

FRANCES BAARD DISTRICT MUNICIPALITY



AUDITED FINANCIAL STATEMENTS 30 JUNE 2014

FRANCES BAARD DISTRICT MUNICIPALITY

Index

Contents	Page
General Information	1 - 3
Approval of the Financial Statements	3
Report of the Auditor General	
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes In Net Assets	6
Cash Flow Statement	7
Statement of comparison of budget and actual amounts - Statement of financial position	8 - 9
Statement of comparison of budget and actual amounts - Statement of financial performance	10 - 11
Statement of comparison of budget and actual amounts - Cash flow statement	12 - 13
Accounting Policies	14 - 47
Notes to the Financial Statements	48 - 72
APPENDICES - Unaudited	
A Schedule of External Loans	73
B Segmental Analysis of Property, Plant and Equipment	74
C Segmental Statement of Financial Performance	75
D Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	76

FRANCES BAARD DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

NATURE OF BUSINESS

Frances Baard Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)

GRADING

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.

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Frances Baard Municipality includes the following areas:

<i>Sol Plaatje</i>	<i>Grade 4</i>
<i>Phokwane</i>	<i>Grade 2</i>
<i>Dikgatlong</i>	<i>Grade 2</i>
<i>Magareng</i>	<i>Grade 2</i>

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.

MUNICIPAL MANAGER

Ms. ZM Bogatsu

ACTING CHIEF FINANCIAL OFFICER

Ms. O Moseki

OTHER HEADS OF DEPARTMENTS

<i>Ms. NG Kgantsi</i>	<i>Director: Aadministration</i>
<i>Mr. FS Mdee</i>	<i>Director: Planning & Development</i>
<i>Mr. PJ van Der Walt</i>	<i>Director: Infrastructure Services</i>

REGISTERED OFFICE

*51 Drakensberg Avenue
Carters Glen
Kimberley*

AUDITORS

External Auditors

*Auditor General
Private Bag X5013
Kimberley*

Internal Audit

The Internal Audit section is not fully staffed and operational as per Council policy as the Internal Audit Manager position is still vacant. The use of external service providers is limited to cases where internal capacity is insufficient to conduct specialized investigations.

Members of the Audit Committee

<i>Mr. AL Kimmie</i>	<i>Chairperson</i>
<i>Mr. WMS Calitz</i>	<i>Member</i>
<i>Mr. AK Bhyat</i>	<i>Member</i>
<i>Mr. T Marumo</i>	<i>Member</i>

FRANCES BAARD DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

PRINCIPLE BANKERS

*Standard Bank
Cnr of Bultfontein & Lennox Street
Po Box 626
Kimberley
8300*

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

MEMBERS OF THE FRANCES BAARD DISTRICT MUNICIPALITY

COUNCILLORS

Executive Mayor	Ms. MM Moloi	Proportional
Speaker	Mr. BM Maribe	Proportional
Mayoral Committee	Ms. MM Moloi	Proportional
Mayoral Committee	Mr. W Johnson	Proportional
Mayoral Committee	Ms. PR Molefi	Proportional
Mayoral Committee	Ms. T Nicholas	Proportional
Mayoral Committee	Mr. K Rifles	Dikgatlong Municipality
Mayoral Committee	Mr. MB Silingile	Proportional
MPAC Chairperson	Ms. B.V. Ximba	Magareng Municipality
Part Time Councillor	Ms. EK Hale	Sol Plaatje Municipality
Part Time Councillor	Mr. JZ Mpampi	Sol Plaatje Municipality
Part Time Councillor	Ms. A. Boqo	Sol Plaatje Municipality
Part Time Councillor	Mr. L. Steyn	Sol Plaatje Municipality
Part Time Councillor	Mr. B Springbok	Sol Plaatje Municipality
Part Time Councillor	Ms. ET Tsimakwane	Sol Plaatje Municipality
Part Time Councillor	Mr. OC Fourie	Sol Plaatje Municipality
Part Time Councillor	Mr. PJ Vorster	Sol Plaatje Municipality

FRANCES BAARD DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Part Time Councillor	Mr. DJP v d Merwe	Sol Plaatje Municipality
Part Time Councillor	Mr. G. Koopman	Sol Plaatje Municipality
Part Time Councillor	Ms. KG Mthukwane	Sol Plaatje Municipality
Part Time Councillor	Ms. S Witkoei	Dikgatlong Municipality
Part Time Councillor	Mr. CJS Adams	Phokwane Municipality
Part Time Councillor	Ms. AO Moremong	Phokwane Municipality
Part Time Councillor	Mr. P. Nel	Phokwane Municipality
Part Time Councillor	Mr. M Kaars	Proportional
Part Time Councillor	Ms. GR Kok	Proportional
Part Time Councillor	Mr. MI Pholoholo	Proportional
Part Time Councillor	Mr. J Smit	Proportional

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2014, which are set out on pages 1 to 76 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2015 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Ms. ZM Bogatsu
Municipal Manager

29-Aug-14
Date

FRANCES BAARD DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Part Time Councillor	Ms. S Witkoei	Dikgatlong Municipality
Part Time Councillor	Mr. CJS Adams	Phokwane Municipality
Part Time Councillor	Ms. AO Moremong	Phokwane Municipality
Part Time Councillor	Mr. P. Nel	Phokwane Municipality
Part Time Councillor	Mr. M Kaars	Proportional
Part Time Councillor	Ms. GR Kok	Proportional
Part Time Councillor	Mr. MI Pholoholo	Proportional
Part Time Councillor	Mr. J Smit	Proportional

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Ms. ZM Bogatsu
Municipal Manager

29-Aug-14

Date

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Frances Baard District Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these 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, 2013 (Act No. 2 of 2013) (DoRA) and for such internal control as the accounting officer determines is 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. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. 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.
4. 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Frances Baard District Municipality as at 30 June 2014, 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

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

Restatement of corresponding figures

8. As disclosed in note 29 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of an error discovered during 2014 in the financial statements of the municipality at, and for the year ended, 30 June 2013.

Additional matter

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

Unaudited supplementary schedules

10. The supplementary information set out on pages A to D 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.

Unaudited supplementary schedules

11. The supplementary information set out on pages A to C 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

12. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2014:
 - a. Development priority 1 - Basic Services Delivery on pages x to x
 - b. Development priority 3 - Municipal Institutional Development and Transformation: on pages x to x
14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected strategic objectives.

Achievement of planned targets

18. Refer to the annual performance report on pages x to x; x to x for information on the achievement of planned targets for the year.

Compliance with legislation

19. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

20. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Kimberley

28 November 2014



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Notes	2014 R (Actual)	2013 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		103 622 555	103 955 407
Accumulated Surplus/(Deficit)		74 818 591	75 947 879
Capital Replacement Reserve	2	8 182 081	7 074 044
Revaluations Reserve	2	20 621 882	20 933 484
Non-Current Liabilities		33 231 558	33 042 416
Long-term Liabilities	3	8 434 946	10 041 380
Employee benefits	4	24 796 611	23 001 035
Current Liabilities		15 921 126	12 802 421
Payables from exchange transactions	6	6 219 361	4 171 424
Current Portion of Long-term Liabilities	3	1 605 705	1 444 018
Unspent Conditional Government Grants and Receipts	7	346 350	327 281
Current Employee benefits	5	7 749 710	6 859 699
Total Net Assets and Liabilities		152 775 238	149 800 244
ASSETS			
Non-Current Assets		56 583 416	58 648 867
Long-Term Receivables	14	9 578 501	9 748 944
Property, Plant and Equipment	9	38 661 158	40 194 153
Intangible Assets	11	776 683	848 654
Heritage Assets	12	631 417	631 417
Non-Current Assets Held for Sale	10	6 935 658	7 225 699
Current Assets		96 191 822	91 151 377
Cash and Cash Equivalents	18	87 934 339	83 563 895
Current Investments	13	4 400 000	3 800 000
Receivables from non-exchange transactions	16	1 457 680	1 534 232
Taxes	8	1 209 966	1 119 098
Current Portion of Long-term Receivables	14	898 044	863 172
Inventory	15	291 794	266 402
Operating Lease Asset	17.1	-	4 579
Total Assets		152 775 238	149 800 244

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 (Actual) R	2013 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		95 052 784	95 574 684
Transfer Revenue		95 052 784	94 578 831
Government Grants and Subsidies	19	95 052 784	93 984 000
Public Contributions and Donations		-	594 831
Other Revenue		-	995 853
Actuarial Gains		-	995 853
Revenue from Exchange Transactions		7 025 655	6 346 002
Rental of Facilities and Equipment		884 663	596 421
Interest Earned - external investments / current account		5 841 380	5 672 199
Other Income	21	299 612	77 382
Gain on disposal of Property, Plant and Equipment		-	-
Total Revenue		102 078 439	101 920 686
EXPENDITURE			
Employee related costs	22	41 012 166	39 422 579
Remuneration of Councillors	23	5 424 122	5 160 197
Depreciation and Amortisation	24	4 050 032	3 483 486
Impairments	25	-	-
Repairs and Maintenance		3 376 440	2 569 405
Actuarial losses		1 264 435	-
Finance Charges - External Funding	26	1 214 568	1 361 298
Finance Charges - Employee benefits		1 085 772	956 517
Grants and Subsidies	27	33 666 424	35 436 785
General Expenses	28	10 919 491	10 138 450
Loss on disposal of Property, Plant and Equipment		397 840	1 026 265
Total Expenditure		102 411 291	99 554 983
NET SURPLUS (DEFICIT) FOR THE YEAR - BEFORE DISCONTINUED OPERATIONS		(332 852)	2 365 702
NET SURPLUS (DEFICIT) FOR THE YEAR - AFTER DISCONTINUED OPERATIONS		(332 852)	2 365 702

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Revaluations Reserve	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 JULY 2012	21 379 051	5 522 089	74 677 337	101 578 478
Change in accounting policy	-	-	-	-
Correction of error Note 32	-	-	11 227	11 227
Restated Balance at 1 JULY 2012	21 379 051	5 522 089	74 688 564	101 589 705
Net Surplus for the year	-	-	2 365 702	2 365 702
Revaluation of Land & Buildings	-	-	-	-
Transfer to Capital Replacement Reserve	-	6 781 330	(6 781 330)	-
Property, plant and equipment purchased	-	(5 229 375)	5 229 375	-
Offsetting of depreciation	(445 567)	-	445 567	-
Balance at 30 JUNE 2013	20 933 484	7 074 044	75 947 879	103 955 407
Net Deficit for the year	-	-	(332 852)	(332 852)
Revaluation of Land & Buildings	-	-	-	-
Transfer to Capital Replacement Reserve	-	3 661 500	(3 661 500)	-
Property, plant and equipment purchased	-	(2 553 462)	2 553 462	-
Offsetting of depreciation	(311 602)	-	311 602	-
Balance at 30 JUNE 2014	20 621 882	8 182 081	74 818 591	103 622 555

