

FRANCES BAARD DISTRICT MUNICIPALITY



AUDITED FINANCIAL STATEMENTS 30 JUNE 2016

FRANCES BAARD DISTRICT MUNICIPALITY

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FRANCES BAARD DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

Grade 2

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

The municipality'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

Vacant	Director: Administration
Mr. FS Mdee	Director: Planning & Development
Mr. PJ van Der Walt	Director: Infrastructure Services

REGISTERED OFFICE

*51 Drakensberg Avenue
Carters Glen
Kimberley*

AUDITORS

External Auditors

*Auditor General
Private Bag X5013
Kimberley
Telephone number 053 8380911
Fax number 053 8611538
Email frances.baard@fbdm.co.za*

Internal Audit

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

Members of the Audit Committee

Mr. WMS Calitz	Chairperson
Mr. GR Botha	Member
Mr. T Mogoli	Member

FRANCES BAARD DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

PRINCIPAL BANKER

*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 (Act no. 58 of 1962)
Value Added Tax Act (Act no. 89 of 1991)
Municipal Structures Act (Act no. 117 of 1998)
Municipal Systems Act (Act no. 32 of 2000)
Municipal Planning and Performance Management Regulations
Housing Act (Act no. 107 of 1997)
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
Disaster Management Act of 2016
National Health Act of 2003
Spatial Planning and Land Use Management Act 16 of 2013

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
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

FRANCES BAARD DISTRICT MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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 2016, which are set out on pages 1 to 83 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 fairly prepared in accordance with Generally Recognised Accounting Practice.

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 2017 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

31-Aug-16
Date

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Notes	2016 R (Actual)	2015 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		83 757 120	95 267 411
Net Assets and Reserves	1	83 757 120	95 267 411
Non-Current Liabilities		32 374 632	33 379 360
Long-term Liabilities	2	4 660 722	6 698 727
Employee benefits	3	27 713 911	26 680 633
Current Liabilities		22 960 946	22 578 680
Payables from exchange transactions	6	8 458 171	10 535 373
Current Portion of Long-term Liabilities	2	1 988 393	1 734 990
Unspent Conditional Government Grants and Receipts	7	3 073 659	1 177 558
Current Employee benefits	5	9 440 722	9 130 759
Total Net Assets and Liabilities		139 092 698	151 225 451
ASSETS			
Non-Current Assets		56 066 740	48 809 149
Long-Term Receivables	14	8 598 000	9 475 393
Property, Plant and Equipment	10	46 096 870	37 812 162
Intangible Assets	11	740 454	890 178
Heritage Assets	12	631 417	631 417
Current Assets		83 025 958	102 416 302
Cash and Cash Equivalents	18	69 275 054	87 482 573
Current Investments	13	5 550 000	5 250 000
Receivables from non-exchange transactions	16	1 757 951	1 531 082
Taxes	9	5 393 830	6 862 911
Operating Lease Asset	17	5 000	2 754
Current Portion of Long-term Receivables	14	741 000	963 324
Inventory	15	303 121	323 658
Total Assets		139 092 698	151 225 451

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 (Actual) R	2015 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		110 413 264	102 394 822
Transfer Revenue		110 413 264	102 394 822
Government Grants and Subsidies	19	110 413 264	102 379 822
Public Contributions and Donations	20	-	15 000
Revenue from Exchange Transactions		10 644 834	8 006 697
Rental of Facilities and Equipment		643 770	971 687
Interest Earned - external investments / current account		7 866 135	6 882 359
Other Income	21	2 134 929	152 651
Total Revenue		121 058 098	110 401 519
EXPENDITURE			
Employee related costs	22	52 743 677	47 112 666
Remuneration of Councillors	23	5 987 653	5 690 954
Depreciation and Amortisation	25	3 960 969	3 769 090
Repairs and Maintenance		3 520 611	3 254 275
Actuarial losses		965 593	1 210 719
Finance Charges - External Funding	27.1	884 112	1 052 381
Finance Charges - Employee benefits	27.2	1 513 138	1 328 389
Grants and Subsidies	28	54 621 447	37 275 977
General Expenses	29	13 141 331	12 063 939
Loss on disposal of Property, Plant and Equipment		216 455	110 505
Total Expenditure		137 554 987	112 868 896
NET SURPLUS (DEFICIT) FOR THE YEAR		(16 496 889)	(2 467 377)

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Revaluations Reserve	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 JULY 2014	15 323 973	8 182 081	73 425 979	96 932 033
Correction of error Note 30	498 094	-	301 906	800 000.00
Restated Balance at 1 JULY 2014	15 822 067	8 182 081	73 727 885	97 732 033
Net Deficit for the year	-	-	(2 467 377)	(2 467 377)
Transfer to Capital Replacement Reserve	-	3 129 360	(3 129 360)	-
Property, plant and equipment purchased	-	(2 124 642)	2 124 642	-
Offsetting of depreciation	(207 412)	-	207 412	-
Correction of error Note 30	(45 283)	-	48 037	2 754
Balance at 30 JUNE 2015	15 569 372	9 186 800	70 511 239	95 267 411
Net Deficit for the year	-	-	(16 496 889)	(16 496 889)
Revaluation of Land & Buildings	4 986 599	-	-	4 986 599
Transfer to Capital Replacement Reserve	-	11 677 000	(11 677 000)	-
Property, plant and equipment purchased	-	(5 582 005)	5 582 005	-
Offsetting of depreciation	(252 695)	-	252 695	-
Balance at 30 JUNE 2016	20 303 275	15 281 795	48 172 050.06	83 757 120

