROPERTY

Net Carrying amount at 1 July

- -

Balance previously reported

- -

Correction of error. Refer to note

- -

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Fair Value Adjustments
Acquisitions
Disposals
Impairment
Transfers from Inventory
Transfers from Property, Plant and equipment

Net Carrying amount at 30 June

2011 **2010**

-
-
-
-
-

-
-

GRAP 16 - Investment Properties

Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:

Land with undetermined use;
Land;
Buildings; and
Land and Buildings.
Total not previously recognised now restated retrospectively

-
-
-
-
-

Revenue derived from the rental of investment property

-
-

Operating expenditure incurred on properties generating revenue

-
-

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

11 INTANGIBLE ASSETS

Net Carrying amount at 1 July

Change in Accounting Policy / Opening Balance

Cost
Accumulated Amortisation

614 106

98 880

1 026 487
(412 381)

428 574
(329 694)

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Acquisitions	158 375	597 913
Amortisation	(161 329)	(82 687)
Disposals	-	-
Amortisation written back on disposal	-	-
Net Carrying amount at year end	611 151	614 106
Cost	1 184 862	1 026 487
Accumulated Amortisation	(573 711)	(412 381)

No intangible asset were assed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual contractual commitments for the acquisition of intangible assets.

12 INVESTMENTS

Unlisted

Preference shares currently trading at R1.80 - Held at Fair Value Through Profit and Loss	-	6 179
Preference shares currently trading at R2.34 each - Held at Fair Value Through Profit and Loss	-	5 356

TOTAL UNLISTED INVESTMENTS

Shares held in the agricultural co-operative society, has been sold as per Council Resoulution

Sanlam shares are in process to be sold as per Council Resoultion. Process will be finalised during 2011 / 12 financial year

Listed

Sanlam shares currently trading at R22.86 - Held at fair value through profit & loss	6 218	6 218
--	-------	-------

TOTAL LISTED INVESTMENTS

TOTAL INVESTMENTS

6 218 17 754

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13 LONG-TERM RECEIVABLES

No Long Term Debt at Reporting Date
No Long Term Debt at Reporting Date

Long Term Portion of Long Term Debt
Short Term Portion of Long Term Debt

Long Term Debt at Reporting Date

2011

2010

-	-
-	-
-	-
-	-
-	-
-	-

14 TAXES

VAT Receivable

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date through out the year.

1 489 596

2 226 349

15 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

*Due to the disestablishment of the DMA, revenue for Property Rates and Service Charges has been transferred to discontinued operations.
Refer to note 18.*

As at 30 June 2011

Water
Sewerage
Refuse

Gross Balance **Provision for Bad Debt** **Net Balance**

523	-	523
353	-	353
798	-	798

TOTAL TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

1 674

-

1 674

As at 30 June 2010

Water

TOTAL TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

491

-

491

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Water Ageing

Current (0 – 30 days)
31 – 60 Days
61 – 90 Days
91 – 120 Days

2011	2010
523	491
169	331
76	12
11	22
266	126

Sewerage Ageing

Current (0 – 30 days)
31 – 60 Days
61 – 90 Days
91 – 120 Days

2011	2010
353	-
153	-
58	-
23	-
120	-

Refuse Ageing

Current (0 – 30 days)
31 – 60 Days
61 – 90 Days
91 – 120 Days

2011	2010
798	-
300	-
99	-
68	-
332	-

Summary of Debtors by Customer Classification

30 June 2011

Current (0 – 30 days)
31 – 60 Days
61 – 90 Days
91 – 120 Days

Sub-total

Less: Provision for bad debts

TOTAL CONSUMER DEBTORS

Consumers	Industrial / Commercial	National & Provincial Government
622	-	-
233	-	-
101	-	-
718	-	-
1 674	-	-
-	-	-
1 674	-	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Summary of Debtors by Customer Classification

30 June 2010

Current (0 – 30 days)	
31 – 60 Days	
61 – 90 Days	
91 – 120 Days	
Sub-total	
Less: Provision for bad debts	

TOTAL CONSUMER DEBTORS

Reconciliation of the Total doubtful debt provision

Balance at beginning of the year
Contributions to provision
Doubtful debts written off against provision

Balance at end of year

Due to the disestablishment of the District Management Area after the local government elections, all outstanding debt will be transferred to the superseding municipality in terms of Section 12 of the Structures Act.

	2011	2010
Consumers	Industrial / Commercial	National & Provincial Government
331	-	-
12	-	-
22	-	-
126	-	-
491	-	-
-	-	-
491	-	-
	-	654
	-	(654)
	-	-
	-	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

16 TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2011	2010
	2 184 489	3 874 396
16.1 Sundry Debtors - Other	2 184 489	3 427 362
Property Rates	-	-
16.2 Recoverable Expenditure - Fraudulant Transactions	-	447 034
16.1 Sundry Debtors - Other		
Sundry Services	352 622	2 271 827
Payments Made in Advance	397 210	454 559
Interest on investment	215 118	243 827
NCPA Roads Agency Services - Loan Account	912 109	457 150
Interest	-	-
Insurance Control	868	-
Salary Control	306 562	-
Total Other Debtors	2 184 489	3 427 362
Less: Provision for Bad Debt	-	-
Total Other Debtors	2 184 489	3 427 362
<i>The fair value of trade and other receivables approximate their carrying value.</i>		
16.2 Recoverable Expenditure - Fraudulent Transactions		
Recoverable unauthorised expenditure	447 034	447 034
Less: Amounts recovered	(447 034)	-
Less: Written off by Council Resolution	-	-
Total Recoverable Expenditure - Fraudulent Transactions	-	447 034

Fraudulent transactions to the total value of R1,978,497-72 have been discovered in August 2006 after a proper investigation was completed by SHAG Forensics (Pty).

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

The outstanding amount of R447 034 has been recovered from the pensionfund of the officer involved..

17 Property Rates

*Due to the disestablishment of the DMA, revenue for Property Rates and Service Charges has been transferred to discontinued operations.
Refer to note 18.*

17.3.1 Property Rates: Ageing

Current (0 – 30 days)
31 – 60 Days
61 – 90 Days
91 – 120 Days

22 837	13 288
19 539	27 770
14 294	8 778
175 793	59 991

17.3.2 Summary of Debtors by Property Rates Classification

30 June 2011

Current (0 – 30 days)
31 – 60 Days
61 – 90 Days
91 – 120 and more

Residential Government Business Agricultural

-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

Sub-total

Less: Provision for bad debts

TOTAL PROPERTY RATES DEBTORS

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

30 June 2010

Residential

Government

Business

Agricultural

Current (0 – 30 days)

31 – 60 Days

61 – 90 Days

91 – 120 and more

-	173	845	12 270
-	90	6 637	21 043
-	96	52	8 630
-	819	348	58 824

Sub-total

Less: Provision for bad debts

-	1 178	7 882	100 767
-	-	-	-

TOTAL PROPERTY RATES DEBTORS

-	1 178	7 882	100 767
---	-------	-------	---------

17.4 Reconciliation of the Total doubtful debt provision

Balance at beginning of the year

Contributions to provision

Doubtful debts written off against provision

-	-
-	-
-	-

Balance at end of year

-	-
---	---

Due to the disestablishment of the District Management Area after the local government elections, all outstanding debt will be transferred to the superseding municipality in terms of Section 12 of the Structures Act.