FRANCES BAARD DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Notes	30 JUNE 2014 R	30 JUNE 2013 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		2 243 134	923 120
Government		95 071 853	92 727 479
Interest		5 841 380	5 672 199
Dividends		-	-
Payments			
Suppliers and employees		(58 357 122)	(56 127 468)
Finance charges	26	(2 300 340)	(2 317 815)
Transfers and Grants		(33 666 424)	(35 436 785)
Cash generated by operations	30	8 832 481	5 440 729
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(2 508 462)	(5 634 193)
Purchase of Investment property		-	-
Proceeds on Disposal of Fixed Assets		601	110 001
Purchase of Heritage Assets		-	-
Purchase of Intangible Assets		(45 000)	(373 739)
Increase in Long-term Receivables	14	135 571	40 123
Decrease/(Increase) in Current Investments	13	(600 000)	(900 000)
Decrease/(Increase) in Non-current Investments		-	-
Net Cash from Investing Activities		(3 017 291)	(6 757 807)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(1 444 747)	(1 333 190)
New loans raised		-	-
Increase in Consumer Deposits		-	-
Net Cash from Financing Activities		(1 444 747)	(1 333 190)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		4 370 444	(2 650 269)
Cash and Cash Equivalents at the beginning of the year		83 563 895	86 214 164
Cash and Cash Equivalents at the end of the year	31	87 934 339	83 563 895
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		4 370 444	(2 650 269)

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	9 934 339	1 291 148	8 643 191	Under budget based on actual performance
Call investment deposits	78 000 000	64 800 000	13 200 000	Under budget based on actual performance
Consumer debtors	-	-	-	
Other Receivables	2 667 646	1 400 000	1 267 646	Under budget based on actual performance
Current portion of long-term receivables	898 044	-	898 044	Under budget
Inventory	291 794	300 000	(8 206)	Percentage not material
Total current assets	<u>91 791 822</u>	<u>67 791 148</u>	<u>24 000 674</u>	
Non current assets				
Long-term receivables	9 578 501	-	9 578 501	Under budget
Investments	4 400 000	3 000 000	1 400 000	Based on actual performance
Investment property	-	-	-	
Property, plant and equipment	45 596 815	47 459 007	(1 862 191)	Percentage not material
Biological Assets	-	-	-	
Intangible Assets	776 683	2 162 508	(1 385 825)	Under budget - Based on actual performance
Heritage Assets	631 417	-	631 417	Under budget - Disclosure requirement: GRAP
Total non current assets	<u>60 983 416</u>	<u>52 621 514</u>	<u>8 361 901</u>	
TOTAL ASSETS	<u>152 775 238</u>	<u>120 412 663</u>	<u>32 362 576</u>	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	1 605 705	1 605 705	-	Amount not material
Consumer deposits	-	-	-	
Trade and other payables	6 565 712	3 035 000	3 530 712	Under budget based on projected commitments
Provisions and Employee Benefits	7 749 710	6 024 487	1 725 222	Amounts based on actual commitments calculated
Total current liabilities	<u>15 921 126</u>	<u>10 665 192</u>	<u>5 255 934</u>	
Non current liabilities				
Borrowing	8 434 946	8 470 254	(35 307)	Amount not material
Provisions and Employee Benefits	24 796 611	17 971 479	6 825 132	Due to increased amounts in employee benefits calculated
Total non current liabilities	<u>33 231 558</u>	<u>26 441 733</u>	<u>6 789 825</u>	
TOTAL LIABILITIES	<u>49 152 684</u>	<u>37 106 925</u>	<u>12 045 759</u>	
NET ASSETS	<u>57 587 630</u>	<u>83 305 738</u>	<u>(25 718 108)</u>	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	74 818 591	59 966 355	14 852 236	Underbudget based on actual performance
Reserves	28 803 963	23 339 383	5 464 581	Amount not material
TOTAL COMMUNITY WEALTH/EQUITY	<u>103 622 555</u>	<u>83 305 738</u>	<u>20 316 817</u>	

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	959 341	331 808	1 291 148	Based on projected estimates
Call investment deposits	59 000 000	5 800 000	64 800 000	Based on projected estimates
Consumer debtors	-	-	-	
Other Receivables	1 400 000	-	1 400 000	
Current portion of long-term receivables	-	-	-	
Inventory	300 000	-	300 000	
Total current assets	61 659 341	6 131 808	67 791 148	
Non current assets				
Long-term receivables	-	-	-	
Investments	3 000 000	-	3 000 000	
Investment property	-	-	-	
Property, plant and equipment	48 087 197	(628 190)	47 459 007	Amount not material
Biological Assets	-	-	-	
Intangible Assets	2 162 508	-	2 162 508	
Heritage Assets	-	-	-	
Total non current assets	53 249 704	(628 190)	52 621 514	
TOTAL ASSETS	114 909 045	5 503 618	120 412 663	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	1 605 705	-	1 605 705	
Consumer deposits	-	-	-	
Trade and other payables	3 035 000	-	3 035 000	
Provisions and Employee Benefits	6 024 487	-	6 024 487	Based on projected estimates
Total current liabilities	10 665 192	-	10 665 192	
Non current liabilities				
Borrowing	8 470 254	-	8 470 254	
Provisions and Employee Benefits	17 971 479	-	17 971 479	Based on projected estimates
Total non current liabilities	26 441 733	-	26 441 733	
TOTAL LIABILITIES	37 106 925	-	37 106 925	
NET ASSETS	77 802 120	5 503 618	83 305 738	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	54 540 928	5 425 428	59 966 355	Adjustment based on previous year performance
Reserves	23 261 193	78 190	23 339 383	Amount not material
TOTAL COMMUNITY WEALTH/EQUITY	77 802 120	5 503 618	83 305 738	

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	-	-	-	
Property rates - penalties & collection charges	-	-	-	
Service charges	-	-	-	
Rental of facilities and equipment	884 663	961 210	(76 547)	Deviation not material
Interest earned - external investments	5 841 380	4 619 200	1 222 180	Based on actual performance
Government Grants and Subsidies - Operating	95 052 784	94 175 270	877 514	Deviation not material
Other revenue	299 612	24 000	275 612	Based on actual performance
Gains on disposal of PPE	-	60 000	(60 000)	Based on actual performance
Total Operating Revenue	102 078 439	99 839 680	2 238 759	
EXPENDITURE BY TYPE				
Employee related costs	41 012 166	47 498 130	(6 485 964)	Underspending due to vacant positions not filled accordingly
Remuneration of councillors	5 424 122	5 678 840	(254 718)	Deviation not material
Debt impairment	-	3 000	(3 000)	Deviation not material
Depreciation & asset impairment	4 050 032	5 050 000	(999 968)	Over budget
Finance Charges - External Funding	1 214 568	1 258 700	(44 132)	Deviation not material
Finance Charges - Employee benefits	1 085 772	956 500	129 272	Deviation not material
Other materials	3 376 440	4 527 800	(1 151 360)	Unrealistic budget estimates not aligned to actual expenditure needs.
Grants and subsidies paid	33 666 424	42 430 230	(8 763 806)	Under performance with regards to budget estimates
Other expenditure	12 183 926	14 300 470	(2 116 544)	Unrealistic budget estimates not aligned to actual expenditure needs.
Loss on disposal of PPE	397 840	200 000	197 840	Under budgeted estimates
Total Operating Expenditure	102 411 291	121 903 670	(19 492 379)	
Operating Deficit for the year	(332 852)	(22 063 990)	21 731 138	
Government Grants and Subsidies - Capital	-	-	-	
Net Deficit for the year	(332 852)	(22 063 990)	21 731 138	

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Rental of facilities and equipment	961 210	-	961 210	
Interest earned - external investments	4 619 200	-	4 619 200	Adjustment based on projected revenue
Government Grants and Subsidies - Operating	93 815 000	360 270	94 175 270	Adjustment i.r.o. Near and Firefighting grants received not gazetted
Other revenue	24 000	-	24 000	Adjustment as result Actuarial Gains calculations
Gains on disposal of PPE	60 000	-	60 000	Adjustment based on actual receipt
Total Operating Revenue	<u>99 479 410</u>	<u>360 270</u>	<u>99 839 680</u>	
EXPENDITURE BY TYPE				
Employee related costs	47 498 130	-	47 498 130	
Remuneration of councillors	5 678 840	-	5 678 840	
Debt impairment	3 000	-	3 000	
Depreciation & asset impairment	5 050 000	-	5 050 000	
Finance charges	2 215 200	-	2 215 200	
Bulk purchases	-	-	-	
Other materials	3 983 410	544 390	4 527 800	Based on actual needs
Contracted services	-	-	-	
Grants and subsidies paid	42 937 480	(507 250)	42 430 230	Correction of error
Other expenditure	13 594 730	705 740	14 300 470	Not material
Loss on disposal of PPE	200 000	-	200 000	
Total Operating Expenditure	<u>121 160 790</u>	<u>742 880</u>	<u>121 903 670</u>	
Operating Deficit for the year	<u>(21 681 380)</u>	<u>(382 610)</u>	<u>(22 063 990)</u>	
Government Grants and Subsidies - Capital	-	-	-	
Net Deficit for the year	<u><u>(21 681 380)</u></u>	<u><u>(382 610)</u></u>	<u><u>(22 063 990)</u></u>	

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FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	2 243 134	72 061	2 171 074	Based on actual performance
Government - operating	95 071 853	93 815 000	1 256 853	Under budget
Government - capital	-	-	-	
Interest	5 841 380	4 619 200	1 222 180	More interest earned due to higher than expected cash balances
Dividends	-	-	-	
Payments				
Suppliers and Employees	(58 357 122)	(68 169 736)	9 812 614	Over budget based on expected performance & roll overs
Finance charges	(2 300 340)	(1 215 200)	(1 085 140)	Over budget based on expected performance
Transfers and Grants	(33 666 424)	(41 755 836)	8 089 412	Over budget based on expected performance
NET CASH FROM/(USED) OPERATING ACTIVITIES	8 832 481	-12 634 511	-	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	601	-	601	Not material
Decrease/(increase) in non-current receivables	135 571	-	135 571	
Decrease/(increase) in Current investments	(600 000)	-	(600 000)	Amount is based on actual performance
Payments				
Capital assets	(2 553 462)	(3 232 531)	679 069	Savings on purchases
NET CASH FROM/(USED) INVESTING ACTIVITIES	-3 017 291	(3 232 531)	215 240	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	-	-	-	
Payments				
Repayment of borrowing	(1 444 747)	(1 605 705)	160 958	Not material
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1 444 747)	(1 605 705)	160 958	
NET INCREASE/(DECREASE) IN CASH HELD	4 370 444	(17 472 747)	376 198	
Cash and Cash Equivalents at the beginning of the year	83 563 895	83 563 895	0	
Cash and Cash Equivalents at the end of the year	87 934 339	66 091 148	21 843 191	Amount based on actual performance

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	72 061	-	72 061	
Government - operating	93 815 000	-	93 815 000	
Government - capital	-	-	-	
Interest	4 619 200	-	4 619 200	
Dividends	-	-	-	
Payments				
Suppliers and Employees	(67 426 856)	(742 880)	(68 169 736)	Adjustment made i.r o expenditure projections
Finance charges	(1 215 200)	-	(1 215 200)	
Transfers and Grants	(41 755 836)	-	(41 755 836)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	-11 891 631	-742 880	-12 634 511	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Payments				
Capital assets	(3 860 721)	628 190	(3 232 531)	Reduction due to decrease in capital needs
NET CASH FROM/(USED) INVESTING ACTIVITIES	(3 860 721)	628 190	(3 232 531)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	-	-	-	
Payments				
Repayment of borrowing	(1 605 705)	-	(1 605 705)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	-1 605 705	-	(1 605 705)	
NET INCREASE/(DECREASE) IN CASH HELD	(17 358 057)	(114 690)	(17 472 747)	
Cash and Cash Equivalents at the beginning of the year	77 317 399	6 246 496	83 563 895	Based on projected estimates
Cash and Cash Equivalents at the end of the year	59 959 342	6 131 806	66 091 148	Based on projected estimates
	<u> </u>	<u> </u>	<u> </u>	

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and 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).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

Standard	Description	Effective Date
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)	1 April 2014

A summary of the significant accounting policies, which have been consistently applied except where an exemption 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 otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

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. Financial values are rounded to the nearest one Rand.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the 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. AMENDED DISCLOSURE POLICY

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 errors.