FRANCES BAARD DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

		30 JUNE 2016	30 JUNE 2015
		Actual	Restated
	Notes	R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		2 291 944	39 196
Government		112 569 249	103 405 099
Interest		7 866 135	6 882 359
Payments			
Suppliers and employees		(78 891 440)	(67 915 919)
Finance charges	27	(884 112)	(1 052 381)
Transfers and Grants		(54 621 447)	(37 275 977)
Net cash flow from operating activities	31	(11 669 670)	4 082 377
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(5 505 354)	(1 872 187)
Proceeds on Disposal of Fixed Assets		-	9 605
Purchase of Intangible Assets		(76 651)	(252 455)
Increase in Long-term Receivables	14	1 099 717	37 828
Decrease/(Increase) in Current Investments	13	(300 000)	(850 000)
Net Cash flow from Investing activities		(4 782 288)	(2 927 208)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(1 784 602)	(1 606 934)
Net Cash flow from financing activities		(1 784 602)	(1 606 934)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(18 236 560)	(451 765)
Cash and Cash Equivalents at the beginning of the year		87 482 573	87 934 339
Cash and Cash Equivalents at the end of the year	32	69 275 054	87 482 573
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(18 207 519)	(451 766)

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	3 275 054	2 965 533	309 522	Variance due to savings on salaries, allowances and capital expenditure.
Call investment deposits	66 000 000	57 427 000	8 573 000	Variance due to savings on salaries, allowances and capital expenditure.
Other Receivables	7 151 781	2 000 000	5 151 781	Late payment of VAT by SARS
Current portion of long-term receivables	741 000	900 000	(159 000)	Overbudget due to uncertainty of actual figures
Inventory	303 121	300 000	3 121	-
Operating Lease Asset	5 000	-	5 000	Refer to note 30.
Total current assets	77 470 957	63 592 533	13 878 424	
Non current assets				
Long-term receivables	8 598 000	8 678 501	(80 501)	Variance due to decrease in number of members. Disclosed under budget as cash & cash equivalents in annual budget
Investments	5 550 000	-	5 550 000	Revaluation of land and buildings realised during the financial year
Property, plant and equipment	46 096 870	38 333 394	7 763 475	
Intangible Assets	740 454	442 517	297 937	Budgeted amount understated
Heritage Assets	631 417	-	631 417	-
Total non current assets	61 616 740	47 454 412	14 162 328	
TOTAL ASSETS	139 087 697	111 046 945	28 040 752	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	1 988 393	1 694 000	294 393	Current portion not adjusted in annual budget
Trade and other payables	11 531 830	7 000 000	4 531 830	Projects not started on time resulted in increases in payables
Provisions and Employee Benefits	9 440 722	8 000 000	1 440 722	Underbudget due to unavailability of post service benefits when compiling the budget.
Total current liabilities	22 960 946	16 694 000	6 266 946	
Non current liabilities				
Borrowing	4 660 722	6 649 450	(1 988 728)	Current portion not included in budgeted figure
Provisions and Employee Benefits	27 713 911	22 000 000	5 713 911	Underbudget due to unavailability of post service benefits when compiling the budget.
Total non current liabilities	32 374 632	28 649 450	3 725 182	
TOTAL LIABILITIES	55 335 578	45 343 450	9 992 128	
NET ASSETS	55 335 578	45 343 450	9 992 128	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	83 757 120	41 400 134	42 356 986	Actual expenditure less than budgeted amounts
Reserves	-	24 303 361	(24 303 361)	Increase in revaluation reserve due to revaluation. Capital expenditure not realised.
TOTAL COMMUNITY WEALTH/EQUITY	83 757 120	65 703 495	18 053 626	

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	2 142 929	822 604	2 965 533	Adjustment to actual audited figures for 2016
Call investment deposits	59 600 000	(2 173 000)	57 427 000	Adjustment to actual audited figures for 2016
Other Receivables	2 000 000	-	2 000 000	
Current portion of long-term receivables	900 000	-	900 000	
Inventory	300 000	-	300 000	
Total current assets	64 942 929	(1 350 396)	63 592 533	
Non current assets				
Long-term receivables	8 678 501	-	8 678 501	
Property, plant and equipment	46 098 354	(7 764 960)	38 333 394	Decrease in capital budget in disaster management
Intangible Assets	442 517	-	442 517	-
Heritage Assets	-	-	-	
Total non current assets	55 219 372	(7 764 960)	47 454 412	
TOTAL ASSETS	120 162 301	(9 115 356)	111 046 945	
LIABILITIES				
Current liabilities				
Borrowing	1 694 000	-	1 694 000	-
Trade and other payables	7 000 000	-	7 000 000	-
Provisions and Employee Benefits	8 000 000	-	8 000 000	-
Total current liabilities	16 694 000	-	16 694 000	
Non current liabilities				
Borrowing	6 649 450	-	6 649 450	-
Provisions and Employee Benefits	22 000 000	-	22 000 000	-
Total non current liabilities	28 649 450	-	28 649 450	
TOTAL LIABILITIES	45 343 450	-	45 343 450	
NET ASSETS	74 818 851	(9 115 356)	65 703 495	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	48 468 795	(7 068 661)	41 400 134	Adjustment based on previous year performance
Reserves	26 350 056	(2 046 695)	24 303 361	Provision for current year contributions
TOTAL COMMUNITY WEALTH/EQUITY	74 818 851	(9 115 356)	65 703 495	