18 **INVENTORY**

Consumable Stores - Stationery and materials - At cost

Maintenance Materials - At cost

Water – at cost

Spare Parts - At cost

Total Inventory

370 274	273 545
370 274	273 545
-	-
-	-
-	-
370 274	273 545

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

19 CASH AND CASH EQUIVALENTS & CALL INVESTMENTS

Assets

19.1	Call Investment Deposits	70 500 000	62 500 000
19.2	Primary Bank Account	2 624 852	564 008
19.3	Cash	3 300	3 300
	Total Cash and Cash Equivalents - Assets	73 128 152	63 067 308
19.4	Term Deposits	2 900 000	2 800 000
19.1	Call Investment Deposits		
	Short Term Investments		
	Absa Bank	17 000 000	33 000 000
	First Rand	15 000 000	-
	Nedcor	11 000 000	24 500 000
	Standard Bank	27 500 000	5 000 000
	Short term deposits	70 500 000	62 500 000

Council provide collateral security for housing loans issued by commercial banks in favour of certain of Council's personnel. This security is provided by a block investment of R500,000 ceded to ABSA against which the bank issues letters of guarantee to the home loan financing institutions. There are no current obligation registered against the investment.

Trading and available-for-sale investments are subsequently carried at fair value. Average interest rate on investments in respect of the financial year under review reflects on 5.93%.

The Municipality has the following bank accounts: -

19.2 Current Account (Primary Bank Account)

ABSA Bank Kimberley (Central Business District)
Account Number 940 000 327
Cash book balance at end of year

2 624 852	564 008
------------------	----------------

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
19.3	Petty Cash & Floats	<u>3 300</u>	<u>3 300</u>
19.4	Term Deposits		
	Absa Bank [Collateral]	500 000	500 000
	Standard Bank [Leave Provision]	2 400 000	2 300 000
	Term Deposits	<u>2 900 000</u>	<u>2 800 000</u>
20	PROPERTY RATES		
20.1	Actual		
20.2	Residential	3 684	1 842
20.3	Agriculture	354 881	177 489
20.4	Commercial	16 432	7 803
20.5	Government	1 984	1 359
20.6	Industrial	18 720	9 360
	Total Assesment Rates	<u>395 701</u>	<u>197 853</u>

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
20.1.1 Residential property		
Number of Properties valued at < R15 000	34	34
Number of properties valued at > R15 000	1	1
Number of Properties	35	35
Total valuation of properties	2 148 400	2 148 400
Less: Valuation of properties exempted from paying rates	87 000	87 000
Less: Rebate on properties valued more than R15 000	15 000	15 000
Value of ratable properties	2 046 400	2 046 400
Tariff imposed on residential properties	0.003600	0.003600
Revenue for residential properties	7 367	7 367
Less: Rebate percentage	50%	75%
Rebate	3 684	5 525
Revenue	3 684	1 842
20.1.2 Agriculture		
Number of Properties valued at < R15 000	73	73
Number of properties valued at > R15 000	568	568
Number of Properties	641	641
Total valuation of properties	797 386 100	797 386 100
Less: Valuation of properties exempted from paying rates	196 000	196 000
Less: Rebate on properties valued more than R15 000	8 520 000	8 520 000
Value of ratable properties	788 670 100	788 670 100
Tariff imposed on agriculture properties	0.000900	0.000900
Revenue for residential properties	709 803	709 803
Less: Rebate percentage	50%	75%
Rebate	354 923	532 314
Revenue	354 880	177 489
20.1.3 Commercial		
Number of Properties valued at < R15 000	-	-
Number of properties valued at > R15 000	4	4
Number of Properties	4	4

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Total valuation of properties	13 534 900	13 534 900
Less: Valuation of properties exempted from paying rates	-	-
Less: Rebate on properties valued more than R15 000	60 000	60 000
Value of ratable properties	13 474 900	13 474 900
Tariff imposed on commercial properties	0.000900	0.000900
Revenue for residential properties	12 127	12 127
Less: Rebate percentage	50%	75%
Rebate	6 064	9 509
Revenue	6 064	2 619
Commercial		
Number of Properties valued at < R15 000	-	-
Number of properties valued at > R15 000	4	4
Number of Properties	4	4
Total valuation of properties	5 820 500	5 820 500
Less: Valuation of properties exempted from paying rates	-	-
Less: Rebate on properties valued more than R15 000	60 000	60 000
Value of ratable properties	5 760 500	5 760 500
Tariff imposed on commercial properties	0.003600	0.003600
Revenue for residential properties	20 738	20 738
Less: Rebate percentage	50%	75%
Rebate	10 369	15 553
Revenue	10 369	5 184
20.1.4 Government		
Number of Properties valued at < R15 000	-	-
Number of properties valued at > R15 000	1	1
Number of Properties	1	1
Total valuation of properties	4 424 900	4 424 900
Less: Valuation of properties exempted from paying rates	-	-
Less: Rebate on properties valued more than R15 000	15 000	15 000
Value of ratable properties	4 409 900	4 409 900

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Tariff imposed on government properties	0.000900	0.000900
Revenue for residential properties	3 969	3 969
Less: Rebate percentage	50%	75%
Rebate	1 984	2 610
Revenue	1 984	1 359
20.1.5 Industrial		
Number of Properties valued at < R15 000	-	-
Number of properties valued at > R15 000	1	1
Number of Properties	1	1
Total valuation of properties	10 415 300	10 415 300
Less: Valuation of properties exempted from paying rates	-	-
Less: Rebate on properties valued more than R15 000	15 000	15 000
Value of ratable properties	10 400 300	10 400 300
Tariff imposed on industrial properties	0.003600	0.003600
Revenue for residential properties	37 441	37 441
Less: Rebate percentage	50%	75%
Rebate	18 721	28 081
Revenue	18 721	9 360
Summary of Property Rates		
Total Number of Properties valued at < R15 000	107	107
Total Number of properties valued at > R15 000	579	579
Total Number of Properties	686	686
Total valuation of properties	833 730 100	833 730 100
Less: Valuation of properties exempted from paying rates	283 000	283 000
Less: Rebate on properties valued more than R15 000	8 685 000	8 685 000
Value of ratable properties	824 762 100	824 762 100

Property rates were introduced in the District Management Area for the first time from July 2009 in terms of the Municipal Property Rates Act (No 6 of 2004) .
The levies for property rates will be phased in over a four year period that implies a rebate of 75% in 2009 / 10, 50% in 2010 / 2011, 25% in 2011 / 2012.

The tariff applicable for 2010 / 11 is 50 % of R0.0009 (R0.000225)

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

The first R 15 000.00 of all properties are exempted from payment of property rates.

21 SERVICE CHARGES

Sale of water	12 789	12 550
Refuse removal	6 840	-
Sewerage	3 360	-
Total Service Charges	22 989	12 550

*Due to the disestablishment of the DMA, revenue for Property Rates and Service Charges has been transferred to discontinued operations.
Refer to note 29.*

22 TRANSFER REVENUE

22.1 Regional Service Levy Replacement Grant	62 056 000	56 927 000
Regional Service Levy Replacement Grant	62 056 000	56 927 000
22.2 Government Grants & Subsidies	28 208 456	26 418 642
Equitable Share	14 321 573	10 980 018
Financial Management Grant	1 000 000	750 000
Municipal Systems Improvement Grant	1 511 947	2 167 462
DWA - Sanitation (Mvula Trust)	1 861 238	1 916 584
NC Tourism - Contribution Tourism Month	50 000	50 000
District Aids Council	4 914	18 810
NEAR Control Centre	725 000	797 938
NCPA - Housing Accreditation Grant	2 083 235	1 550 172
NCPA Firefighting Equipment	236 842	613 572
NCPA - Recycling projects	153 845	118 409
NCPA - Eradication of Bucket System	131 538	104 182
MIG - Projects	5 845 596	6 936 404
Other Grants	165 850	-
SETA - Skills Grant	116 877	117 667
Environmental Health	-	96 000
DWA: Backlogs in Water & Sanitation at Clinics and Schools	-	201 424

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

22.3 Public Contributions
Koopmansfontein self build scheme

-	-
-	-

Total Tranfer Revenue

90 264 456	83 345 642
-------------------	-------------------

The unspent portions of the conditional grants are treated as current liabilities and disclosed per Note 5 above.