1.6. CONSOLIDATED FINANCIAL STATEMENTS

The Economic Entity's financial statements incorporate the financial statements of the parent entity, *Frances Baard District Municipality*, and all its municipal entities, presented as a single entity and consolidated at the same reporting date as the parent entity.

Municipal entities are all controlled entities over which the Municipality has ownership control or effective control to govern the financial and operating policies of such controlled entities so as to benefit from its activities.

All inter-entity transactions and balances, unrealized gains and losses within the Economic Entity are eliminated upon consolidation. Where appropriate the accounting policies of controlled entities conform to the policies adopted by the Municipality.

The municipality don't have an entity

1.7. 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. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.8. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.9. 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:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	Unknown
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p>	Unknown

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Standard	Description	Effective Date
	No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.	
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
GRAP 105 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 106 (Original – Nov 2010)	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Standard	Description	Effective Date
GRAP 107 (Original – Nov 2010)	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2015
GRAP 108 (Original – Sept 2013)	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	Unknown

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

1.10. RESERVES

1.10.1 Capital Replacement Reserve (CRR)

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/ 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 is credited by a corresponding amount when the amounts in the CRR are utilized.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.10.2 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 the Statement of Financial Performance. .

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.

1.11. LEASES

1.11.1 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 (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) 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, investment property or intangibles assets. 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 de-recognition 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. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.11.2 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, discounted at the interest rate implicit in the lease.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 de-recognition 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 revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

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 government organs.

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.

1.13. 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 Municipality 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.

1.14. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

- Unspent public contributions 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 the public contribution 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.

1.15. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. 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.

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

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

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

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

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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 is de-recognised.

1.16. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality 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.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.17.1 *Post-Retirement Medical Obligations*

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 60% as contribution and the remaining 40% is 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 recognised in 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 present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in 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 recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.17.2 *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 annually and the corresponding liability is raised.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in 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 recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.17.3 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 recognised in 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 recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.17.4 Provision for Staff Leave

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.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.17.5 Staff Bonuses Accrued

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.

1.17.6 Provision for Performance Bonuses

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

1.17.7 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Defined contribution plans are post-employment benefit plans under which the Municipality 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 recognised in the Statement of Financial Performance in the year they become payable. 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 recognised in the Statement of Financial Performance 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.

1.18. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset.

The amount of borrowing costs that the Municipality capitalises during a period does not exceed the amount of borrowing costs it incurred during that period. 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. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.19. PROPERTY, PLANT AND EQUIPMENT

1.19.1 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. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. 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.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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

1.19.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated 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 or service potential associated with the asset.

1.19.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated 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 the Statement of Financial Performance.

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

1.19.4 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:

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Years		Years
<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
<u>Community</u>		Specialised plant and Equipment	10-30
Buildings	5-100	Other plant and Equipment	2-30
Recreational Facilities	20-30	Landfill sites	5-30
Security	5-15	Quarries	25
Halls	10-30	Emergency equipment	5-30
Libraries	10-30	Computer equipment	2-30
Parks and gardens	10-20		
Other assets	10-20		
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

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 recognised in 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.

1.19.5 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.

1.20. INTANGIBLE ASSETS

1.20.1 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 Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality 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.

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;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

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 is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.20.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. 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.

1.20.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its 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	10
Computer Software Licenses	10

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.20.4 De-recognition

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.

1.21. INVESTMENT PROPERTY

1.21.1 Initial Recognition

Investment property is 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 Municipality, 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. The cost of self-constructed investment property is measured at cost.

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.

1.21.2 Subsequent Measurement – Cost Model

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

1.21.3 Depreciation and Impairment – Cost Model

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

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

1.21.4 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.

1.22 HERITAGE ASSETS

1.22.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.22.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.22.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets 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 recognised in 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.

1.22.4 De-recognition

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

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.22.5 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 2010.

1.23. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.23.1 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.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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 CGU'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.

1.23.2 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.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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 is recognised 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, depending on the nature of the asset in question:

- *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.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

1.24. INVENTORIES

1.24.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. 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.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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.

1.24.2 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. 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.

The basis of allocating cost to inventory items is the weighted average method.

1.25. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

cash equivalents, annuity loans and payables (both form exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.25.1 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. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.25.2 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 or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.25.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at 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 occurring after the

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

1.25.2.2 *Payables and Annuity Loans*

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and 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.

1.25.2.3 *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 carried at amortised cost.

1.25.2.4 *Non-Current Investments*

Investments 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 Statement of Financial Performance 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 recognised in 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.

1.25.3 De-recognition of Financial Instruments

1.25.3.1 *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

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

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.

1.25.3.2 *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.

1.25.4 ***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

1.26. REVENUE

1.26.1 ***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.

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

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

corresponding liability is recognised 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.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

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.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June.

Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

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 is measured at the fair value of the consideration received or receivable.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

1.26.2 Revenue from Exchange Transactions

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

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

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

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. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . 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. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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 points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

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.

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 is 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 Municipality 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 Municipality.

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;
- 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.

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.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.27 TRANSFER OF FUNCTION (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality 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 Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.28. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.29. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in 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 (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. 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 (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31. 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 (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 Municipality. 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.

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

Management judgement is required when recognising and measuring contingent liabilities.

1.33. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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:

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

The cost of post retirement medical obligations, long service awards and ex-gratia 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. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.33.2 *Impairment of 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.

1.33.3 *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.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

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.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings 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.

1.33.4 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.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

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.

1.33.5 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.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

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.

1.33.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.33.7 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.

1.33.8 Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

1.33.9 Provision for Task Implementation

The provision at 30 June for Task Implementation represents the Municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The difference between these two packages was backdated to the implementation date of the TASK grading system.

1.33.10 Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.33.11 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.33.12 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives.

The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.34. 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.

1.35. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.36. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.37. TAXATION

1.37.1 *Current tax assets and liabilities*

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

1.37.2 *Deferred tax assets and liabilities*

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.37.3 *Tax expenses*

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2	NET ASSET RESERVES	2014 R	2013 R
	Capital Replacement Reserve	8 182 081	7 074 044
	Revaluations Reserve	20 621 882	20 933 484
	Total Net Asset Reserves	28 803 963	28 007 528

3	LONG-TERM LIABILITIES		
	Annuity Loans - At amortised cost	10 040 651	11 485 398
		10 040 651	11 485 398
	Current Portion transferred to Current Liabilities	1 605 705	1 444 018
	Annuity Loans - At amortised cost	1 605 705	1 444 018
		8 434 946	10 041 380
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	8 434 946	10 041 380

Refer below for maturity dates of long term liabilities:

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

Less: Future finance obligations

Present value of annuity obligations

**Minimum
annuity payments**

2 659 207	2 659 315
10 636 829	13 296 036
-	-
13 296 036	15 955 352
(3 255 385)	(4 469 953)
10 040 651	11 485 398

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.

4	EMPLOYEE BENEFITS		
	Post Retirement Healthcare Benefits - Refer to Note 4.1	13 803 934	12 026 697
	Roads Post Retirement Healthcare Benefits - Refer to Note 4.1	9 578 501	9 748 944
	Long Service Awards - Refer to Note 4.2	1 278 285	1 051 590
	Ex-Gratia Pension Benefits - Refer Note 4.3	135 891	173 804
	Total Non-current Employee Benefit Liabilities	24 796 611	23 001 035.40

In terms of the agreement with the Northern Cape Provincial Government these amounts will be recoverable from the Provincial Government on payment to the affected employees. Refer note 14.

Post Retirement Healthcare Benefits

Balance 1 July	23 330 673	22 763 774
Contribution for the year	359 770	255 340
Interest Cost	1 816 484	1 580 288
Expenditure for the year	(1 508 221)	(675 838)
Actuarial Loss/(Gain)	1 037 593	(592 891)
Total post retirement benefits 30 June	25 036 299	23 330 673
Less: Transfer of Current Portion - Note 5	(1 653 864)	(1 555 032)
Balance 30 June	23 382 435	21 775 641

Post Retirement Benefits: Frances Baard

Balance 1 July	12 718 557	12 111 535
Contribution for the year	359 770	255 340
Interest Cost	993 165	865 005
Expenditure for the year	(740 590)	(291 732)
Actuarial Loss/(Gain)	1 228 852	(221 591)
Total post retirement benefits 30 June	14 559 754	12 718 557
Less: Transfer of Current Portion - Note 5	(755 820)	(691 860)
Balance 30 June	13 803 934	12 026 697

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<u>Post Retirement Benefits: Roads</u>		
Balance 1 July	10 652 239	10 652 239
Contribution for the year	-	-
Interest Cost	823 319	715 283
Expenditure for the year	(767 631)	(384 106)
Actuarial Loss/(Gain)	(191 259)	(371 300)
Total post retirement benefits 30 June	10 516 668	10 612 116
Less: Transfer of Current Portion - Note 5	(898 044)	(863 172)
Balance 30 June	9 618 624	9 748 944

Long Service Awards

Balance 1 July	1 062 672	1 021 384
Contribution for the year	131 264	208 923
Interest Cost	80 509	60 018
Expenditure for the year	(10 940)	(215 060)
Actuarial Loss/(Gain)	58 471	(12 593)
Total long service 30 June	1 321 976	1 062 672
Less: Transfer of Current Portion - Note 5	(43 691)	(11 082)
Balance 30 June	1 278 285	1 051 590

Ex-Gratia Pensions

Balance 1 July	213 225	575 936
Contribution for the year	-	-
Interest Cost	12 098	31 494
Expenditure for the year	(34 090)	(36 405)
Actuarial Loss/(Gain)	(22 888)	(357 800)
Total long service 30 June	168 345	213 225
Less: Transfer of Current Portion - Note 5	(32 454)	(39 421)
Balance 30 June	135 891	173 804

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	24 606 570	24 361 094
Contribution for the year	491 034	464 263
Interest cost	1 909 091	1 671 800
Expenditure for the year	(1 553 251)	(927 303)
Actuarial Loss/(Gain)	1 073 176	(963 284)
Total employee benefits 30 June	26 526 620	24 606 570
Less: Transfer of Current Portion - Note 5	(1 730 009)	(1 605 535)
Balance 30 June	24 796 611	23 001 035