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Rental of facilities and equipment	643 770	1 072 000	(428 230)	Variance due to decrease in usage of the grader
Interest earned - external investments	7 866 135	5 843 350	2 022 785	Based on actual performance of investments
Government Grants and Subsidies - Operating	110 413 264	112 934 646	(2 521 382)	All projects was not completer before year end
Other revenue	2 134 929	4 552 800	(2 417 871)	Based on actual performance
Gains on disposal of PPE	-	60 000	(60 000)	Based on actual performance
Total Operating Revenue	121 058 098	124 462 796	(3 404 698)	
EXPENDITURE BY TYPE				
Employee related costs	52 743 677	57 549 150	(4 805 473)	Underspending due to vacant positions not filled accordingly
Remuneration of councillors	5 987 653	6 336 840	(349 187)	Budgeted amounts more than the cazeted amounts
Debt impairment	-	3 000	(3 000)	-
Depreciation & asset impairment	3 960 969	5 615 000	(1 654 031)	Decreased capital expenditure
Finance Charges - External Funding	884 112	764 000	120 112	-
Finance Charges - Employee benefits	1 513 138	2 290 000	(776 862)	Lower interest and actuarial losses
Other materials	3 520 611	4 694 686	(1 174 075)	Decrease in actual needs in relation to maintenance cost.
Grants and subsidies paid	54 621 447	66 320 906	(11 699 459)	Under performance with regards to budget estimates and roll overs
Other expenditure	14 106 924	20 906 402	(6 799 478)	Savings on budgeted estimates.
Loss on disposal of PPE	216 455	210 000	6 455	Under budgeted estimates
Total Operating Expenditure	137 554 987	164 689 984	(27 134 997)	
Operating Deficit for the year	(16 496 889)	(40 227 188)	23 730 299	
Net Deficit for the year	(16 496 889)	(40 227 188)	23 730 299	

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Rental of facilities and equipment	1 072 000	-	1 072 000	Not budgeted for in the approved budget.
Interest earned - external investments	5 443 350	400 000	5 843 350	Additional revenue generated.
Government Grants and Subsidies - Operating	106 509 000	6 425 646	112 934 646	Un - gazetted grants not budgeted for
Other revenue	4 052 800	500 000	4 552 800	Adjustment as result Actuarial losses realised
Gains on disposal of PPE	60 000	-	60 000	Adjustment based on actual receipt
Total Operating Revenue	117 137 150	7 325 646	124 462 796	
EXPENDITURE BY TYPE				
Employee related costs	57 549 150	-	57 549 150	-
Remuneration of councillors	6 336 840	-	6 336 840	-
Debt impairment	3 000	-	3 000	-
Depreciation & asset impairment	5 615 000	-	5 615 000	-
Finance charges	3 054 000	-	3 054 000	-
Bulk purchases	-	-	-	
Other materials	3 955 716	738 970	4 694 686	Based on actual needs
Contracted services	-	-	-	
Grants and subsidies paid	56 991 970	9 328 936	66 320 906	Un - gazetted grants not budgeted for
Other expenditure	21 386 232	(479 830)	20 906 402	Expected savings on general expenses
Loss on disposal of PPE	210 000	-	210 000	
Total Operating Expenditure	155 101 908	9 588 076	164 689 984	
Net Deficit for the year	(37 964 758)	(2 262 430)	(40 227 188)	

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R (Actual)	2016 R (Final Budget)	2016 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	2 291 944	5 124 800	(2 832 856)	Based on actual performance
Government - operating	112 569 249	106 579 000	5 990 249	All projects was not completer before year end
Interest	7 866 135	5 443 350	2 422 785	More interest earned due to higher than expected cash balances
Payments				
Suppliers and Employees	(78 891 440)	(83 210 453)	4 319 014	Variance mainly due to vacant positions on the staff establishment of the municipality
Finance charges	(884 112)	(1 054 000)	169 888	
Transfers and Grants	(54 621 447)	(54 578 382)	(43 065)	Not material
NET CASH FROM/(USED) OPERATING ACTIVITIES	-11 669 670	-21 695 685	-	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	60 000	(60 000)	-
Decrease/(increase) in non-current receivables	1 099 717	-	1 099 717	-
Decrease/(increase) in Current investments	(300 000)	5 250 000	(5 550 000)	-
Payments				
Capital assets	(5 582 005)	(9 633 164)	4 051 159	Savings on purchases
NET CASH FROM/(USED) INVESTING ACTIVITIES	(4 782 288)	(4 323 164)	-459 124	
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments				
Repayment of borrowing	(1 784 602)	(1 111 453)	(673 149)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1 784 602)	(1 111 453)	(673 149)	
NET INCREASE/(DECREASE) IN CASH HELD	(18 236 560)	(27 130 302)	(1 132 273)	
Cash and Cash Equivalents at the beginning of the year	87 482 573	87 482 573	-	Increase in cash due to expenditure nat realised
Cash and Cash Equivalents at the end of the year	69 275 054	60 393 412	8 881 643	

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

ADJUSTMENTS TO APPROVED BUDGET

	2016 R (Approved Budget)	2016 R (Adjustments)	2016 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	5 124 800	-	5 124 800	-
Government - operating	106 509 000	70 000	106 579 000	Not Material
Interest	5 443 350	-	5 443 350	-
Payments				
Suppliers and Employees	(83 177 413)	(33 040)	(83 210 453)	Not Material
Finance charges	(1 054 000)	-	(1 054 000)	-
Transfers and Grants	(54 578 382)	41 140	(54 537 242)	Not Material
NET CASH FROM/(USED) OPERATING ACTIVITIES	(21 732 645)	78 100	(21 654 545)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Decrease/(increase) in non-current receivables	60 000	-	60 000	-
Payments				
Capital assets	5 250 000	-	5 250 000	-
NET CASH FROM/(USED) INVESTING ACTIVITIES	5 310 000	-	5 310 000	
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments				
Repayment of borrowing	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	
NET INCREASE/(DECREASE) IN CASH HELD	(16 422 645)	78 100	(16 344 545)	
Cash and Cash Equivalents at the beginning of the year	94 016 011	(6 533 437)	87 482 573	Based on actual results
Cash and Cash Equivalents at the end of the year	66 992 929	(6 599 517)	60 393 412	Un - gazetted grants not budgeted for

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below. These accounting policies are consistent with the previous period.