Only the actual expenditure amounts are transferred to the relevant operating statement to cover the expenditure incurred in terms of the grant conditions.

23 OTHER INCOME

Commission: Insurance Payments
Salary allocation to Roads Agency (30%) - Director Technical Services
Cost Recovery - Private usage of Pool Vehicles (IEC)
Adjustment of Bad Debts
Cemetery Fees
Private telephone calls / photo copies
Recoverable cost - Salaries
Clearance Certificate
Rentals
Sanlam Shares
Workmens Compensation
Dividends Received
Insurance Claims
Other

8 546	7 306
253 276	236 750
6 190	661
-	654
175	100
44 295	267
-	53 924
2 084	-
25 812	-
-	6 218
99 560	5 814
942	283
16 020	-
298 985	59 906

Total Other Income

755 884	371 883
----------------	----------------

24 EMPLOYEE RELATED COSTS

Employee related costs – Salaries and Wages
Employee related costs – Contributions for UIF, pensions and medical aids
Motor car and other allowances
Housing benefits and allowances
Compulsory cost:- Skills Levy; Workmens Compensation; Industrial Council Contributions
Group Insurance
Performance bonus

23 488 596	20 757 404
4 703 930	3 924 398
1 929 971	1 881 156
542 960	535 618
503 024	525 499
209 343	167 600
405 240	561 596

Total Employee Related Costs

31 783 065	28 353 272
-------------------	-------------------

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Social contributions:

Council makes defined contributions to several pension funds in the following proportions:

Cape Joint Pension Fund

Cape Joint Retirement Fund

SAMWU National Pension Fund

Pension Fund for Municipal Councillors

Employer %	Employee %
18,00	9,00
18,00	9,00
18,00	9,00
15,00	13,75

Remuneration of the Municipal Manager

Annual Remuneration (Total cost to Employer)

Performance Bonuses

427 589	941 206
117 651	184 876

Total

545 239	1 126 082
----------------	------------------

Deviation due to vacancy of position since December 2010

Remuneration of the Chief Finance Officer

Annual Remuneration (Total cost to Employer)

Performance Bonuses

844 252	775 526
101 642	131 424

Total

945 894	906 950
----------------	----------------

Remuneration of Executive Director: Administration

Annual Remuneration (Total cost to Employer)

Performance Bonuses (Average cost)

844 252	798 168
90 754	120 645

Total

935 006	918 813
----------------	----------------

Remuneration of Executive Director: Infrastructure Services

Annual Remuneration (Total cost to Employer)

Performance Bonuses (Average cost)

844 252	798 168
90 754	127 734

Total

935 006	925 902
----------------	----------------

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Remuneration of Executive Director: Planning & Development

Annual Remuneration (Total cost to Employer)

Performance Bonuses (Average cost)

Total

939 131	798 168
90 754	92 151
1 029 886	890 319

Acting in the position of the Municipal manager since December 2010

25 REMUNERATION OF COUNCILLORS

Executive Mayor

Speaker

Mayoral Committee Members

Councillors

Councillors' pension contribution

Other Obligatory Contributions (Skills Levy, etc.)

Total Councillors' Remuneration

536 911	576 275
311 994	288 143
1 609 773	1 746 817
1 494 840	1 474 006
319 480	99 245
42 777	59 981
4 315 775	4 244 467

In-kind Benefits

The Executive Mayor and Speaker are full time.

Each is provided with a cell phone, office and secretarial support at cost of council. (Cell phone benefit does not exceed the limits as determined by the Remuneration of Public Office Bearers Act)

The Executive Mayor makes use of a Council owned vehicle for ceremonial duties.

26 FINANCE CHARGES

External Loans

Finance Leases

Bank Overdrafts

Total Interest on External Borrowings

1 607 683	1 084 027
33 317	35 007
-	-
1 641 000	1 119 034

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

27 BULK PURCHASES

Water

Total Bulk Purchases

11 535

11 535

10 367

10 367

*Due to the disestablishment of the DMA, expenses for bulk purchases has been transferred to discontinued operations.
Refer to note 29.*

28 GRANTS AND SUBSIDIES PAID TO OTHER MUNICIPALITIES

28.1 Dikgatlong Municipality

Streets & Storm Water

Water

Maintenance Projects

4 594 474

789 474

1 299 279

2 505 722

8 356 414

1 317 065

5 175 589

1 863 760

28.2 Magareng Municipality

Water

Maintenance Projects

5 360 262

2 492 653

2 867 609

2 328 241

321 232

2 007 009

28.3 Phokwane Municipality

Sanitation

Other Infrastructure Projects

Maintenance Projects

7 105 912

4 290 111

-

2 815 801

7 036 369

4 860 056

175 874

2 000 439

28.4 Sol Plaatje Municipality

Water

Maintenance Projects

500 000

-

500 000

5 011 525

3 498 492

1 513 033

28.5 District Management Areas

Cemeteries

Other Infrastructure Projects

Housing

Water

Sanitation

Streets & Storm water

Fencing

Electricity

Maintenance Projects

4 176 637

12 511

-

-

828 133

261 700

283 529

216 827

2 055 502

518 435

2 872 752

99 750

124 290

472 664

43 912

210 713

1 923

999 749

919 751

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Summary of infrastructure grants paid to other municipalities

Dikgatlong Municipality
Magareng Municipality
Phokwane Municipality
Sol Plaatje Municipality
District Management Areas

21 737 285

25 605 302

4 594 474	8 356 414
5 360 262	2 328 241
7 105 912	7 036 369
500 000	5 011 525
4 176 637	2 872 752

Council makes allocations to participating bodies within its area of jurisdiction. Such allocations are primarily for infrastructure development and are treated as grants in kind. Assets with regard to property, plant and equipment funded becomes the property of the participating body who controls the asset.

29 OTHER GRANTS PAID & SPECIAL PROJECTS

29.1 Grants paid to other organs of state

Northern Cape Tourism Authority

135 000

135 000

135 000	135 000
---------	---------

29.2 Other special projects

Council - Special Projects in the Office of the Mayor and Speaker
Municipal Manager - Support to Magareng
Youth unit / Manager in office of Municipal Manager
Communications - Communication Projects
Financial System Support / Operation clean audit
FMG Development
Employee wellness programmes
Tourism Projects
IDP Development
Planning & Development projects
Local Economic Development
Environmental Health Projects
Community Development
Disaster Management
Housing Awareness

6 454 583

16 050 465

118 045	930 995
-	3 311 363
59 109	-
52 152	629 111
1 275 354	5 201 757
490 719	496 219
353 450	24 799
798 019	1 521 144
-	16 972
1 393 348	2 167 462
1 234 395	714 281
213 319	240 882
148 445	50 269
167 565	736 737
150 662	8 475

Summary of Grants and Subsidies Paid

Grants and subsidies paid to other municipalities (Note 28)
Grants paid to other organs of state (Note 29.1)
Other special projects (Note 29.2)

21 737 285

25 605 302

135 000

135 000

6 454 583

16 050 465

Total Grants and Subsidies

28 326 868

41 790 767

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FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