4 EMPLOYEE BENEFITS (CONTINUE)

4.1 Post Retirement Healthcare Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	53	58
Continuation members (e.g. Retirees, widows, orphans)	22	22
Roads - Continuation members (e.g. Retirees, widows, orphans)	27	27
Total Members	102	107

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

In-service members	5 048 295	4 453 000
Continuation members	9 511 459	8 264 884
Roads - Continuation members	10 476 545	10 612 116
Total Liability	25 036 299	23 330 000

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2012 R	2011 R	2010 R
In-service members	2 940 292	3 209 359	4 487 770
Continuation members	19 823 482	16 813 413	14 089 056
Total Liability	22 763 774	20 022 772	18 576 826

	2014 Rm	2013 Rm	2012 Rm	2011 Rm
Experience adjustments were calculated as follows:				
Liabilities: (Gain) / loss	1.12	0.041	(0.216)	(0.98)
Assets: Gain / (loss)			-	-

The municipality performed their first actuarial valuation on 30 June 2010. Thus there are no experience adjustment figures available on or before 30 June 2010 to fully comply with GRAP 25

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

Bonitas;
Keyhealth
LA Health
ProSano
SAMWU Medical Aid

Key actuarial assumptions used:

i) Rate of interest

Discount rate
Health Care Cost Inflation Rate
Net Effective Discount Rate

	2014 %	2013 %
Discount rate	8.54%	8.05%
Health Care Cost Inflation Rate	7.85%	7.39%
Net Effective Discount Rate	0.64%	0.61%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

	2014 R	2013 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	21 802 147	20 195 353
Total Liability	21 802 147	20 195 353

The fund is wholly unfunded.

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	21 750 385	22 763 774
Total expenses	668 033	(420 498)
Current service cost	359 770	(1 357 890)
Interest Cost	1 816 484	1 613 230
Benefits Paid	(1 508 221)	(675 838)
Actuarial (gains)/losses	1 037 593	(592 891)
Present value of fund obligation at the end of the year	23 456 011	21 750 385
Less: Transfer of Current Portion - Note 5	(1 653 864)	(1 555 032)
Balance 30 June	21 802 147	20 195 353

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	5.048	19.988	25.036	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	6.199	21.946	28.15	12%
Health care inflation	-1%	4.154	18.284	22.44	-10%
Post-retirement mortality	-1 year	5.226	20.893	26.12	4%
Average retirement age	-1 year	5.392	19.988	25.38	1%
Withdrawal Rate	-10%	4.084	19.988	24.07	-4%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		395 000	1 816 500	2 211 500	
Health care inflation	1%	461 800	2 050 900	2 512 700	15%
Health care inflation	-1%	283 500	1 621 000	1 904 500	-12%
Post-retirement mortality	-1 year	371 900	1 897 500	2 269 400	4%
Average retirement age	-1 year	386 100	1 839 500	2 225 600	2%
Withdrawal Rate	50%	469 100	1 871 000	2 340 100	8%

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

79 86

Key actuarial assumptions used:

i) Rate of interest

Discount rate
General Salary Inflation (long-term)
Net Effective Discount Rate applied to salary-related Long Service Bonuses

2014 **2013**
% **%**

8% 8%
7% 7%
1% 1%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

2014 **2013**
R **R**

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1 278 285	1 051 590
Net liability	1 278 285	1 051 590

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2012 R	2011 R	2010 R
Total Liability	1 021 384	789 848	1 013 696

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	16 645	(274 230.00)	159 121.00
Assets: Gain / (loss)	-	-	-

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 062 672	1 021 384
Total expenses	200 833	53 881
Current service cost	131 264	208 923
Interest Cost	80 509	60 018
Benefits Paid	(10 940)	(215 060)
Actuarial (gains)/losses	58 471	(12 593)
Present value of fund obligation at the end of the year	1 321 976	1 062 672
Less: Transfer of Current Portion - Note 5	(43 691)	(11 082)
Balance 30 June	1 278 285	1 051 590

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		1 322 000	
General salary inflation	1%	1 414 000	7%
General salary inflation	-1%	1 238 000	-6%
Average retirement age	-2 yrs	1 141 000	-14%
Average retirement age	2 yrs	1 384 000	5%
Withdrawal rates	-50%	1 638 000	24%

4.3 Provision for Ex-Gratia Pension Benefits

The Ex-Gratia plans are defined benefit plans. As at year end, 2 employees were eligible for Ex-Gratia payments.

There is no Future-service Costs as there are no current in-service members eligible for ex-gratia payments, whereas the Interest cost for the next year is estimated to be R11 248.00

Sensitivity Analysis on the interest cost

Assumption	Change	Liability	% change
Central assumptions		12 098	
Pension increase rate	1%	12 740	5%
Pension increase rate	-1%	11 503	-5%
Post retirement mortality	-1 Yrs	12 783	6%

Key actuarial assumptions used:

i) Rate of interest

Discount rate 7% 6%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

The amounts recognised in the Statement of Financial Position are as follows:

	2014 R	2013 R
Present value of fund obligations	92 299	142 310
Net liability/(asset)	92 299	142 310

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	181 731	575 936
Total expenses	(34 090)	(36 405)
Current service cost	-	-
Interest Cost	-	-
Benefits Paid	(34 090)	(36 405)
Actuarial (gains)/losses	(22 888)	(357 800)
Present value of fund obligation at the end of the year	124 753	181 731
Less: Transfer of Current Portion to Current Employee Benefits - Note 5	(32 454)	(39 421)
Balance at end of year	92 299	142 310

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2012 R	2011 R	2010 R
Members	575 936	833 298	782 896
Total Liability	575 936	833 298	782 896
	2012 R	2011 R	2010 R

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss

Assets: Gain / (loss)

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		168 346	
Pension increase rate	1%	175 842	5%
Pension increase rate	-1%	161 352	-4%
Post retirement mortality	1 Yrs	176 852	5%

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
4.4 Retirement funds		
<p>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.</p> <p>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.</p> <p>Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.</p> <p><u>CAPE RETIREMENT FUND</u></p> <p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in an sound financial position with a funding level of 100.2% (30 June 2012 - 99.9%).</p>		
Contributions paid recognised in the Statement of Financial Performance	4 205 554	4 062 617
<u>DEFINED CONTRIBUTION FUNDS</u>		
<p>Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.</p> <p>Contributions paid recognised in the Statement of Financial Performance</p>		
Municipal Councillors Pension Fund	173 314	164 953
SAMWU National Provident Fund	66 601	16 842
	<u>239 915</u>	<u>181 795</u>
5 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Healthcare Benefits - Note 4	755 820	691 860
Roads - Current Portion of Post Retirement Healthcare Benefits - Note 4	898 044	863 172
Current Portion of Long-Service Provisions - Note 4	43 691	11 082
Current Portion of Ex-Gratia Pension - Note 4	32 454	39 421
Provision for Staff Leave	4 303 888	3 701 841
Provision for Performance Bonuses	565 027	464 450
Staff Bonuses accrued	1 150 786	1 087 873
Total Current Employee Benefits	7 749 710	6 859 699
The movement in current employee benefits are reconciled as follows:		
<u>Provision for Staff Leave</u>		
Balance at beginning of year	3 701 841	2 806 740
Contribution to current portion	1 404 022	1 121 150
Expenditure incurred	(801 975)	(226 049)
Balance at end of year	4 303 888	3 701 841
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.		
<u>Provision for Performance Bonuses</u>		
Balance at beginning of year	464 450	390 833
Contribution to current portion	434 391	371 068
Expenditure incurred	(333 814)	(297 451)
Balance at end of year	565 027	464 450
Performance bonuses 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.		

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<u>Staff Bonuses accrued</u>		
Balance at beginning of year	1 087 873	992 073
Contribution to current portion	2 074 908	1 880 048
Expenditure incurred	(2 011 994)	(1 784 249)
Balance at end of year	1 150 786	1 087 873

Bonuses are being paid to all municipal staff, excluding managers appointed in terms of section 54 & 56 of the Municipal Systems Amendment act of 2011. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

6 PAYABLES FROM EXCHANGE TRANSACTIONS

Other Payables	6 219 361	4 171 424
Payments received in advance	13 956	16 754
Retentions	405 931	439 713
Creditors Control	-	254 710
Sundry Creditors	5 731 840	3 394 234
ABSA Fleet Card	67 622	66 013
Salary Control: - Industrial Council	13	-
Total Trade Payables	6 219 361	4 171 424

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value.
All payables are unsecured.

7 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	346 350	327 281
National and Provincial Government Grants	346 350	327 281
Less: Unpaid Grants	-	-
National and Provincial Government Grants	-	-
Total Conditional Grants and Receipts	346 350	327 281

Reconciliation of total grants and receipts

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

8 TAXES

NET VAT RECEIVABLE/(PAYABLE)	1 209 966	1 119 098
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VAT is receivable/payable on the cash basis.

9 PROPERTY, PLANT AND EQUIPMENT

9.1 See attached sheet on page 75

9.2 Funding of Assets: Non-exchanged Transactions

External Loans	15 000 000	15 000 000
Own Generated Funds	45 271 593	42 918 666
Grants & Subsidies	1 752 396	2 443 985
Revaluation	21 729 177	21 729 177
	83 753 166	82 091 828
Less Assets Held for Sale	(7 381 138)	(7 496 968)
Total	76 372 028	74 594 860

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
9.3 Assets pledged as security:		
No assets are pledged as security.		
9.4 Third party payments received for losses incurred:		
Payments received (Excluding VAT)	12 773	5 719
Carrying value of assets written off/lost		-
Surplus/Deficit	<u><u>12 773</u></u>	<u><u>5 719</u></u>
9.5 Impairment of property plant and equipment for the year		
Impairment charges on Property, plant and equipment recognised in statement of financial performance		
Land and Buildings	-	-
	<u>-</u>	<u>-</u>
Cumulative impairment charges included in major balances		
Land and Buildings	18 807 364	18 807 364
	<u><u>18 807 364</u></u>	<u><u>18 807 364</u></u>
9.6 Effect of changes in accounting estimates		
Effect on Property, plant and equipment	-	9 784.89
	<u>-</u>	<u>9 784.89</u>
9.7 Revaluation of property		
The revaluation of council's land and buildings was done by Valu Data professional valuers during the 2011 / 12 financial year on the method of		
- value indicated by recent sales of comparable properties in the market,		
- value of the property's earning power base on a capitalisation of the first year income or projected future income, and		
- the current cost of reproducing or replacing the improvements less loss in value from depreciation plus the value of land.		
10 NON-CURRENT ASSETS HELD FOR SALE		
Non-current assets held for sale at beginning of year - at book value	7 225 699	75 155
Additions for the year	45 005	7 225 699
Transferred from PPE at Book Value	-	-
	<u>7 270 704</u>	<u>7 300 854</u>
Non-current assets sold/written off during the year	(335 047)	(75 155)
Non-current assets held for sale at end of year - at book value	<u><u>6 935 658</u></u>	<u><u>7 225 699</u></u>
Non-current assets are items written off but not yet disposed at year end. Assets that needs to be transferred to the Department of Roads will be disclosed as assets held for sale until finally transferred.		
11 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	848 654	894 823
Cost	1 133 740	1 367 970
Accumulated Amortisation	(285 086)	(473 147)
Additions	45 000	373 739
Disposals: Cost	-	(607 969)
Amortisation	(116 971)	(141 315)
Disposals: Amortisation	-	329 376
Net Carrying amount at 30 June	776 683	848 654
Cost	1 178 740	1 133 740
Accumulated Amortisation	(402 057)	(285 086)

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
The following material intangible assets are included in the carrying value above			
	<u>Remaining Amortisation Period</u>	Carrying Value	
<u>Description</u>			
Computer programmes	13	776 683	848 654

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

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

12 HERITAGE ASSETS

Net Carrying amount at 1 July

Cost

631 417	627 427
631 417	627 427
-	627 427

Acquisitions

-	3 990
---	-------

Net Carrying amount at 30 June

Cost

631 417	631 417
631 417	631 417
-	631 417

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

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

There are no Heritage Assets pledged as security for liabilities

13 CURRENT INVESTMENTS

Bank Deposits

4 400 000 3 800 000

Total Current Investments

4 400 000 3 800 000

Fixed deposit at Standard Bank until 24 June 2015 at 7.07% interest.