1.2. GOING CONCERN

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

1.3. 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.

1.4. 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 expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.5. RESERVES

1.5.1. 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/deficit to the CRR. The cash in the CRR can only be utilized to finance items of

property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.5.2.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.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.6. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.6.1.Operating lease - Lessee

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.

1.6.2.Operating lease - Lessor

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.

1.7. 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.

1.8. 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.

1.9. 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.

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.

1.10. 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.

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.

1.11. 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.

1.11.1. 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. The municipality 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.

1.11.2. 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. 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.

1.11.3. 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

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period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.11.4. 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.

1.11.5. 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.

1.11.6. Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 54A and 56 employees, is recognised as it accrue. The performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.11.7. Pension and retirement fund obligations

The municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which 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.

1.12. PROPERTY, PLANT AND EQUIPMENT

1.12.1. 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.

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, it's deemed cost is the carrying amount of the asset(s) given up.

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

1.12.2. 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.

1.12.3. 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.

1.12.4. Depreciation and Impairment

The depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. The 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:

<u>Property, plant and equipment</u>	<u>Years</u>
Buildings	5 – 32
Computer equipment	5 – 27
Emergency equipment	5 – 27
Furniture and fittings	4 – 30
Land	Indefinite
Motor vehicles	5 – 15
Office equipment	5 – 27
Plant and machinery	4 – 17
Security measures	5 – 10

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 impairment is recognised in the statement of financial performance.

1.12.5. 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.

1.13. INTANGIBLE ASSETS

1.13.1. 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:

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- 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
- 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.

1.13.2. 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.

1.13.3. 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

1.13.4. 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.

1.14. HERITAGE ASSETS

1.14.1. 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.

1.14.2. Subsequent Measurement – Cost Model

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

1.14.3. 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.

1.14.4. 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.

1.14.5. 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.

1.15. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.15.1. 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

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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.

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.

1.15.2. 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

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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.

- 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.

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.

1.16. INVENTORIES

1.16.1. 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.

1.16.2. 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.

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

1.17. FINANCIAL INSTRUMENTS

Financial instruments recognised on the statement of financial position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from 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.

1.17.1. 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.

1.17.2. Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Cash and Cash Equivalents	Financial assets measured at amortised cost
Current Investments	Financial assets measured at amortised cost
Receivables from non-exchange transactions	Financial assets measured at amortised cost
Long-Term Receivables	Financial assets measured at amortised cost

The Municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Long-term Liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

1.17.3. 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.

1.17.3.1. 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 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.

1.17.3.2. 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.

1.17.3.3. 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.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

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.

1.17.3.4. Non-Current Investments

Investments which include 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.

1.17.4. De-recognition of Financial Instruments

1.17.4.1. Financial Assets

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

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

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, 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.

1.17.4.2. 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.

1.17.5. 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.

1.18. 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.

1.19. REVENUE

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

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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 36 months expires, when all unclaimed deposits into the municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

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.

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.

1.19.2. 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

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enforce its obligation to collect the revenue this would be considered a subsequent event.

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.

1.20. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so.

It is inappropriate to capitalise borrowing costs when there is clear evidence that it is difficult to link the borrowing requirement of the municipality directly to the nature of the expenditure to be funded. In such cases, the municipality expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

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.

1.21. 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,
- 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).

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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:

- 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.

1.22. 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.

1.23. 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.

1.24. 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.

1.25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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.

1.26. 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 2015 to 30 June 2016. 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 Statement of Comparison of Budget and Actual Amounts.

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Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

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

1.27. 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.

1.28. 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.

1.29. 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:

1.29.1. 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.

1.29.2. 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.

1.29.3. 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

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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.

- 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.

1.29.4. 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.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- 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.

1.29.5. 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:

- 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.

1.29.6. 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.

1.29.7. Revenue Recognition

Accounting Policy 1.21.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.21.2 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. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.29.8. 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.

1.29.9. 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.

1.29.10. 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.

1.30. NEW STANDARDS AND INTERPRETATIONS

1.30.1. Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

1.30.1.1. GRAP 21 (as amended 2015): Impairment of Non-cash-generating Assets

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets;
- the indicators of internal sources of information were amended to include obsolescence as an indication that an asset may be impaired. In line with the amendments made to IPSAS 21 on Impairment of Non-cash-generating Assets (IPSAS 21) in 2011, an amendment has been made to include another indicator of impairment i.e., where an asset's useful life has been reassessed as finite rather than indefinite;
- where the recoverable service amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples of indications of impairment and measurement of impairment losses have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements. The impact of the standard is not material.

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1.30.1.2. GRAP 26 (as amended 2015): Impairment of Cash-generating Assets

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets and cash generating unit;
- in line with the amendments made to IPSAS 26 on Impairment of Cash-generating Assets (IPSAS 26) in 2010, an amendment has been made to include another indicator of impairment in relation to the internal sources of information;
- where the recoverable amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples on using present value techniques to measure value in use and illustrative guidance have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements. The impact of the standard is not material.

1.30.1.3. Improvements to the Standards of GRAP (2013)

Amendments were made to the following standards of GRAP:

- GRAP 1 - Presentation of Financial Statements;
- GRAP 2 - Cash Flow Statements;
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors;
- GRAP 7 - Investments in Associates;
- GRAP 10 - Financial Reporting in Hyperinflationary Economies;
- GRAP 11 - Construction Contracts;
- GRAP 13 - Leases;
- GRAP 17 - Property, Plant and Equipment;
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets;
- GRAP 21 - Impairment of Non-cash-generating Assets (refer to separate note);
- GRAP 24 - Presentation of Budget Information in Financial Statements;
- GRAP 25 - Employee Benefits;
- GRAP 26 - Impairment of Cash-generating Assets (refer to separate note);
- GRAP 31 - Intangible Assets;
- GRAP 103 - Heritage Assets; and

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

- GRAP 104 - Financial Instruments.