30 GENERAL EXPENDITURE

Accommodation
Audit Fees
Bank Charges
Books, Printing & Stationery
Cellphones
Cleaning Materials
Cleaning Motor Vehicles
Conferences and Seminars
Council meets the People
Entertainment / Refreshments
Free Basic Services
General Expenses
General Notices
Gifts
Insurance
Motor vehicle operating cost
Motor Vehicle Usage
Municipal Services & Taxes
Office Requirements
Pauper Burials
Postage
Protective Clothing
Relocation Costs
Rental of Buildings & Equipment
SALGA Membership Fees
Security Services
Study Bursaries
Training
Telephone / Data Lines
Transportation
Dumping Sites

744 178	585 790
1 070 507	1 028 497
55 538	53 387
488 692	374 729
61 031	28 825
51 485	27 871
3 605	-
116 153	160 831
128 719	109 671
259 259	186 302
-	10 962
178 730	(311 535)
879 458	441 080
2 025	2 879
241 865	190 986
429 558	414 755
(32 627)	(14 875)
500 802	279 566
17 085	49 299
2 000	11 200
10 382	9 977
11 928	8 472
236 505	56 068
239 746	379 229
253 768	202 939
344 641	172 889
81 442	58 631
564 928	589 738
416 567	386 064
480 813	593 669
-	15 789

Total: General Expenditure

7 838 782

6 103 687

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

31 DISCONTINUED OPERATIONS

Income

Property Rates
Property rates - penalties imposed and collection charges
Service Charges
Total Income

395 701	197 853
9 686	2 061
22 989	12 550
428 377	212 464

Expenditure

Bulk Purchases
Maintenance
General Expenses
Total Expenditure

11 535	10 367
85	
37 284	21 352
48 903	31 719

32 CORRECTION OF ERROR

32.1 Expenditure and trade payables for the 2009 / 10 financial year was overstated.

The comparative amount has been restated as follows

Effect on Trade Payables on 30 June 2010	-	(419 708)
--	---	-----------

Effect on surplus / (deficit) for the year through Statement of Financial Performance - General expenses	-	419 708
--	---	----------------

32.2 The provision for performance bonuses at 30 June 2010 was understated.

The comparative amount has been restated as follows

Correction of Provision for Performance Bonus	-	77 084
---	---	--------

Effect on surplus / (deficit) for the year through Statement of Financial Performance - Employee related cost	-	(77 084)
---	---	-----------------

Net effect of Correction of Errors on the surplus / deficit for the year	-	342 624
--	---	----------------

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

33 CHANGE IN ACCOUNTING POLICY

Property Plant & Equipment: Cost Price

2010

2009

33.1 Balance previously reported Implementation of GRAP

57 770 987

47 669 084

Changes in useful lives of assets restatement of asset values according to asset conditions: 1 July 2009

1 190 481

1 190 481

Total

58 961 468

48 859 565

33.2 Intangible Assets

2010

2009

Balance previously reported Implementation of GRAP

-

First Time recognition of Intangible Assets
Additions for 2010

428 574

428 574

597 913

Total

1 026 487

428 574

33.3 Property Plant & Equipment: Accumulated Depreciation

2010

2009

Balance previously reported Implementation of GRAP

12 266 121

9 568 956

Accumulated depreciation with regards to other lose assets restated & changes in useful lives recalculated: 1 July 2009
Accumulated depreciation with regards to other lose assets restated & changes in useful lives recalculated: 30 June 2010

(3 718 789)

(3 718 789)

(500 700)

Total

8 046 632

5 850 167

33.4 Intangible Assets: Accumulated Amortisation

2010

2009

Balance previously reported Implementation of GRAP

-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

First Time recognition of Intangible Assets
Additions for 2010

329 694
82 687

329 694

Total

412 381

329 694

33.5 Revaluation Reserve

2010

2009

Balance previously reported
Implementation of GRAP

6 542 786

6 396 928

Changes depreciation of revaluated properties

-

145 858

Total Changes

6 542 786

6 542 786

Movements in Statement in Change In Net Assets

(383 463)

Total of Reserve

6 159 323

6 542 786

33.6 Accumulated Surplus

2010

2009

Balance previously reported
Implementation of GRAP

56 582 199

45 320 288

Previously corrected

4 862 293

Changes in useful lives of assets restatement of asset values according to asset conditions: 1 July 2009

1 190 481

Accumulated depreciation with regards to other lose assets restated & changes in useful lives recalculated: 1 July 2009

3 718 789

Changes in useful lives of assets restatement of asset values according to asset conditions - revaluation: 1 July 2009

(145 858)

Changes in useful lives of assets restatement of asset values according to asset conditions - revaluation: 1 July 2010

93 412

First time recognition of intangible assets - cost

428 574

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
First time recognition of intangible assets - amortisation		(329 694)
Intangible assets purchased 2010	597 913	
Total changes in accounting policies charged to Statement Of Changes in Net Assets	691 325	4 862 293
Accumulated depreciation with regards to other lose assets restated & changes in useful lives recalculated: 1 July 2010	500 700	-
Amortisation 2010	(82 687)	-
Changes in Net Assets effecting Statement of Financial Performance	418 013	-
Total	62 553 830	50 182 581

34 CASH GENERATED BY OPERATIONS

Surplus for the year	13 573 110	4 348 025
Adjustment for:-		
Depreciation	3 529 851	2 456 146
Gain / Loss on disposal of property, plant and equipment	(254 056)	(217 048)
Contribution to provisions – current	2 171 692	2 559 880
Contribution to provisions – non Current	2 294 539	2 207 352
Bad debt written off	580 000	21 558
Actuarial Losses	655 877	2 867 566
Amortisation	161 329	176 834
Finance Charges	1 786 691	2 295 803
Other non-cash activities	(5 360)	(20 589)
Investment Income	(5 337 922)	(5 880 677)
Operating surplus before working capital changes:	19 155 752	10 814 849
(Increase) / Decrease in Inventories	(96 729)	(273 545)
(Increase) / Decrease in Other Receivables	(512 729)	794 034
(Decrease) / Increase in Conditional Grants and Receipts	(316 968)	(1 407 104)
(Decrease) / Increase in Payables	(3 375 821)	(388 173)
Decrease in Taxes	736 753	683 818
Cash generated by operations	15 590 258	10 223 880

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

35 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 19.1

Cash Floats - Note 19.3

Bank - Note 19.2

Total cash and cash equivalents

**2011
R**

**2010
R**

70 500 000

62 500 000

3 300

3 300

2 624 852

564 008

73 128 152

63 067 308

36 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 35

73 128 152

63 067 308

73 128 152

63 067 308

Less:

4 727 383

6 544 350

Unspent Committed Conditional Grants - Note 5

4 727 383

6 544 350

Secured Investments

-

-

**Net cash resources available for internal distribution
Allocated to:**

68 400 769

56 522 958

Capital Replacement Reserve

4 411 867

3 652 491

Employee Benefits

20 098 679

18 937 790

Social Contribution Reserve

-

-

Non-Current Provisions Reserve

-

-

Valuation Roll Reserve

-

-

Resources available for working capital requirements

43 890 223

33 932 677

37 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 1

12 814 927

14 136 733

Used to finance property, plant and equipment - at cost

(12 814 927)

(14 136 733)

-

-

Cash set aside for the repayment of long-term liabilities

-

-

Cash invested for repayment of long-term liabilities

-

-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 9.21 % and 17.82 % and will be repaid by 2028

-

-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

38. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION FOR THE YEAR ENDED ON 30 JUNE 2011