14 LONG-TERM RECEIVABLES

Roads Post Retirement Healthcare Benefits - Refer to Note 4.1

Balance Previously Reported

Correction of Error - Note 29

Current year movements

10 612 116	10 652 239
-	-
-	-
(135 571)	(40 123)

Total post retirement benefits 30 June

10 476 545 10 612 116

Less: Transfer of Current Portion

(898 044) (863 172)

Balance 30 June

9 578 501 9 748 944

Council managed an agency service on behalf of the Department of Roads & Public Works until 30 June 2011. The service has been transferred back to the Department from 01 July 2011. As per agreement, the municipality will continue payment of the post service medical aid premiums of the retired employees to the service provider. The Department will refund the employers portion of the instalment and the members will be responsible for the employee portion. Outstanding amounts are treated as receivables from non-exchange transactions.

An amount of R767 631 was levied to the department of Roads & Public Works and R353 485 to individual members for the 2013 / 2014 financial year. Amounts outstanding included under receivables from non-exchange transactions amounts to R79 633.

15 INVENTORY

Consumable Stores - Stationery and materials - At cost

291 794 266 402

Total Inventory

291 794 266 402

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Consumable stores materials written down due to losses as identified during the annual stores counts.	-	2 798
Consumable stores materials surpluses identified during the annual stores counts.	-	-
Inventory recognised as an expense during the year	-	363 140

No inventory assets were pledged as security for liabilities.

16 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other Receivables	1 457 680	1 534 232
Sundry Services	497 597	719 949
Payments Made in Advance	462 500	466 964
Interest on investment	382 115	276 228
Other Sundry Debtors	106 268	62 691
Salary Control:-Main Account	-	3 551
Salary Control - Traffic Fines	200	200
Recoverable Amounts	9 000	4 650
Total Receivables from Non-Exchange Transactions	1 457 680	1 534 232
Less: Allowance for Doubtful Debts	-	-
Total Net Receivables from Non-Exchange Transactions	1 457 680	1 534 232

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

17 OPERATING LEASE ARRANGEMENTS

17.1 The Municipality as Lessor (Asset)

Balance on 1 July	4 579	8 241
Movement during the year	(4 579)	(3 662)
Balance on 30 June	-	4 579

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	-	4 579
Total Operating Lease Arrangements	-	4 579

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.
The municipality does not engage in any sub-lease arrangements.
The municipality did not receive any contingent rent during the year

18 CASH AND CASH EQUIVALENTS

Assets

Call Investment Deposits	78 000 000	83 200 000
Primary Bank Account	9 931 039	360 595
Cash Floats	3 300	3 300
Total Cash and Cash Equivalents - Assets	87 934 339	83 563 895

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts

Standard Bank Kimberley Business Centre - Account Number 04 007 955 4	9 921 183	322 126
ABSA Bank Kimberley (Central Business District) - Account Number 940 000 327	9 856	38 469
	9 931 039	360 595

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Standard Bank Kimberley Business Centre - Account Number 04 007 955 4		
Cash book balance at beginning of year	322 126	3 512
Cash book balance at end of year	9 921 183	322 126
Bank statement balance at beginning of year	618 780	580
Bank statement balance at end of year	10 111 546	618 780
ABSA Bank Kimberley (Central Business District) - Account Number 940 000 327		
Cash book balance at beginning of year	38 469	2 707 352
Cash book balance at end of year	9 856	38 469
Bank statement balance at beginning of year	41 490	3 364 665
Bank statement balance at end of year	9 856	41 490

New primary bank account has been opened at Standard bank. The account at ABSA will be closed as soon as all transactions on the ABSA account stopped

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Absa Bank
First Rand
Nedcor
Standard Bank

13 500 000	12 250 000
10 500 000	10 750 000
27 500 000	25 750 000
26 500 000	34 750 000
78 000 000	83 500 000

19 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

89 990 000 87 442 000

Equitable Share

89 990 000	87 442 000
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Conditional Grants

5 062 784 7 136 831

National Government
Provincial Government
Public Contributions

2 227 941	1 982 992
2 834 843	4 559 008
-	594 831

Total Grants and Subsidies

95 052 784 94 578 831

95 052 784 94 578 831

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share

89 990 000	87 442 000
------------	------------

Executive & Council
Budget & Treasury
Planning & Development
Housing
Public Safety
Environmental Protection

-	-
1 326 853	1 424 648
2 127 941	2 434 792
1 000 000	983 191
600 000	2 288 364
7 990	5 836

95 052 784 94 578 831

The municipality does not expect any significant changes to the level of grants.

19.01 Equitable share

Opening balance
Grants received
Gross Funding
Conditions met - transferred to revenue

-	-
89 990 000	87 442 000
89 990 000	87 442 000
(89 990 000)	(87 442 000)

Conditions still to be met

-	-
---	---

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

19.02 Financial Management Grant

Opening balance
Grants received
Gross Funding
Conditions met - transferred to revenue

-	-
1 250 000	1 250 000
1 250 000	1 250 000
(1 250 000)	(1 250 000)

Conditions still to be met

-	-
---	---

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<p>The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).</p>		
19.03 Municipal Systems Improvement Grant		
Opening balance	267 008	-
Grants received	890 000	1 000 000
Gross Funding	1 157 008	1 000 000
Conditions met - transferred to revenue	(977 941)	(732 992)
Conditions still to be met	179 068	267 008
<p>The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.</p>		
19.04 District Aids Council		
Opening balance	-	-
Grants received	100 000	-
Gross Funding	100 000	-
Conditions met - transferred to revenue	-	-
Grant expenditure to be recovered	100 000	-
<p>The grant is from Department of Health to finance the costs of District Aids Councils in the campaign against AIDS and also to provide HIV /AIDS prevention care programs and services in the region.</p>		
19.05 NEAR Control Centre		
Opening balance	-	569 000
Grants received	300 000	607 000
Gross Funding	300 000	1 176 000
Conditions met - transferred to revenue	(300 000)	(1 176 000)
Grant expenditure to be recovered	-	-
<p>The grant is used to maintain effective functioning of the NEAR control centres and provide additional funds for training NEAR personnel.</p>		
19.06 NCPA - Housing Accreditation Grant		
Opening balance	-	713 191
Grants received	1 000 000	270 000
Gross Funding	1 000 000	983 191
Conditions met - transferred to revenue	(1 000 000)	(983 191)
Conditions still to be met	-	-
<p>The grant is used 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 Governance, Human Settlements & Traditional Affairs.</p>		
19.07 NCPA Firefighting Equipment		
Opening balance	-	723 364
Grants received	300 000	389 000
Gross Funding	300 000	1 112 364
Conditions met - transferred to revenue	(300 000)	(1 112 364)
Conditions still to be met	-	-
<p>Grant is used to enhance municipalities' capacity to deal with fire hazards.</p>		
19.08 SETA - Skills Grant		
Opening balance	-	-
Grants received	76 853	174 648
Gross Funding	76 853	174 648
Conditions met - transferred to revenue	(76 853)	(174 648)
Conditions still to be met	-	-
<p>The grant is used for training and capacity building of employees as per approved Skills Work Plan.</p>		

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
19.090 NCPA: EPWP: DMA Bush Clearance		
Opening balance	-	106 969
Grants received	1 000 000	1 000 000
Gross Funding	1 000 000	1 106 969
Conditions met - transferred to revenue	(1 000 000)	(1 106 969)
Conditions still to be met	-	-
The grant is used for clearance and vegetation control of areas in the DMA		
19.1 NCPA: Environmental Health Recycling Project		
Opening balance	60 272	66 108
Grants received	-	-
Gross Funding	60 272	66 108
Conditions met - transferred to revenue	(7 990)	(5 836)
Conditions still to be met	52 283	60 272
Grant is used for Frances Baard Recycling projects		
19.11 Tourism Grant		
Opening balance	-	-
Grants received	150 000	-
Gross Funding	150 000	-
Conditions met - transferred to revenue	(150 000)	-
Conditions still to be met	-	-
19.11 Total Government Grants & Subsidies		
Opening balance	327 281	2 178 633
Grants received	95 056 853	92 132 648
Gross Funding	95 384 134	94 311 280
Conditions met - transferred to revenue	(95 052 784)	(93 984 000)
Conditions still to be met/(Grant expenditure to be recovered)	331 350	327 281
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	331 350	327 281
Unpaid Conditional Government Grants and Receipts	-	-
	331 350	327 281
20 Public Contributions & Donations		
20.01 Koopmansfontein Electricity Self Build Scheme		
Opening balance	-	-
Grants received	-	594 831
Gross Funding	-	594 831
Conditions met - transferred to revenue	-	(594 831)
Conditions still to be met	-	-
The grant is used to complete the Koopmansfontein self build scheme with financial contribution from ESKOM and farmers.		
20.02 ABSA		
Opening balance	-	-
Grants received	15 000	-
Gross Funding	15 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met	15 000	-
Private contribution to fund commemorative day celebrations		

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
20.03 Total Public Contributions & Donations		
Opening balance	-	-
Grants received	15 000	594 831
Gross Funding	15 000	594 831
Conditions met - transferred to revenue	-	(594 831)
Conditions still to be met/(Grant expenditure to be recovered)	15 000	-

Disclosed as follows:

Unspent Public Contributions & Donations	15 000	-
Unpaid Public Contributions & Donations	-	-
	15 000	-

21 OTHER INCOME

Commission: Insurance Payments	9 531	8 998
Private telephone calls / photo copies	47 373	40 549
Rentals	1 634	-
Recovered Unauthorised, Fruitless & Wasteful Expenditure	183 637	-
Insurance Claims / Replace Stolen Assets	-	5 719
Study Bursaries Recovered	34 095	5 150
Traffic fines	1 954	-
Stale Cheques Written Back	-	3 615
Unclaimed Wages	-	1 467
Other	21 387	11 884
Total Other Income	299 612	77 382

Sundry income represents income such as insurance claims, private telephone calls and other sundry income.