The amendments relate mainly to editorial and other changes to the original text to ensure consistency with other Standards of GRAP and deletion of the appendices with illustrative guidance and examples from the standards, as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the improvements is for years beginning on or after 01 April 2015.

The municipality has adopted the improvements for the first time in the 2016 annual financial statements. The impact of the improvements is not material.

1.30.1.4. GRAP 23 (as amended 2015): Revenue From Non-exchange Transactions

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- the scope paragraph has been amended to exclude non-exchange revenue from construction contracts from this Standard;
- commentary has been added to clarify that discounts, volume rebates or other reductions in the quoted price of assets are exchange transactions that should be treated in accordance with the Standard of GRAP on Revenue from Exchange Transactions;
- the Standard was amended to make it mandatory for entities to recognise services in-kind to the extent that the services in-kind are significant to an entity's operations and/or service delivery objectives and to the extent that the recognition criteria have been met;
- commentary has been added to clarify that services in-kind are not limited to the provision of services by individuals but also include the right to use assets. Examples have been added to illustrate this amendment; and
- the appendix with illustrative examples has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements. The impact of the standard is not material.

1.30.2. *Standards and interpretations issued, but not yet effective*

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

1.30.2.1. GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which the municipality reports information to management.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipality within a particular region.

This Standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more presentation and disclosure than is currently provided in the annual financial statements.

1.30.2.2. GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting municipality's annual financial statements contain 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.

A municipality that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting municipality) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the municipality. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

- is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity 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 entity or an entity related to the entity. 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); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard but has already formulated an accounting policy for this reporting period based on the Standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

1.30.2.3. GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

Public Private Partnership agreements that are governed and regulated in terms of the MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

1.30.2.4. GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables, because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard but has already formulated an accounting policy for this reporting period based on the Standard.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

1.30.2.5. IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

1.30.2.6. GRAP 16 (as amended 2015): Investment Property

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements is now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

1.30.2.7. GRAP 17 (as amended 2015): Property, Plant and Equipment

Amendments made to the standard are:

- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

1.30.2.8. GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by the municipality to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when the municipality is a principal or an agent.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. The impact of this standard is currently being assessed.

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

1	NET ASSET RESERVES	2016 R	2015 R
	Capital Replacement Reserve	15 281 795	9 186 800
	Accumulated Surplus/(Deficit)	48 172 050	70 511 239
	Revaluations Reserve	20 303 275	15 569 372
	Total Net Asset Reserves	83 757 120	95 267 411

2	LONG-TERM LIABILITIES		
	Annuity Loans - At amortised cost	6 649 115	8 433 717
		6 649 115	8 433 717
	Current Portion transferred to Current Liabilities	1 988 393	1 734 990
	Annuity Loans - At amortised cost	1 988 393	1 734 990
		4 660 722	6 698 727
	Total Long-term Liabilities - At amortised cost using the effective interest rate method	4 660 722	6 698 727

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	2 659 315	2 659 207
Payable within two to five years	7 977 946	10 637 261
	10 637 261	13 296 469
Less: Future finance obligations	(3 988 146)	(4 862 751)
Present value of annuity obligations	6 649 115	8 433 717

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.

3	EMPLOYEE BENEFITS		
	Post Retirement Healthcare Benefits - Refer to Note 4.1	17 395 000	15 661 878
	Roads Post Retirement Healthcare Benefits - Refer to Note 4.1	8 598 000	9 475 393
	Long Service Awards - Refer to Note 4.2	1 599 000	1 416 872
	Ex-Gratia Pension Benefits - Refer Note 4.3	121 910	126 490
	Total Non-current Employee Benefit Liabilities	27 713 911	26 680 633

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	26 916 547	25 036 299
Contribution for the year	580 573	394 998
Interest Cost	2 237 572	2 069 487
Expenditure for the year	(1 704 902)	(1 574 620)
Actuarial Loss/(Gain)	(237 790)	990 383
Total post retirement benefits 30 June	27 792 000	26 916 547
Less: Transfer of Current Portion - Note 5	(1 799 000)	(1 779 276)
Balance 30 June	25 993 000	25 137 271

Post Retirement Benefits: Frances Baard

Balance 1 July	16 477 830	14 559 754
Contribution for the year	580 573	394 998
Interest Cost	1 381 299	1 212 119
Expenditure for the year	(942 221)	(802 805)
Actuarial Loss/(Gain)	955 519	1 113 764
Total post retirement benefits 30 June	18 453 000	16 477 830
Less: Transfer of Current Portion - Note 5	(1 058 000)	(815 952)
Balance 30 June	17 395 000	15 661 878

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
<u>Post Retirement Benefits: Roads</u>		
Balance 1 July	10 438 717	10 476 545
Balance previously reported	-	10 652 239
Contribution for the year	-	-
Interest Cost	856 273	857 368
Expenditure for the year	(762 681)	(771 815)
Actuarial Loss/(Gain)	(1 193 309)	(123 381)
Total post retirement benefits 30 June	9 339 000	10 438 717
Less: Transfer of Current Portion - Note 5	(741 000)	(963 324)
Balance 30 June	8 598 000	9 475 393

<u>Long Service Awards</u>		
Balance 1 July	1 608 516	1 321 976
Contribution for the year	201 377	141 985
Interest Cost	121 389	105 022
Expenditure for the year	(130 296)	(42 346)
Actuarial Loss/(Gain)	(8 986)	81 879
Total long service 30 June	1 792 000	1 608 517
Less: Transfer of Current Portion - Note 5	(193 000)	(191 645)
Balance 30 June	1 599 000	1 416 872