Description	Original Budget	Budget Adjustments	Virement	Final budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome As % Of Final Budget	Actual Outcome As % Of Original Budget
Financial Performance									
Property rates	386 740	386 740	-	386 740	405 387		(18 647)	105%	105%
Service charges	14 450	14 450	-	14 450	22 989	-	(8 539)	159%	159%
Investment revenue	5 580 000	5 580 000	-	5 580 000	5 337 922	-	242 078	96%	96%
Transfers recognised - operational	99 505 000	104 921 200	-	104 921 200	90 264 456	-	14 656 744	86%	91%
Other own revenue	1 588 320	1 832 320	-	1 832 320	2 240 019	-	(407 699)	122%	141%
Total revenue (excluding capital transfers and contributions)	107 074 510	112 734 710	-	112 734 710	98 270 773	-	14 463 937	87%	92%
Employee costs	37 744 320	37 744 320	-	37 744 320	31 783 065	-	5 961 255	84%	84%
Remuneration of councilors	4 550 380	4 550 380	-	4 550 380	4 315 775	-	234 605	95%	95%
Debt impairment	115 500	115 500	-	115 500	580 000	-	(464 500)	502%	502%
Depreciation & asset impairment	3 357 600	3 357 600	-	3 357 600	3 529 853	-	(172 253)	105%	105%
Finance charges	1 637 430	1 637 430	-	1 637 430	3 427 691	-	(1 790 261)	209%	209%
Materials and bulk purchases	13 750	13 750	-	13 750	11 535	-	2 215	84%	84%
Transfers & grants	45 351 640	51 444 689	-	51 444 689	28 326 868	-	23 117 821	55%	62%
Other expenditure	18 780 960	20 377 915	-	20 377 915	12 722 876	-	7 655 039	62%	68%
Total Expenditure	111 551 580	119 241 584	-	119 241 584	84 697 663	-	34 543 921	71%	76%
Transfers recognised - capital	-	-		-	-		-	0%	0%
Contributions recognised - capital & contributed assets	2 987 600	4 415 020	-	4 415 020	4 222 319	-	(192 701)	96%	141%
Surplus / (Deficit) after capital transfers & contributions	(7 464 670)	(10 921 894)	-	(10 921 894)	9 350 791	-	(19 887 283)	-86%	-125%
Share of surplus / (deficit) of associate	-	-	-	-	-	-	-	0%	0%
Surplus / (Deficit) for the year	(7 464 670)	(10 921 894)	-	(10 921 894)	9 350 791	-	(19 887 283)	-86%	-125%

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

38. STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION FOR THE YEAR ENDED ON 30 JUNE 2011

<u>Capital expenditure & funds sources</u>									
Capital expenditure									
Transfers recognised - capital	-	-	-	-	521 789	-	521 789	100%	100%
Public contributions & donations				-		-	-	0%	0%
Borrowing				-		-	-	0%	0%
Internally generated funds	2 987 600	4 415 020	-	4 415 020	3 700 530	-	(714 490)	84%	124%
Total sources of capital funds	2 987 600	4 415 020	-	4 415 020	4 222 319	-	(192 701)	96%	141%
<u>Cash Flows</u>									
Net cash from (used) operating	19 122 097	13 788 953	-	13 788 953	15 590 258	-	1 574 156	111%	80%
Net cash from (used) investing	(2 896 100)	(4 393 170)	-	(4 393 170)	(4 370 515)	-	371 314	92%	139%
Net cash from (used) financing	1 020 332	1 020 330	-	1 020 330	(1 158 900)	-	9 162 023	998%	998%
Cash / cash equivalents at year end	45 006 524	55 143 948	-	55 143 948	73 128 152	-	11 107 494	133%	162%

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
39.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	447 035	447 035
Unauthorised expenditure current year	-	10 116
Recovered amounts	(447 035)	-
Approved by Council or condoned	-	(10 116)
Transfer to receivables for recovery (Note 8.2)	-	-
Unauthorised expenditure awaiting authorisation	-	447 035
<i>The Accountant Expenditure involved was found guilty in terms of an internal disciplinary hearing and dismissed on 6 December 2006. The outstanding amount of R447 035 will be recovered from the pension fund as soon as all income tax requirements are met.</i>		
39.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	3 966	-
Fruitless and wasteful expenditure current year	66 478	26 716
Condoned or written off by Council	(61 224)	(22 750)
Recovered	(3 966)	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	5 253	3 966
Except for interest paid to the amount of R5 253 which has been discovered during the audit, all other expenses has been submitted and approved by council.		
39.3 Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	-	-
Irregular expenditure current year	40 164	208 315
Approved by Council or condoned	-	(208 315)
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting authorisation	-	-
Except for supply chain management processes not followed to the amount of R40 164 which has been discovered during the audit, all other expenses has been submitted and approved by council		

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
39.4 <u>Material Losses</u>		
Electricity distribution losses		
Units purchased (Kwh)	-	-
- Units lost during distribution (Kwh)	-	-
- Percentage lost during distribution	-	-
Water distribution losses		
- Mega liters purified	-	-
- Mega liters lost during distribution	-	-
- Percentage lost during distribution	-	-
<i>No material losses occurred during the year</i>		
40 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
40.1 Contributions to organized local government		
Opening balance	-	-
Council subscriptions	253 768	202 939
Amount paid – current year	(253 768)	(202 939)
Amount paid – previous years	-	-
<i>Balance unpaid (included in creditors)</i>	<u>-</u>	<u>-</u>
40.2 Audit fees		
Opening balance	-	-
Current year audit fee	1 070 507	1 028 497
Amount paid – current year	(1 070 507)	(1 028 497)
Amount paid – previous years	-	-
<i>Balance unpaid (included in creditors)</i>	<u>-</u>	<u>-</u>
40.3 PAYE and UIF		
Opening balance	1 438	(488)
Current year payroll deductions	5 808 371	5 166 870
Amount paid – current year	(5 808 371)	(5 165 433)
Amount paid – previous years	(1 438)	488
<i>Balance unpaid (included in creditors)</i>	<u>-</u>	<u>1 438</u>

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
40.4 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and Council Contributions	8 244 460	7 204 730
Amount paid – current year	(8 244 460)	(7 204 730)
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	-	-

40.5 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

Supply Chain Management Policy has been amended and adopted by Council with an effective date of 1st January 2008 for implementation..

The following deviations were allowed in terms of the Supply Chain Policy for the year under review.

Supplier	Service	Amount
2011		
Mubesco Africa	Review of Accounting and Asset policies	125 856
Matsapa Trading	Erect fence in Koopmansfontein	199 346
CQS Technology Holdings	Data Analytical Software (Internal Audit)	60 848
ESRI South Africa	GIS Server	67 431
Muncomp Systems (PTY)	Munadmin Training	35 832
Kallima Graphics & Web Design	Develop Web Page	35 000
HR Concepts	Develop Job Descriptions	13 680
Coen Frankel Landmeters	Survey of Koopmansfontein properties	95 363
M Gool trading as Mooks Electrical	Issuing of compliance certificate	228 000
Bargain Tents	Tents for flood victims	270 000
Lavender Moon Trading	Water purification Programme	127 338
Econ-Mine trading as Urban Econ	Feasibility study - Phokwane Vegetable Garden	98 040
Bits & nPeases	Training for beading & sewing	41 315
VIP Softline	Upgrade software	199 293
Rovic & Leers	Farming Tractor	249 090
Gibela Trade & Investment	Caravan for Grader	202 977