22 EMPLOYEE RELATED COSTS

Employee related costs – Salaries and Wages	26 591 891	25 324 762
Employee related costs – Contributions for UIF, pensions and medical aids	5 828 815	5 496 171
Motor car and other allowances	2 819 426	2 518 781
Housing benefits and allowances	205 795	413 021
Overtime	72 309	54 263
Leave benefit	1 404 022	1 121 150
Annual Bonus	2 074 908	1 880 048
Performance bonus	434 391	366 418
Compulsory cost:- Skills Levy; Workmen's Compensation; Industrial Council Contributions	745 077	677 875
Group Insurance	344 497	323 283
Long Service Bonus	131 264	208 923
Post-Retirement Medical Aid	359 770	782 544
Post-Retirement Pension fund	-	255 340
	41 012 166	39 422 579
Less: Employee Costs allocated elsewhere	-	-
Total Employee Related Costs	41 012 166	39 422 579

KEY MANAGEMENT PERSONNEL

Municipal Manager and all other directors are appointed on a 5-year fixed term contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - Ms ZM Bogatsu

Annual Remuneration	1 530 260	1 111 063
Performance Bonuses	-	-
Total	1 530 260	1 111 063

Remuneration of the Director Financial Services - Mr PJ van Biljon

Annual Remuneration	635 886	1 014 460
Performance Bonuses	79 717	74 363
Total	715 603	1 088 823

Resigned on 31 January 2014

Remuneration of the Acting Director Financial Services - Ms O Moseki

Annual Remuneration	209 320	-
Performance Bonuses	-	-
Total	209 320	-

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
	Remuneration of the Director Administration - Ms NG Kgantsi		
	Annual Remuneration	1 090 091	1 014 460
	Performance Bonuses	79 717	74 363
	Total	1 169 808	1 088 823
	Remuneration of Executive Director: Infrastructure Services - Mr PJ van der Walt		
	Annual Remuneration	1 090 091	1 014 460
	Performance Bonuses	84 699	74 363
	Total	1 174 790	1 088 823
	Remuneration of Executive Director: Planning & Development - Mr FS Mdee		
	Annual Remuneration	1 090 091	1 014 460
	Performance Bonuses	89 681	74 363
	Total	1 179 772	1 088 823
23	REMUNERATION OF COUNCILLORS		
	Mayor	745 621	708 102
	Speaker	583 908	558 201
	MPAC Chairman	274 310	293 423
	Mayoral Committee Members	2 528 697	2 098 743
	Councillors	1 184 313	1 414 526
	Other Obligatory Contributions (Skills Levy, etc.)	107 273	87 203
	Total Councillors' Remuneration	5 424 122	5 160 197
	In-kind Benefits		
	The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Mayor is provided with secretarial support and an office at the cost of the Council.		
	The Executive Mayor makes use of a Council owned vehicle for official duties.		
24	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	3 933 061	3 342 171
	Intangible Assets	116 971	141 315
		4 050 032	3 483 486
25	IMPAIRMENTS		
	Property Plant and Equipment	-	-
		-	-
26	FINANCE CHARGES		
	Long-term Liabilities	1 214 568	1 360 424
	Finance leases	-	874
	Employee Benefits	1 085 772	956 517
	Total finance charges	2 300 340	2 317 815
		2014 R	2013 R
27	GRANTS AND SUBSIDIES		
27.1	Grants and subsidies paid to other municipalities		
	Infrastructure grants paid to other municipalities	26 454 597	26 021 292
	Dikgatlong Municipality	5 559 789	6 310 893
	Streets & Storm Water	-	3 000 000
	Refuse	1 984 090	-
	Electricity	861 504	-
	Sanitation	123 600	-
	Water	-	1 322 241
	Maintenance Projects	2 590 595	1 988 652
	Magareng Municipality	9 351 581	5 629 781
	Water	5 694 632	2 435 519
	Electricity	-	691 447
	Sanitation	1 199 983	-
	Maintenance Projects	2 456 966	2 502 815

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Phokwane Municipality	7 043 226	10 177 929
Sanitation	1 570 408	1 415 956
Streets & Stormwater	-	5 319 998
Water	1 746 305	-
Electricity	665 557	543 695
Maintenance Projects	3 060 956	2 898 279
Sol Plaatje Municipality	4 500 000	3 662 841
Water	3 000 000	978 475
Sanitation	-	1 782 896
Electricity	-	-
Maintenance Projects	1 500 000	901 471
District Management Areas	-	239 846
Electricity	-	239 846
Total Grants and subsidies paid to other municipalities	26 454 597	26 021 292

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.

27.2 Other grants paid and special projects

Other grants paid and special projects	7 211 827	9 415 494
Grants paid to other organs of state	135 000	135 000
Northern Cape Tourism Authority	135 000	135 000
Other special projects	7 076 827	9 280 494
Council - Special Projects in the Office of the Mayor and Speaker	-	-
Special Projects: Office of The Municipal Manager	-	12 000
Youth unit / Manager in office of Municipal Manager	137 344	114 228
Communications - Communication Projects	6 111	384 119
Financial Management & Support Programmes	730 597	1 505 324
Information Technology Projects	-	149 640
Employee wellness programmes	287 149	568 905
Project Management Projects	3 347	-
Tourism Projects	1 510 003	1 218 399
GIS Projects	772 673	590 822
Spatial Planning Projects	461 163	334 210
Planning & Development projects	977 941	732 992
IDP / PMS Projects	2 881	43 287
Local Economic Development	1 489 985	1 906 207
Environmental Health Projects	55 478	114 963
Disaster Management	569 967	698 051
Housing Awareness	72 186	907 346
Total Other grants paid and special projects	7 211 827	9 415 494
Summary of Grants and Subsidies Paid		
Infrastructure grants paid to other municipalities	26 454 597	26 021 292
Grants paid to other organs of state	135 000	135 000
Other special projects	7 076 827	9 280 494
Total Grants and Subsidies	33 666 424	35 436 785

28

GENERAL EXPENSES

Accommodation	815 373	1 137 632
Audit Fees	1 580 224	1 401 052
Bank Charges	63 756	64 902
Books, Printing & Stationery	543 774	651 924
Cellphones	57 918	73 398
Cleaning Materials	42 027	43 720
Cleaning Motor Vehicles	14 633	12 011
Conferences and Seminars	188 728	259 482
Consultancy	443 858	211 979
Entertainment / Refreshments	209 093	233 669
General Expenses	235 709	144 502
General Notices	1 195 742	873 888
Gifts	546	198
Insurance	240 001	194 036
Motor vehicle operating cost	730 525	779 886
Motor Vehicle Usage	6 082	(445)
Municipal Services & Taxes	1 239 085	1 084 523
Office Requirements	1 145	4 056
Pauper Burials	9 600	11 853
Postage	11 353	10 990
Protective Clothing	18 412	16 735
Relocation Costs	402 203	36 278
Rental of Buildings & Equipment	-	46 299

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
SALGA Membership Fees	414 962	400 000
Security Services	545 349	454 628
Study Bursaries	99 924	90 343
Training	1 063 666	894 846
Telephone / Data Lines	390 448	452 914
Transportation	355 356	553 153
General Expenses	10 919 491	10 138 450

29 CORRECTION OF ERROR IN TERMS OF GRAP 3

29.1 Accumulated Surplus

Balance previously reported	74 677 337
Depreciation	11 227

Restated balance	74 688 564
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Property, Plant & Equipment - Accumulated impairment / Depreciation: Other Assets

Balance previously reported	7 177 199
Correction of Depreciation Incorrectly Calculated	(11 227)

Restated balance	7 165 972
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Effect on Carrying Value - Land & Buildings	-
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Movements in statement of financial performance

Surplus Previously Reported	2 396 455
Depreciation Cost	(54 908)
Loss on Disposal of Property, Plant & Equipment	24 156

Restated balance	2 365 703
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Correction of depreciation incorrectly calculated

30 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

Surplus/(Deficit) for the year	(332 852)	2 365 702
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Adjustments for:

Depreciation	3 933 061	3 342 171
Amortisation of Intangible Assets	116 971	141 315
Gain on disposal of property, plant and equipment	-	-
Loss on disposal of property, plant and equipment	397 840	1 026 265
Debt Impairment	-	-
Contribution from/to Employee Benefits - Current	3 913 321	3 372 266
Contribution from/to Employee Benefits - Current - Expenditure incurred	(3 147 784)	(2 307 749)
Contribution from/to Employee Benefits - Non-Current	2 400 125	2 136 063
Contribution from/to Employee Benefits - Non-Current - Expenditure incurred	(1 553 251)	(927 303)
Actuarial Gains	1 073 176	(963 284)
Actuarial Losses	-	-
Fair Value Adjustments	-	-
Impairment written off	-	-
Grants Received	95 071 853	92 727 479
Grant Expenditure	(95 052 784)	(94 578 831)
Operating lease income accrued	4 579	3 662
Operating lease expenses accrued	-	-

Operating Surplus/(Deficit) before changes in working capital	6 824 255	6 337 758
Changes in working capital	2 008 229	(897 029)

Increase/(Decrease) in Trade and Other Payables	2 047 937	(1 197 301)
(Increase)/Decrease in Taxes	(90 869)	70 395
(Increase)/Decrease in Inventory	(25 392)	83 524
(Increase)/Decrease in Trade and other receivables	76 552	146 353

Cash generated/(absorbed) by operations	8 832 484	5 440 729
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FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
31 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 18	78 000 000	83 200 000
Cash Floats - Note 18	3 300	3 300
Bank - Note 18	9 931 039	360 595
Total cash and cash equivalents	87 934 339	83 563 895
32 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 31	87 934 339	83 563 895
Investments - Note 13	-	-
	87 934 339	83 563 895
Less:	30 346 350	30 327 281
Unspent Committed Conditional Grants - Note 7	346 350	327 281
Payables from exchange transactions	-	-
Current Employee benefits	-	-
Cash Reserves to Cover Expenditure for Three Months	30 000 000	30 000 000
Resources available for working capital requirements	57 587 989	53 236 615
Allocated to:		
Capital Replacement Reserve	8 182 081	7 074 044
Employee Benefits	24 796 611	23 001 035
Resources available for working capital requirements	24 609 296	23 161 535
33 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 3	10 040 651	11 485 398
Used to finance property, plant and equipment - at cost	(10 040 651)	(11 485 398)
	-	-
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.