<u>Ex-Gratia Pensions</u>		
Balance 1 July	160 580	168 345
Interest Cost	10 450	11 248
Expenditure for the year	(34 090)	(34 090)
Actuarial Loss/(Gain)	19 060	15 076
Total long service 30 June	156 000	160 580
Less: Transfer of Current Portion - Note 5	(34 090)	(34 090)
Balance 30 June	121 910	126 490

<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	28 685 643	26 526 621
Contribution for the year	781 950	536 983
Interest cost	2 369 411	2 185 757
Expenditure for the year	(1 869 288)	(1 651 056)
Actuarial Loss/(Gain)	(227 716)	1 087 338
Total employee benefits 30 June	29 740 000	28 685 644
Less: Transfer of Current Portion - Note 5	(2 026 090)	(2 005 011)
Balance 30 June	27 713 911	26 680 633

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	62	67
In-service (employee) non-members	36	32
Continuation members (e.g. Retirees, widows, orphans)	46	49
Total Members	144	148

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

In-service members	6 712 000	6 746 836
Continuation members	21 080 000	20 169 711
Total Liability	27 792 000	26 916 547

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

	2014 R	2013 R	2012 R
In-service members	5 048 295	4 453 000	2 940 292
Continuation members	19 988 004	18 877 000	19 823 482
Total Liability	25 036 299	23 330 000	22 763 774

	2016 R	2015 R	2014 R	2013 R
Experience adjustments were calculated as follows:				
Liabilities: (Gain) / loss	(237 790)	1 422 000	1 122 000	41 000

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

Yield curve Equal to CPI + 1	8.59%
Yield curve based	7.76%
	0.77%

2016 R	2015 R
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The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) Mortality rates

Mortality before retirement is based on SA 85-90 mortality tables. Mortality for pensioners was based on the PA 90 ultimate mortality rates.

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.

iv) Valuation reports

The last valuation was performed on 30 June 2016.

v) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

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

Present value of fund obligations	25 993 000	25 137 271
Total Liability	25 993 000	25 137 271

The fund is wholly unfunded.

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	26 916 547	25 036 299
Total expenses	1 113 243	889 865
Current service cost	580 573	394 998
Interest Cost	2 237 572	2 069 487
Benefits Paid	(1 704 902)	(1 574 620)
Actuarial (gains)/losses	(237 790)	990 383
Present value of fund obligation at the end of the year	27 792 000	26 916 547
Less: Transfer of Current Portion - Note 5	(1 799 000)	(1 779 276)
Balance 30 June	25 993 000	25 137 271

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (R)	Continuation members liability (R)	Total liability (R)	% change
Central Assumptions	6 747 000	20 170 000	26 917 000	

Sensitivity Analysis on the Future Service Cost and Interest

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption					
Health care inflation	1%	717 000	3 059 000	31 316 000	13%
Health care inflation	-1%	455 000	2 405 000	24 865 000	-11%
Withdrawal Rate	20%	521 000	2 480 000	25 582 000	-8%
Withdrawal Rate	-20%	627 000	2 986 000	30 626 000	10%

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.

99	99
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Key actuarial assumptions used:

2016	2015
%	%

i) Rate of interest

Discount rate
General Salary Inflation (long-term)

Yield curve	8.01%
Equal to CPI + 1	7.11%
Yield curve based	0.84%

Net Effective Discount Rate applied to salary-related Long Service Bonuses

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

ii) Valuation reports

The last valuation was performed on 30 June 2016.

iii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

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

Present value of fund obligations	1 599 001	1 416 872
Net liability	1 599 001	1 416 872

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

	2014 R	2013 R	2012 R
Total Liability	1 278 285	1 051 590	1 021 384

Experience adjustments were calculated as follows:

	2016	2015	2014
Liabilities: (Gain) / loss	(8 986)	86 901	79 290

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year
Total expenses

2016	2015
R	R

Current service cost	201 377	141 985
Interest Cost	121 389	105 022
Benefits Paid	(130 296)	(42 346)

Actuarial (gains)/losses	(8 986)	81 879
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Present value of fund obligation at the end of the year	1 792 001	1 608 517
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Less: Transfer of Current Portion - Note 5	(193 000)	(191 645)
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Balance 30 June	1 599 001	1 416 872
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FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Sensitivity Analysis on the Future Service Cost and Interest

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central assumptions					
General salary inflation	1%	242 000	165 000	1 924 000	7%
General salary inflation	-1%	200 000	143 000	1 673 000	-7%
Withdrawal rates	20%	143 000	196 000	1 676 000	-6%
Withdrawal rates	-20%	248 000	166 000	1 924 000	7%

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 R10,450.

Key actuarial assumptions used:

i) Rate of interest

Discount rate	7.78%	7.27%
	2016	2015
	R	R

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

ii) Valuation reports

The last valuation was performed on 30 June 2015.

iii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

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

Present value of fund obligations	121 910	126 490
Net liability/(asset)	121 910	126 490

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

	2014	2013	2012
	R	R	R
Members	135 891	142 310	575 936
Total Liability	135 891	142 310	575 936

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	160 580	168 345
Total expenses	(23 640)	(22 842)
Interest Cost	10 450	11 248
Benefits Paid	(34 090)	(34 090)
Actuarial (gains)/losses	19 060	15 076
Present value of fund obligation at the end of the year	156 000	160 580
Less: Transfer of Current Portion to Current Employee Benefits - Note 5	(34 090)	(34 090)
Balance at end of year	121 910	126 490

	2016	2015	2014
	R	R	R
Experience adjustments were calculated as follows:			
Liabilities: (Gain) / loss	19 060	14 596	(16 012)

4.4 Retirement funds

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

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

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
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2016 **2015**
R **R**

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.