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
MHP Geospace	Land Audit	99 864	
Business Connexion	Consulting services	442 456	
ITEC Northern Cape	Maintenance contract on Lexmark Printer	1.30 Per Copy	
Kimberley Bakkie Centre	Trade in Redundant Vehicles (Receipt)	55 000	
Total		2 646 728	

2010

Business Connection	E Venus Server	537 353	
Opton Geomatics	GPS for GIS project	45 600	
Bed Shop	Displaced persons at Dikgatlong Municipality	16 150	
Eternalcity	Displaced persons at Dikgatlong Municipality	710	
Valudata	Valuation Roll for Magareng Municipality 2009 - 2010	124 283	
Business Connection	ICT investigation & evaluation project	47 880	
Mubesco Africa	Preparation of action plans - operation clean audit	207 138	
Arch Actaial Consulting CC	Actuarial services for FBDM	34 428	
Blasting Quality	Provision of blasting services for Koopmansfontein graves	113 715	
Tourism Blueprint CC	Re-design & printing of 15000 FBDM travel guides	107 274	
Trolley Scan (PTY) LTD	Notebook Management System	157 548	
Total		1 392 079	

40.6 Non-Compliance - Section 125(2) (e) of the Municipal Finance Management Act

No matters to report

41 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure

Approved and contracted for

Other Assets

Community

Heritage

97 507	-
52 507	-
45 000	-
-	-

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Approved and not yet contracted for	3 399 680	2 987 600
Other Assets	3 399 680	2 987 600
Community	-	-
Heritage	-	-
The expenditure will be financed from		
External Borrowings	-	-
Internal Funding (Own Resources)	3 497 187	2 987 600
	<u>3 497 187</u>	<u>2 987 600</u>

42 CONTINGENT LIABILITIES

42.1 Implementation of Task

According to the Office Bearers Act, a district municipality will be rated at the highest level at which the local municipalities in its DMA are rated. FBDM is therefore rated at Grade 4. However, with the implementation of Task by SALGA, the municipality has been rated at Grade 2. A dispute has been declared, the outcome of which is still pending. The implication of the regrading is:

Should the appeal be succesful, i.e. a higher grading, a salary increase is envisaged.

Should the appeal not succeed, the status quo remains.

Registration of landfill site - Magareng Municipality

42.2 The District Municipality assisted Magareng Municipality to register the landfill site. The site was incorrectly registered in the name of the District Municipality. Steps has been implemented to correct this error and to issue a new permit for the Magareng Municipality.

Labour Disputes

The District Municipality have one labour case pending against the municipality. The estimated legal cost that will be incurred in order to finalise the matter amounts to R50,000.

42.4 Implementation of the "e" Venus Fiancial System

Dikgatlong Local Municipality have declared a dispute with Business Connexion - BCX with regard to outstanding invoices to the estimated amount of R648,468 not paid in respect of the implementation and support on the "e" Venus Financial system since January 2010. As the District Municipallty have entered into to an agreement with Business Connexion - BCX on the implementation of the financial system the dispute is likely to escalate to the District Municipality as indicated by Dikgatlong Municipality.

43 FINANCIAL RISK MANAGEMENT

The activities of the District Municipality exposed it to a variety of financial risks, including market risk (comprising currency risk,fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The District Municipality's risks are:

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011		2011	2010						
		R	R						
43.1	Foreign Exchange Currency Risk: <i>The District Municipality does not engage in foreign currency transactions.</i>								
43.2	Price Risk <i>The municipality is not exposed to price risk.</i>								
43.3	Interest Rate Risk: <i>As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.</i> <i>The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/defecit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.</i> <i>The municipality did not hedge against any interest rate risks during the current year.</i> <i>The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:</i> <table><tr><td>0.5% (2011 - 0.5%) Increase in interest rates</td><td>295 086</td><td>253 076</td></tr><tr><td>0.5% (2011 - 0.5%) Decrease in interest rates</td><td>(295 086)</td><td>(253 076)</td></tr></table>	0.5% (2011 - 0.5%) Increase in interest rates	295 086	253 076	0.5% (2011 - 0.5%) Decrease in interest rates	(295 086)	(253 076)		
0.5% (2011 - 0.5%) Increase in interest rates	295 086	253 076							
0.5% (2011 - 0.5%) Decrease in interest rates	(295 086)	(253 076)							
43.4	Credit Risk: <i>Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.</i> <i>Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.</i> <i>Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.</i> <i>All rates and services are payable within 30 days from invoice date. Refer to note for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note for balances included in receivables that were re-negotiated for the period under review.</i> <i>No trade and other receivables are pledged as security for financial liabilities.</i> <i>The provision for bad debts could be allocated between the different classes of debtors as follows:</i>								

2011 %	2011 R	2010 %	2010 R
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FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

			2011 R	2010 R
Water	-	-	-	-
Rates	-	-	-	-
	-	-	-	-

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows:

Investments	-	17 754
Borrowings	14 107 697	15 266 597
Current Portion of Borrowings	1 292 770	1 129 864
Long Term Receivables	-	-
Trade receivables from exchange transactions	-	-
Other receivables from non-exchange transactions	2 184 489	3 874 396
Current Portion of Long-term Receivables	-	-
Short-term Investment Deposits	70 500 000	62 500 000
Term Deposits	2 900 000	2 800 000
Bank and Cash Balances	2 628 152	567 308
Maximum Credit and Interest Risk Exposures	93 613 109	86 155 919

43.5 Liquidity Risk:

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<i>Less than 1 year</i>	<i>Between 1 and 5 years</i>	<i>Between 5 and 10 years</i>	<i>Over 10 Years</i>
2011				
Long Term liabilities	2 799 899	14 148 780	5 318 414	-
Capital repayments	1 292 770	8 153 548	4 661 379	-
Interest	1 507 129	5 995 232	657 036	-
Trade and Other Payables	2 267 558	-	-	-
Unspent conditional government grants and receipts	4 727 383	-	-	-
	9 794 840	14 148 780	5 318 414	-
2010				
Long Term liabilities	2 799 899	13 471 901	7 977 622	-
Capital repayments	1 158 900	7 460 900	6 646 797	-
Interest	1 641 000	6 011 002	1 330 824	-
Trade and Other Payables	5 643 379	-	-	-
Unspent conditional government grants and receipts	6 544 350	-	-	-
	14 987 629	13 471 901	7 977 622	-

44 FINANCIAL INSTRUMENTS

The financial sets of the municipality are classified as follows:

Financial Assets

Classification

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
Investments			
Term Deposits	Financial instruments at amortised cost	2 900 000	2 800 000
Shares	Financial instruments at fair value	6 218	17 754
Long-term Receivables			
Staff Loans	Financial instruments at amortised cost	-	-
Consumer Debtors			
Trade receivables from exchange transactions	Financial instruments at amortised cost	-	-
Other receivables from non-exchange transactions	Financial instruments at amortised cost	<u>2 184 489</u>	<u>3 874 396</u>
Other Debtors			
Payments made in Advance	Financial instruments at amortised cost	-	-
Current Portion of Long-term Receivables			
Staff Loans	Financial instruments at amortised cost	-	-
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	<u>70 500 000</u>	<u>62 500 000</u>
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	2 624 852	564 008
Cash Floats and Advances	Financial instruments at amortised cost	<u>3 300</u>	<u>3 300</u>