BUDGET COMPARISONS

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 (%)
33.1 Operational				
Revenue by source				
Government Grants and Subsidies - Operating	95 052 784	94 175 270	877 514	1%
Actuarial Gains	-	-	-	0%
Rental of Facilities and Equipment	884 663	961 210	(76 547)	-8%
Interest Earned - external investments / current account	5 841 380	4 619 200	1 222 180	26%
Other Income	299 612	24 000	275 612	1148%
Gain on disposal of Property, Plant and Equipment	-	60 000	(60 000)	-100%
	102 078 439	99 839 680	2 238 759	0.02
Expenditure by nature				
Employee Related Costs	41 012 166	47 498 130	(6 485 964)	14%
Remuneration of Councillors	5 424 122	5 678 840	(254 718)	4%
Debt Impairment	-	3 000	(3 000)	100%
Depreciation and Amortisation	4 050 032	5 050 000	(999 968)	20%
Repairs and Maintenance	3 376 440	4 527 800	(1 151 360)	25%
Finance Charges - Employee Benefits	1 085 772	956 500	129 272	-14%
Finance Charges - External Funding	1 214 568	1 258 700	(44 132)	4%
Grants and Subsidies	33 666 424	42 430 230	(8 763 806)	21%
General Expenses	12 183 926	14 300 470	(2 116 544)	15%
Loss on disposal of Property, Plant and Equipment	397 840	200 000	197 840	-99%
Fair Value Adjustments	-	-	-	-
	102 411 291	121 903 670	(19 492 379)	16%
Net Surplus for the year	(332 852)	(22 063 990)	(17 253 621)	78%

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 (%)
33.2 Expenditure by Vote				
Executive & Council	15 799 501	19 825 490	(4 025 989)	-20%
Budget & Treasury	18 848 684	18 480 510	368 174	2%
Corporate Services	14 788 005	17 058 860	(2 270 855)	-13%
Planning & Development	43 948 380	54 941 130	(10 992 750)	-20%
Housing	3 487 013	4 287 930	(800 917)	-19%
Public Safety	4 404 505	4 599 830	(195 325)	-4%
Environmental Protection	1 990 610	2 709 920	(719 310)	-27%
Less Inter-Departmental Charges	(801 168)	-	(801 168)	100%
	102 465 530	121 903 670	(19 438 140)	-16%

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 (%)
33.3 Capital expenditure by vote				
Executive & Council	58 809	82 000	(23 191)	-28%
Budget & Treasury	692 945	757 200	(64 255)	-8%
Corporate Services	445 475	606 290	(160 815)	-27%
Planning & Development	209 181	676 700	(467 519)	-69%
Housing	73 166	73 510	(344)	0%
Public Safety	1 073 887	1 405 800	(331 913)	-24%
Environmental Protection	-	60 000	(60 000)	-100%
	2 553 462	3 661 500	(1 108 038)	-30%

34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

34.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	5 817 856	4 817 435
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year - operating	695 285	1 000 421
Written off by council	(5 817 856)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	695 285	5 817 856

Incident	Disciplinary steps/criminal proceedings
Finance Charges: Staff Benefits Overspend with R129 272	Will be approved on special adjustment budget during September 2014
Actuarial Losses Overspend with R787 323	Will be approved on special adjustment budget during September 2014
Loss on Disposal of PPE Overspend with R198 438	Will be approved on special adjustment budget during September 2014

34.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	187 292	5 267
Fruitless and wasteful expenditure current year	117 410	182 025
Written off by council / Recovered	(29 037)	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	275 664	187 292

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. The Accounting Officer wrote letters to officials and the Speaker to councillors. Consolidated responses were taken to MPAC for further investigations.

34.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	223 977	11 130 848
Irregular expenditure current year	582 330	183 637
Condonement supported by council	(40 340)	(11 090 508)
Transfer to receivables for recovery	(183 637)	-
Irregular expenditure awaiting further action	582 330	223 977
	-	-

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. The Accounting Officer wrote letters to officials and the Speaker to councillors. Consolidated responses were taken to MPAC for further investigations.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
34.4 Material Losses		
No material losses occurred during the year		
35 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
35.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	-
Council subscriptions	414 962	400 000
Amount paid - current year	(414 962)	(400 000)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
35.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year audit fee	1 580 224	1 401 052
Amount paid - current year	(1 580 224)	(1 401 052)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-
35.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	1 119 098	1 189 493
Amounts received - current year	(3 702 390)	(3 614 796)
Amounts received - previous years	(1 119 098)	(1 140 609)
Amounts claimed - current year	4 896 209	4 685 010
Closing balance - Receivable	1 193 819	1 119 098
VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
35.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	2 303
Current year payroll deductions and Council Contributions	7 056 507	8 259 905
Amount paid - current year	(7 056 507)	(8 262 208)
Balance unpaid (included in creditors)	-	-
35.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	6 824 693	8 734 546
Amount paid - current year	(6 824 693)	(8 734 546)
Balance unpaid (included in creditors)	-	-
35.6 Other non-compliance (MFMA 125(2)(e))		
None		

35.7 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
2014		
International Convention Solution	Hire centre for business plan competition	144 889
Price Waterhouse Coopers Combined Systems	Asset verification system purchased	94 050
Tletse Trading	Catering for youth day celebrations	65 500
Total		304 439
2013		
Environmental System Research Institution		99 750
Hunger & Thirst Foundation		76 309
Business Connections		182 242
Total		358 301

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

36

FINANCIAL RISK MANAGEMENT

2014
R

2013
R

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

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.

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/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2012 - 0.5%) Increase in interest rates	717 464	333 298
0.5% (2012 - 0.5%) Decrease in interest rates	(358 732)	(333 298)

(d) Credit Risk

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.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

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.

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

Long term receivables	10 476 545	10 612 116
Receivables from non-exchange transactions	1 457 680	1 534 232
Cash and Cash Equivalents	87 934 339	83 563 895
Non-Current Investments	-	-
	99 868 563	95 710 243

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding

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.

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.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2014				
Long Term liabilities - Annuity Loans	2 659 315	10 636 829	2 659 207	-
Capital repayments	1 444 747	7 584 346	2 453 653	-
Interest	1 214 568	3 052 483	205 555	-
Trade and Other Payables	-	-	-	-
Unspent conditional government grants and receipts	346 350	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>3 005 666</u>	<u>10 636 829</u>	<u>2 659 207</u>	<u>-</u>

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2013				
Long Term liabilities - Annuity Loans	2 659 315	10 636 937	5 318 414	-
Capital repayments	1 298 891	6 821 366	4 661 379	-
Interest	1 360 424	3 815 571	657 036	-
Long Term liabilities - Finance Lease Liability	35 173	-	-	-
Capital repayments	34 299	-	-	-
Interest	874	-	-	-
Trade and Other Payables	-	-	-	-
Unspent conditional government grants and receipts	327 281	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>3 021 769</u>	<u>10 636 937</u>	<u>5 318 414</u>	<u>-</u>

37 FINANCIAL INSTRUMENTS

2014
R **2013**
R

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

37.1	Financial Assets	Classification		
	Investments			
	Bank Deposits	Financial instruments at amortised cost	4 400 000	3 800 000
	Receivables			
	Receivables from non-exchange transactions	Financial instruments at amortised cost	1 457 680	1 534 232
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	78 000 000	83 200 000
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	9 931 039	360 595
	Cash Floats and Advances	Financial instruments at amortised cost	3 300	3 300
			<u>93 792 018</u>	<u>88 898 127</u>

SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost	93 792 018	88 898 127
At amortised cost	<u>93 792 018</u>	<u>88 898 127</u>

37.2	Financial Liability	Classification		
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	8 434 946	10 041 380
	Capitalised Lease Liability	Financial instruments at amortised cost	-	-
	Payables from exchange transactions			
	Other Payables	Financial instruments at amortised cost	6 219 361	4 171 424
	Other Payables			
	Government Subsidies and Grants	Financial instruments at amortised cost	346 350	327 281
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	1 605 705	1 444 018
	Capitalised Lease Liability	Financial instruments at amortised cost	-	-
			<u>16 606 363</u>	<u>15 984 103</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
SUMMARY OF FINANCIAL LIABILITY		
Financial instruments at amortised cost	<u>16 606 363</u>	<u>15 984 103</u>
38 EVENTS AFTER THE REPORTING DATE		
The municipality has no events after reporting date during the financial year ended 2013/2014.		
39 IN-KIND DONATIONS AND ASSISTANCE		
The municipality did not receive any in-kind donations or assistance during the year under review.		
40 PRIVATE PUBLIC PARTNERSHIPS		
Council has not entered into any private public partnerships during the financial year.		
41 CONTINGENT LIABILITY		
41.1 <u>Implementation of Task</u>		
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 regarding is:		
Should the appeal be successful, i.e. a higher grading, a salary increase is envisaged.		
Should the appeal not succeed, the status quo remains.		
41.2 <u>Labour Disputes</u>		
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 R20,000.		
41.3 <u>Implementation of the "e" Venus Financial System</u>		
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 Municipality 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.		
42 RELATED PARTIES		
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
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.		
42.1 Related Party Loans		
Since 1 July 2004 loans to councillors and senior management employees are not permitted. There are no outstanding loans as at the reporting date		
42.2 Compensation of key management personnel		
The compensation of key management personnel is set out in note 22 to the Annual Financial Statements.		
42.3 Other related party transactions		
The following purchases were made during the year where Councillors or staff have an interest:		
<i>None</i>		

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairment Losses							Carrying Value	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Correction of Error	Restated Opening Balance	Depreciation Charge	Correction of Error - Depreciation	Disposals	Correction of Error - Disposal	Closing Balance	
	R	R	R	R	R			R		R		R	R
Community Assets	1 130 115	36 096	70	1 166 140	319 811	-	-	183 452	-	55	-	503 208	662 933
Land & Buildings	151 676	-	-	151 676	74 673	-	-	10 668	-	-	-	85 341	66 335
Security Measures	978 439	36 096	70	1 014 465	245 138	-	-	172 784	-	55	-	417 867	596 598
Other Assets	80 961 713	2 472 367	847 054	82 587 025	34 352 163	-	-	3 749 610		448 629		37 653 143	44 933 883
Land & Buildings	59 709 877	625 688		60 335 565	25 824 872	-	-	692 816	-		-	26 517 688	33 817 877
Office Equipment	3 144 651	200 232	6 478	3 338 405	1 554 602	-	-	474 745	-	5 524	-	2 023 823	1 314 582
Furniture & Fittings	2 951 375	94 049	8 650	3 036 775	1 679 459	-	-	375 087	-	7 183	-	2 047 363	989 412
Plant & Machinery	1 989 976	6 600		1 996 576	1 112 435	-	-	308 859	-	-	-	1 421 293	575 283
Plant & Machinery - Residual Value	298 000	-		298 000	-	-	-	-	-	-	-	-	298 000
Emergency Equipment	1 336 057	-		1 336 057	520 047	-	-	180 877	-	-	-	700 924	635 133
Motor Vehicle	4 844 281	487 327	159 162	5 172 446	1 308 555	-	-	895 262	-	133 152	-	2 070 664	3 101 782
Motor Vehicle - Residual Value	1 704 086	594 890	271 800	2 027 176	-	-	-	-	-	-	-	-	2 027 176
Computer Equipment	4 983 409	463 580	400 965	5 046 025	2 352 193	-	-	821 965	-	302 770	-	2 871 388	2 174 637
Less: Transferred to Non-Current Assets Held for Sale	(7 496 968)	115 830	-	(7 381 138)	(271 268)	-	-	(174 212)	-	-	-	(445 480)	(6 935 658)
Discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-
	74 594 860	2 624 293	847 124	76 372 028	34 400 705	-	-	3 758 850	-	448 684	-	37 710 870	38 661 158