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 101.4% (30 June 2014 - 106.2%).

Contributions paid recognised in the Statement of Financial Performance	5 447 016	4 745 719
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DEFINED CONTRIBUTION FUNDS

The municipality 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.

Contributions paid recognised in the Statement of Financial Performance

Municipal Councillors Pension Fund	195 246	351 402
SAMWU National Provident Fund	22 192	122 289
	217 438	473 691

5 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Healthcare Benefits - Note 3	1 058 000	815 952
Roads - Current Portion of Post Retirement Healthcare Benefits - Note 3	741 000	963 324
Current Portion of Long-Service Provisions - Note 3	193 000	191 645
Current Portion of Ex-Gratia Pension - Note 3	34 090	34 090
Provision for Staff Leave	5 548 577	5 196 735
Provision for Performance Bonuses	423 018	509 040
Staff Bonuses accrued	1 443 038	1 419 974
Total Current Employee Benefits	9 440 722	9 130 759

The movement in current employee benefits are reconciled as follows:

Provision for Staff Leave

Balance at beginning of year	5 196 734	4 306 007
Contribution to current portion	1 674 221	1 437 153
Expenditure incurred	(1 322 380)	(546 426)
Balance at end of year	5 548 576	5 196 734

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.

Provision for Performance Bonuses

Balance at beginning of year	509 040	565 027
Contribution to current portion	361 557	485 248
Expenditure incurred	(447 579)	(541 235)
Balance at end of year	423 018	509 040

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.

Staff Bonuses accrued

Balance at beginning of year	1 150 786	1 150 786
Contribution to current portion	2 407 275	2 407 275
Expenditure incurred	(2 138 087)	(2 138 087)
Balance at end of year	1 419 974	1 419 974

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.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
6	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Other Payables	8 458 171	10 535 373
	Payments received in advance	126 171	14 355
	Retentions	479 108	601 835
	Insurance control account	1 435	-
	Sundry Creditors	7 761 832	9 855 462
	Deposit-rent buildings	2 394	-
	Standard Bank fleet card	83 962	63 721
	Salary Control: - SITE / PAYE	3 269	-
	Total Trade Payables	8 458 171	10 535 373
	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	3 073 659	1 177 558
	National and Provincial Government Grants	3 073 659	1 177 558
	Balance Previously Reported	3 073 659	1 177 558
	Total Conditional Grants and Receipts	3 073 659	1 177 558
	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	UNSPENT PUBLIC CONTRIBUTIONS		
	Reconciliation of public contributions		
	<u>ABSA</u>		
	Opening balance	-	15 000
	Contributions received	-	-
	Conditions met - Transferred to revenue	-	(15 000)
	Closing balance	-	-
	Brief description of contribution and conditions attached		
9	TAXES		
	NET VAT RECEIVABLE/(PAYABLE)	5 393 830	6 862 911
	VAT is receivable/payable on the cash basis.		
10	PROPERTY, PLANT AND EQUIPMENT		
10.1	<u>Refer to note 10 on page 66</u>		
10.2	Assets pledged as security:		
	No assets are pledged as security.		
10.3	Third party payments received for losses incurred:		
	Payments received (Excluding VAT)	301 493	24 737
10.4	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 - impairment	29 040	-
	Land and Buildings - reversal of impairment	(1 800 637)	-
		(1 771 597)	-

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
Cumulative impairment charges included in major balances		
Land and Buildings	16 797 500	18 569 097
	16 797 500	18 569 097

10.5 Effect of changes in accounting estimates

disposal the remaining useful life was assessed as 1 year. The remaining useful life of assets not identified for disposal where reassessed if the remaining useful life in the prior was 2 years or less. The residual values were reassessed to be nil, this is based on past trends which indicate that the municipality most likely will not receive any funds on disposal date.
for the current and future periods.

The effect of this revision is an decreased the depreciation charges	(719 426)	-
--	-----------	---

10.6 Revaluation of property

The revaluation of council's land and buildings was done by an independent professional valuator, Valu Data, during the current year on the method of

- value indicated by recent sales of comparable properties in the market,
- value of the property's earning power based 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.

11 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July

	890 178	776 683
Cost	1 431 195	1 178 740
Accumulated Amortisation	(541 017)	(402 057)
Additions	76 651.00	252 455
Disposals: Cost	(59 570)	-
Amortisation	(184 973)	(138 960)
Impairments	(27 792)	-
Disposals: Amortisation	45 960	-

Net Carrying amount at 30 June

	740 454	890 178
Cost	1 448 276	1 431 195
Accumulated Amortisation	(707 822)	(541 017)

The following material intangible assets are included in the carrying value above

	<u>Remaining Amortisation</u> <u>Period</u>	<u>Carrying Value</u>
<u>Description</u>		
Computer programmes	10	740 454 890 178