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
		R	R
SUMMARY OF FINANCIAL ASSETS			
Financial instruments at amortised cost			
Investments	Term Deposits	2 900 000	2 800 000
Investments	Shares	6 218	17 754
Short-term Investment Deposits	Call Deposits	70 500 000	62 500 000
Bank Balances		2 624 852	564 008
Cash Floats and Advances		3 300	3 300
Long-term Receivables	Staff Loans	-	-
Taxation Revenue	Non-Exchange Transactions	-	-
Consumer Debtors	Exchange transactions	-	-
Consumer Debtors	Non-exchange transactions	2 184 489	3 874 396
Other Debtors	Payments made in advance	-	-
Current Portion of Long-term Receivables	Staff Loans	-	-
		78 218 859	69 759 458
<u>FINANCIAL LIABILITIES</u>			
<u>Financial liabilities</u>			
<u>Long-term Liabilities</u>			
Annuity Loans	Financial instruments at amortised cost	12 780 628	13 977 511
Capitalised Lease Liability	Financial instruments at amortised cost	34 299	159 221
Provisions		25 327 263	23 843 035
Creditors			
Trade creditors	Financial instruments at amortised cost	-	1 460 635
Payments received in advance	Financial instruments at amortised cost	37 252	19 444
Retentions	Financial instruments at amortised cost	432 923	689 086
Other creditors	Financial instruments at amortised cost	1 797 383	3 474 214
Unspent Conditional Grants and Receipts			
Other Spheres of Government	Financial instruments at amortised cost	4 727 383	6 544 350

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
Operating Lease Liability			
Operating Lease Liability	Financial instruments at amortised cost	-	-
Current Portion of Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	1 292 770	1 129 864
Total Financial Liabilities		46 429 901	51 297 361

45 EVENTS AFTER THE REPORTING DATE

The District Management Area were demolished and all assets and liabilities will be transferred to the superseding authority according to the boundaries set by the Demarcation Board

46 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

47 COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

48 RELATED PARTY TRANSACTIONS

	Rates	Service Charges	Other	Outstanding Balances
48.1 Year ended 30 JUNE 2011				
Councillors	-	-	-	-
Municipal Manager and Section 57 Employees	-	-	-	-
Year ended 30 JUNE 2010				
Councillors	-	-	-	-
Municipal Manager and Section 57 Employees	-	-	-	-

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

48.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 12 to the Annual Financial Statements.

48.3 Compensation of key management personnel

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.

48.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

<u>Councillor/Staff Member</u>	<u>Entity</u>		
A Florence (Executive Mayor)	African Paper Products	R	2 900

APPENDIX A

FRANCES BAARD DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 01/07/2010	Received during the period	Redeemed written off during the period	Balance at 30/06/2011	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
LONG-TERM LOANS			R	R	R	R	R	R
Registered Stock Loans			-	-	-	-		
Total Long-Term Loans			-	-	-	-	-	-
ANNUITY LOANS								
DBSA Loan:-								
Frances Baard council Chamber & Offices	103363/1	10 Years	15 000 000	-	1 051 524	13 948 476		
Total Annuity Loans			15 000 000	-	1 051 524	13 948 476	-	-
GOVERNMENT LOANS								
Total Government Loans			-	-	-	-	-	-
LEASE LIABILITY								
Lease Liability			266 597	-	107 376	159 221		
Total Lease Liability			266 597	-	107 376	159 221	-	-
TOTAL EXTERNAL LOANS			15 266 597	-	1 158 900	14 107 697	-	-

APPENDIX B

FRANCES BAARD DISTRICT MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

30 June 2011	Cost / Revaluation								Accumulated Depreciation									Carrying Value	Budget Additions 2011
	Balance at 01/07/2010	Transfers to / from other categories	Change in Accounting Policy	Restated balance	Additions	Under Construction	Disposals	Balance at 30/06/2011	Balance at 01/07/2010	Transfers to / from other categories	Change in Accounting Policy - 2010	Restated balance	Change in Accounting Policy - 2011	Additions	Impairments	Disposals	Balance at 30/06/2011		
COMMUNITY ASSETS																			
Land & Buildings	151 676	-	-	151 676	(45 000)	45 000	-	151 676	42 670	-	-	42 670	-	10 668		-	53 338	98 338	-
Security Measures	539 869	-	-	539 869	2 807	-	-	542 676	102 027	-	-	102 027	-	73 071		-	175 098	367 578	3 200
Total: Community Assets	691 544	-	-	691 544	(42 193)	45 000	-	694 351	144 697	-	-	144 697	-	83 739	-	-	228 436	465 916	3 200
HERITAGE ASSETS																			
Statues	627 427	-	-	627 427	-	-	-	627 427	-	-	-	-	-	-	-	-	-	627 427	-
Total: Heritage Assets	627 427	-	-	627 427	-	-	-	627 427	-	-	-	-	-	-	-	-	-	627 427	-
OTHER ASSETS																			
Land & Buildings	42 005 330	3 200	-	42 008 530	601 802	52 507	-	42 662 839	3 884 449	419	-	3 884 868	-	1 335 578	-	-	5 220 446	37 442 393	810 060
Office Equipment	2 848 421	-	-	2 848 421	331 086	-	30 840	3 148 667	542 294	-	-	542 294	-	387 467	-	30 840	898 921	2 249 745	6 770
Office Equipment - Finance leases	337 110	-	-	337 110	-	-	-	337 110	28 092	-	-	28 092	-	48 159	-	-	76 251	260 859	-
Furniture & Fittings	2 957 607	-	-	2 957 607	28 669	-	22 258	2 964 019	683 820	-	-	683 820	-	376 514	592	22 258	1 038 668	1 925 351	77 300
Plant & Machinery	1 494 669	-	-	1 494 669	491 539	-	2 399	1 983 809	325 384	-	-	325 384	-	215 309	-	2 399	538 295	1 445 515	703 400
Plant & Machinery - Residual Value	298 000	-	-	298 000	-	-	-	298 000	-	-	-	-	-	-	-	-	-	298 000	-
Emergency Equipment	562 364	-	-	562 364	411 728	-	-	974 092	216 145	-	-	216 145	-	81 303	-	-	297 448	676 644	120 000
Motor Vehicle	1 964 134	-	-	1 964 134	479 860	-	105 288	2 338 706	779 071	-	-	779 071	-	294 982	9 871	105 288	978 636	1 360 069	660 000
Motor Vehicle - Residual Value	1 182 662	-	-	1 182 662	119 965	-	48 246	1 254 382	-	-	-	-	-	-	-	-	-	1 254 382	-
Land Fill Sites	3 200	(3 200)	-	-	-	-	-	-	419	(419)	-	-	-	-	-	-	-	-	-
Computer Equipment	4 039 025	-	-	4 039 025	1 657 356	-	637 775	5 058 607	1 492 285	-	-	1 492 285	-	520 517	14 494	637 775	1 389 522	3 669 085	2 034 290
Total: Other Assets	57 692 522	-	-	57 692 522	4 122 005	52 507	846 805	61 020 229	7 951 961	-	-	7 951 961	-	3 259 829	24 956	798 559	10 438 187	50 582 043	4 411 820
Less transferred to Non - Current Assets Held for Sale Discontinued operations	(50 025)			(50 025)				-	(50 025)			(50 025)					(53 795)	-	
	-			-				(154 876)										(101 081)	
TOTAL ASSETS	58 961 468	-	-	58 961 468	4 079 812	97 507	846 805	62 187 132	8 046 632	-	-	8 046 632	-	3 343 567	24 956	798 559	10 612 827	51 574 304	4 415 020