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30 JUNE 2013

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairment Losses							Carrying Value	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Correction of Error	Restated Opening Balance	Depreciation Charge	Correction of Error - Depreciation	Disposals	Correction of Error - Disposal	Closing Balance	
	R	R	R	R	R			R		R		R	R
Community Assets	596 889	536 545	3 320	1 130 115	247 300	(27)	247 273	125 217	(50 927)	1 638	114	319 811	810 303.98
Land & Buildings	151 676	-	-	151 676	64 006		64 006	10 668		-		74 673	77 002
Security Measures	445 214	536 545	3 320	978 439	183 295	(27)	183 268	114 549	(50 927)	1 638	114	245 138	733 302
Other Assets	77 791 495	5 097 648	1 927 429	80 961 713	32 166 808	(11 201)	32 155 607	3 162 046	105 836	1 047 282	24 042	34 352 165	46 609 548
Land & Buildings	59 492 774	217 104	-	59 709 877	25 236 907	-	25 236 907	587 967		-		25 824 874	33 885 003
Office Equipment	3 001 078	256 179	112 606	3 144 651	1 189 479	(553)	1 188 926	372 331	73 574	80 521	(292)	1 554 602	1 590 049
Office Equipment - Finance leases	337 110	-	337 110	-	124 409		124 409	12 040	36 119	136 449	36 119	-	-
Furniture & Fittings	2 967 284	118 334	134 243	2 951 375	1 391 305	(1 861)	1 389 444	382 965	(6 649)	84 003	2 298	1 679 459	1 271 916
Plant & Machinery	1 950 894	46 301	7 219	1 989 976	814 494	(155)	814 339	302 236	1 850	6 654	(664)	1 112 435	877 542
Plant & Machinery - Residual Value	298 000	-	-	298 000	-		-	-		-		-	298 000
Emergency Equipment	974 092	361 965	-	1 336 057	405 932		405 932	120 550	(6 435)	-		520 047	816 010
Motor Vehicle	2 692 124	2 905 591	-	5 597 715	1 236 183	(2 937)	1 233 246	623 924	(14 228)	548 752	(14 365)	1 308 555	4 289 160
Motor Vehicle - Residual Value	1 126 271	866 336	1 041 956	950 651	-		-	-		-		-	950 651
Computer Equipment	4 951 868	325 837	294 296	4 983 409	1 768 099	(5 695)	1 762 404	760 034	21 604	190 904	945	2 352 193	2 631 216
Less: Transferred to Non-Current Assets Held for Sale	(148 602)	-	-	(7 496 968)	(73 447)			-		-		(271 268)	(7 225 699)
Discontinued operations													
	78 239 782	5 634 193	1 930 749	74 594 860	32 340 661	(11 227)	32 402 881	3 287 263	54 908	1 048 921	24 156	34 400 707	40 194 153

APPENDIX A - Unaudited
FRANCES BAARD DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30 JUNE 2012	Redeemed written off during the period	Balance at 30 JUNE 2013
ANNUITY LOANS					
DBSA - Frances Baard Council Chamber & Offices	103363/1	10 Years	11 485 398	1 444 747	10 040 651
Total Annuity Loans			11 485 398	1 444 747	10 040 651
LEASE LIABILITY					
Office Equipment			-	-	-
Total Lease Liabilities			-	-	-
TOTAL EXTERNAL LOANS			11 485 398	1 444 747	10 040 651

APPENDIX B - Unaudited
FRANCES BAARD DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

	Cost										ACCUMULATED DEPRECIATION						Carrying Value
	Balance at 1 JULY 2013	Residual Value at 1 JULY 2013	Additions	Revaluation Movements / Impairments	Residual Value Additions	Under Construction	Disposals	Residual Value Disposals	Transfers / Adjustments	Balance at 30 JUNE 2014	Balance at 1 JULY 2013	Additions / Impairments	Disposals	Transfers / Adjustments	Balance at 30 JUNE 2014		
Municipal Governance & Administration	12 109 100	-	744 177		324 900	-	535 772	271 800	-	12 370 604	4 748 596	2 111 045	433 287	-	6 426 354	5 944 250	
Executive & Council	2 197 082	-	58 809		-	-	23 654	-	-	2 232 237	1 217 800	278 293	23 654	-	1 472 439	759 798	
Mayor & Council	1 684 749		-				11 212			1 673 537	1 021 942	217 989	11 212		1 228 718	444 819	
Office of the Municipal Manager	512 333		58 809				12 442			558 700	195 859	60 304	12 442		243 721	314 979	
Budget & Treasury Office	4 921 503		323 045		324 900		166 363	271 800		5 131 285	1 497 577	994 039	166 363		2 325 254	2 806 032	
Corporate Services	4 990 514		362 323			-	345 755		-	5 007 082	2 033 219	838 713	243 270	-	2 628 661	2 378 421	
Human Resources	34 285	-	2 853				1 964			35 174	22 710	4 163	1 964		24 909	10 265	
Information Technology	4 122 263	-	359 471				341 449			4 140 284	1 726 153	732 399	238 964		2 219 588	1 920 696	
Other Admin	833 966	-	-				2 342			831 625	284 356	102 150	2 342		384 164	447 460	
Community Services & Public Safety																	
Community & Social Services	3 577 404	-	300 075		269 990	-	59	-	-	4 147 410	1 008 067	64 770	59	-	1 072 777	3 074 632	
Community Services			-							-							
Public Safety - Civil Defense	2 889 329		226 909		269 990		-			3 386 228	796 980	17 580	-		814 560	2 571 669	
Housing	688 074		73 166				59			761 182	211 087	47 190	59		258 218	502 964	
Economic & Environmental Services	66 405 324	-	247 332	-	-	621 988	39 493	-	-	67 235 151	28 915 312	1 757 246	15 338	-	30 657 221	36 577 933	
Planning & Development	66 132 819		247 332			621 988	38 838			66 963 300	28 732 405	1 725 798	14 683		30 443 520	36 519 778	
Environmental Protection	272 506	-	-				655			271 851	182 908	31 448	655		213 701	58 155	
TOTAL PER STANDARD CLASSIFICATION	82 091 828	-	1 291 584	-	594 890	621 988	575 324	271 800	-	83 753 166	34 671 976	3 933 061	448 684	-	38 156 353	45 596 815	
Less transferred to Non- Current Assets Held for Sale	(7 496 968)									(7 381 138)	(271 268)	(174 212)			(445 480)	(6 935 658)	
Discontinued operations	-									-						-	
Total Assets	74 594 860	-	1 291 584	-	594 890	621 988	575 324	271 800	-	76 372 028	34 400 707	3 758 850	448 684	-	37 710 873	38 661 158	
* Internal Transfers																	

APPENDIX C - Unaudited
FRANCES BAARD DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2014

Actual Income 2013 R	Actual Expenditure 2013 R	Surplus / (Deficit) 2013 R		Actual Income 2014 R	Actual Expenditure 2014 R	Surplus / (Deficit) 2014 R
85 300 903	(46 364 475)	38 936 428	Municipal Governance & Administration	87 227 545	(48 604 269)	38 623 276
3 318 000	(16 302 962)	(12 984 962)	Executive & Council	3 716 000	(15 799 501)	(12 083 501)
3 318 000	(9 182 856)	(5 864 856)	Mayor & Council	3 716 000	(7 720 565)	(4 004 565)
-	(7 120 106)	(7 120 106)	Office of the Municipal Manager	-	(8 078 936)	(8 078 936)
81 982 903	(16 204 526)	65 778 377	Budget & Treasury Office	83 511 545	(18 016 763)	65 494 782
-	(13 856 987)	(13 856 987)	Corporate Services	-	(14 788 005)	(14 788 005)
-	(3 470 131)	(3 470 131)	Human Resources	-	(3 376 659)	(3 376 659)
-	(3 689 359)	(3 689 359)	Information Technology	-	(4 098 880)	(4 098 880)
-	(6 697 497)	(6 697 497)	Other Admin	-	(7 312 466)	(7 312 466)
3 271 555	(7 931 096)	(4 659 541)	Community Services & Public Safety	1 600 000	(7 891 518)	(6 291 518)
2 288 364	(3 958 313)	(1 669 948)	Community & Social Services	600 000	(4 404 505)	(3 804 505)
-	(32 674)	(32 674)	Community Services	-	-	-
2 288 364	(3 925 639)	(1 637 274)	Public Safety - Civil Defense	600 000	(4 404 505)	(3 804 505)
983 191	(3 972 784)	(2 989 592)	Housing	1 000 000	(3 487 013)	(2 487 013)
13 348 228	(45 259 413)	(31 911 185)	Economic & Environmental Services	13 274 380	(45 938 990)	(32 664 610)
10 342 392	(43 462 193)	(33 119 801)	Planning & Development	10 266 391	(43 948 380)	(33 681 989)
3 005 836	(1 797 220)	1 208 616	Environmental Protection	3 007 990	(1 990 610)	1 017 380
101 920 686	(99 554 983)	2 365 702	SUB TOTAL	102 101 925	(102 434 777)	(332 852)
-		-	Discontinued Operations	-	-	-
101 920 686	(99 554 983)	2 365 702	TOTAL	102 101 925	(102 434 777)	(332 852)

APPENDIX D - Unaudited
FRANCES BAARD DISTRICT MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 JUNE 2013	Correction of error	Balance 1 JULY 2013	Grants Received	Write Offs/ Transfers	Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2014
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS							
	R	R	R	R		R	R
Equitable Share	-	-	-	89 990 000	-	89 990 000	-
Financial Management Grant	-	-	-	1 250 000	-	1 250 000	-
Municipal Systems Improvement Grant	267 008	-	267 008	890 000	-	977 941	179 068
DWA - Sanitation (Mvula Trust)	-	-	-	-	-	-	-
NC Tourism - Contribution Tourism Month	-	-	-	-	-	-	-
Department of Public Works: Expanded Public Works Program Inc	-	-	-	-	-	-	-
District Aids Council	-	-	-	100 000	-	-	100 000
NEAR Control Centre	-	-	-	300 000	-	300 000	-
NCPA - Housing Accreditation Grant	-	-	-	1 000 000	-	1 000 000	-
NCPA Firefighting Equipment	-	-	-	300 000	-	300 000	-
NCPA - Eradication of Bucket System	-	-	-	-	-	-	-
MIG - Projects	-	-	-	-	-	-	-
SETA - Skills Grant	-	-	-	76 853	-	76 853	-
NCPA: Vuna Awards	-	-	-	-	-	-	-
DWA: Backlogs in Water & Sanitation at Clinics and Schools	-	-	-	-	-	-	-
NCPA: EPWP: DMA Bush Clearance	-	-	-	1 000 000	-	1 000 000	-
NCPA: Environmental Health Recycling Project	60 272	-	60 272	-	-	7 990	52 283
Tourism Grant	-	-	-	150 000	-	150 000	-
ABSA	-	-	-	15 000	-	-	15 000
Total	327 281	-	327 281	95 071 853	-	95 052 784	346 350