R45 000 under community assets still under consruction

APPENDIX C

FRANCES BAARD DISTRICT MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost					ACCUMULATED DEPRECIATION				Carrying Value
	Balance at 01/07/2010	Additions	Under Construction	Disposals / Adjustments	Balance at 30/06/2011	Balance at 01/07/2010	Additions / Impairments	Disposals / Adjustments	Balance at 30/06/2011	
Executive and Council	3 043 424	185 142	-	- * 103 107.07	3 125 459	390 152 299		0 103 107.07		1 960 580
Finance & Admin	7 263 957	2 482 542	-	0 * 710 242	9 036 257	768 518 15 906		0 661 996		6 563 905
Planning & Development	47 396 529	659 099	97 507	0 * 22 093	48 131 042	1 963 525 8 752		0 22 092.84		41 612 862
Health	290 871	-	-	0 * 11 362.95	279 508	33 452 -		0 11 363		157 423
Community & Social Services	-	-	-	0 * -	-	- 50 272		0 -	0	0
Housing	366 266	6 279	-	0 * -	372 544	29 459 -		- -	79 730	292 814
Public Safety	605 446	791 750	-	- -	1 397 196	137 648 -		0 -	309 395	1 087 802
Sport & Recreation	-	-	-	-	-	-		-	-	-
Environmental Protection	-	-	-	-	-	-		-	-	-
Waste Management	-	-	-	-	-	-		-	-	-
Road Transport	-	-	-	-	-	-		-	-	-
Water	-	-	-	-	-	-		-	-	-
Electricity	-	-	-	-	-	-		-	-	-
Other	-	-	-	-	-	-		-	-	-
TOTAL PER VOTE	58 966 493	4 124 812	97 507	- * 846 805	62 342 008	24 956 3 343 567	- * 798 559		10 666 622	51 675 386
Less transferred to Non- Current Assets Held for Sale	-50 025				-				-	-
Discontinued operations					-154 876				-53 795	(101 080.77)
Total Assets	58 916 468	4 124 812	97 507	846 805	62 187 132	8 096 657	3 368 524	798 559	10 612 827	51 574 305
<i>* Internal Transfers</i>										

APPENDIX D

FRANCES BAARD DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2011

Actual Income 2010 R	Actual Expenditure 2010 R	Surplus / (Deficit) 2010 R		Actual Income 2011 R	Actual Expenditure 2011 R	Surplus / (Deficit) 2011 R
1 258 810	(17 653 753)	(16 394 943)	Executive and Council	1 393 914	(12 762 910)	(11 368 996)
69 775 704	(26 458 791)	43 316 913	Finance & Admin	70 948 160	(29 122 620)	41 825 540
19 595 293	(38 429 553)	(18 834 259)	Planning & Development	22 706 787	(36 280 092)	(13 573 304)
214 409	(2 203 681)	(1 989 272)	Health	153 845	(1 610 855)	(1 457 010)
-	(399 477)	(399 476.73)	Community & Social Services	-	(101 742)	(101 742)
1 550 172	(1 875 153)	(324 980)	Housing	2 083 235	(2 148 223)	(64 988)
1 411 510	(2 435 139)	(1 023 629)	Public Safety	961 842	(2 622 317)	(1 660 475)
-	-	-	Sport & Recreation	-	-	-
-	-	-	Environmental Protection	-	-	-
-	(142)	(142)	Waste Management	10 200	(6 815)	3 385
-	-	-	Road Transport	-	-	-
21 259	(22 836)	(1 578)	Water	12 789	(27 949)	(15 159)
8 134	(8 741)	(607)	Electricity	-	(14 140)	(14 140)
-	-	-	Other	-	-	-
93 835 290	(89 487 265)	4 348 025	SUB TOTAL	98 270 774	(84 697 663)	13 573 110
-	-	-	Discontinued Operations	-	-	-
93 835 290	(89 487 265)	4 348 025	TOTAL	98 270 774	(84 697 663)	13 573 110

APPENDIX E1

FRANCES BAARD DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus Budget
REVENUE					
Property Rates - DMA	395 701	384 740	10 961	2.85%	Deviation not significant
Property rates - penalties imposed and collection charges	9 686	2 000	7 686	100.00%	Deviation not significant
Regional Service Levy Replacement Grant	62 056 000	62 056 000	-	0.00%	None
Government grants and subsidies	28 208 456	42 865 200	(14 656 744)	-34.19%	EPWP funds to the amount of R10,2m did not realised. All DWA funds not spended.
Actuarial Gains	242 288	-	242 288	100.00%	Under budget
Service charges	22 989	14 450	8 539	59.09%	Under budget
Rental of facilities and equipment	254 499	50 000	204 499	409.00%	Rental of grader nor correctly provided in budget
Interest earned - external investments	5 337 922	5 580 000	(242 078)	-4.34%	Decrease in interest rates to lower levels than expected
Income for agency services	685 046	590 000	95 046	16.11%	Deviation not significant
Other income	755 884	1 102 320	(346 436)	-31.43%	Under budget
Gains on disposal of property, plant and equipment	302 302	90 000	212 302	0.00%	None
Total Revenue	98 270 773	112 734 710	(14 463 937)	-14.72%	
EXPENDITURE					
Executive and Council	12 762 910	17 524 876	(4 761 966)	-27.17%	Expenditure on Special Projects less than expected and vacant posts not filled
Finance & Admin	29 122 620	30 447 660	(1 325 040)	-4.35%	Deviation not significant
Planning & Development	36 280 092	59 374 592	(23 094 500)	-38.90%	Under spending on LED projects, roll overs on allocations to category B municipalities and EPWP not realised
Health	1 610 855	3 590 730	(1 979 875)	-55.14%	Recycling projects not finalised
Community & Social Services	101 742	1 025 820	(924 078)	-90.08%	Position of Community Development Officer vacant resulted in slow expenditure
Housing	2 148 223	3 234 970	(1 086 747)	-33.59%	Expenditure limited to revenue received and number of vacant posts
Public Safety	2 622 317	3 935 006	(1 312 689)	-33.36%	Under spending due to underspending on special projects
Water	27 949	51 610	(23 661)	-45.85%	Amount not significant
Electricity	-	17 100	(17 100)	-100.00%	Amount not significant
Refuse removal	14 140	13 000			Under budget
Sanitation Services	6 815	26 220			Under budget
Total Expenditure	84 697 663	119 241 584	(34 525 656)	-40.76%	

APPENDIX E2

FRANCES BAARD DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

Revenue	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus budget
COMMUNITY ASSETS					
Land & Buildings	-	-	-	-100.00%	Still under construction - paid last year
Security Measures	2 807	3 200	(393)	-14.00%	Budgeted under other assets and additional approvals by council
Total: Community Assets	2 807	3 200	(393)	100.00%	
HERITAGE ASSETS					
Statues	-	-	0	0.00%	None
	-	-	0	0.00%	
OTHER ASSETS					
Land & Buildings	654 309	810 060	(155 751)	-19.23%	Upgrading of sewer did not realised
Office Equipment	331 086	6 770	324 316	97.96%	Wrong allocation of equipment in budget between office equipment & computer equipmenyt
Furniture & Fittings	28 669	77 300	(48 631)	-169.63%	Over budget
Plant & Machinery	491 539	703 400	(211 861)	-43.10%	Over budget
Emergency Equipment	411 728	120 000	291 728	70.85%	Expenditure on tents as per council resoulution
Motor Vehicle	599 825	660 000	-60 175.47	0.00%	Deviation not significant
Land Fill Sites	-	-	-	0.00%	Deviation not significant
Computer Equipment	1 657 356	2 034 290	(376 934)	-22.74%	Wrong allocation of equipment in budget between office equipment & computer equipmenyt
Total Other Assets	4 174 512	4 411 820	(237 308)	-5.68%	
TOTAL ASSETS	4 177 319	4 415 020	(237 701)	-5.69%	