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

	631 417	631 417
Cost	631 417	631 417
Acquisitions	-	-

Net Carrying amount at 30 June

	631 417	631 417
Cost	631 417	631 417

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

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.		
There were no Heritage Assets pledged as security for liabilities for the 2015/16 financial year.		
13 CURRENT INVESTMENTS		
Bank Deposits	5 550 000	5 250 000
Total Current Investments	5 550 000	5 250 000
Fixed deposit at Standard Bank until 27 June 2017 at 7.09% interest.		
14 LONG-TERM RECEIVABLES		
Roads Post Retirement Healthcare Benefits - Refer to Note 4.1		
Opening Balance	9 339 000	10 438 717
Current year movements	10 438 717 (1 099 717)	10 476 545 (37 828)
Total post retirement benefits 30 June	9 339 000	10 438 717
<u>Less:</u> Transfer of Current Portion	(741 000)	(963 324)
Balance 30 June	8 598 000	9 475 393
The municipality 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.		
15 INVENTORY		
Consumable Stores - Stationery and materials - At cost	303 121	323 658
Total Inventory	303 121	323 658
Inventory recognised as an expense during the year	357 798	352 500
No inventory assets were pledged as security for liabilities.		
16 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Other Receivables	1 757 951	1 531 082
Sundry Services	565 493	535 439
Payments Made in Advance	676 586	680 791
Interest on investment	222 938	209 597
Other Sundry Debtors	288 057	73 307
Salary Control:-Main Account	1 126	-
Salary Control - Traffic Fines	-	200
Salary Control: - Unclaimed Salaries	360	-
Insurance Control Account	-	20 547
Recoverable Amounts	3 391	11 200
Total Receivables from Non-Exchange Transactions	1 757 951	1 531 082
Less: Allowance for Doubtful Debts	-	-
Total Net Receivables from Non-Exchange Transactions	1 757 951	1 531 082
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	-	10 695
Contribution to provision/(Reversal of provision)	-	-
Bad Debts Written Off	-	(10 695)
Balance at end of year	-	-
The entire provision for bad debts relates to outstanding levies for post service medical aid contributions.		
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.		

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

17

OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor (Asset)

Balance on 1 July

Correction of error

Movement during the year

Balance on 30 June

**2016
R**

**2015
R**

2 754	-
-	2 754
2 247	-
5 000	2 754

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it

Up to 1 Year

1 to 5 Years

More than 5 Years

Total Operating Lease Arrangements

22 526	20 855
57 558	80 082
-	-
80 085	100 937

This lease income was determined from contracts that have a specific conditional income and does not

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

Primary Bank Account

Cash Floats

Total Cash and Cash Equivalents - Assets

66 000 000	84 500 000
3 271 754	2 979 273
3 300	3 300
69 275 054	87 482 573

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

3 271 754	2 979 273
3 271 754	2 979 273

Standard Bank Kimberley Business Centre - Account Number 04 007 955 4

Cash book balance at beginning of year

Cash book balance at end of year

2 979 273	9 921 183
3 271 754	2 979 273

Bank statement balance at beginning of year

Bank statement balance at end of year

3 211 552	10 111 546
3 275 264	3 211 552

ABSA Bank Kimberley (Central Business District) - Account Number 940 000 327

Cash book balance at beginning of year

Cash book balance at end of year

-	9 856
-	-

Bank statement balance at beginning of year

Bank statement balance at end of year

-	9 856
-	-

New primary bank account has been opened at Standard bank. The account at ABSA was closed on 14 July 2014.

Call Investment Deposits

Call investment deposits consist out of the following accounts:

Absa Bank

93-1387-7406

20-7565-5193

20-7591-8307

Rand Merchant

244513/0

MUY6T10003/0

244399/0

Nedcor

03/7662011402/000107

03/7662011402/000105

03/7662011402/000102

Standard Bank

48 472 468 106

48 472 468 104

48 472 468 108

17 500 000
7 000 000
6 000 000
4 500 000
12 500 000
4 000 000
4 000 000
4 500 000
20 500 000
10 000 000
4 500 000
6 000 000
15 500 000
6 000 000
4 500 000
5 000 000
66 000 000

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
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Absa Bank
20-7449-2590

20-7506-4106

First Rand
PVH5311041
PVH56MA00

Nedcor
CALL - 7662011402 / 000076
03 / 7662011402 / 89
03 / 7662011402 / 92

Standard Bank
048472468 084
048472468 085
048472468 089
048472468 091

19 000 000
9 000 000
4 500 000
5 500 000
15 500 000
10 000 000
5 500 000
22 000 000
9 500 000
7 000 000
5 500 000
28 000 000
10 000 000
8 000 000
4 500 000
5 500 000
84 500 000

19 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants

Equitable Share

98 936 000 97 428 000

98 936 000 97 428 000

Conditional Grants

National Government
Provincial Government
Public Contributions

11 477 263 4 966 755

3 234 135 1 924 115
8 243 127 3 027 640
- 15 000

Total Grants and Subsidies

110 413 263 102 394 755

Government Grants and Subsidies - Operating

110 413 263 102 394 824

110 413 263 102 394 824

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

Equitable share

98 936 000 97 428 000

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

387 794 49 610
1 392 481 1 327 097
6 046 939 1 895 115
3 300 051 1 380 000
350 000 315 000

110 413 264 102 394 822

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

- -
98 936 000 97 428 000
98 936 000 97 428 000
(98 936 000) (97 428 000)

Conditions still to be met

- -

The Equitable Share is the unconditional share of the revenue raised nationally and is 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

- -

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).

**FRANCES BAARD DISTRICT MUNICIPALITY
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	2016 R	2015 R
19.03 Municipal Systems Improvement Grant		
Opening balance	259 885	179 068
Grants received	940 000	934 000
Gross Funding	1 199 885	1 113 068
Conditions met - transferred to revenue	(893 937)	(674 047)
Transferred to sundry revenue		(68)
Transferred back to National Treasury	(259 885)	(179 068)
Conditions still to be met	46 063	259 885

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

19.04 District Aids Council		
Opening balance	550 390	100 000
Grants received	-	500 000
Gross Funding	550 390	600 000
Conditions met - transferred to revenue	(387 794)	(49 610)
Grant expenditure to be recovered	162 596	550 390

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.

19.05 NEAR Control Centre		
Opening balance	-	-
Grants received	350 000	315 000
Gross Funding	350 000	315 000
Conditions met - transferred to revenue	(350 000)	(315 000)
Grant expenditure to be recovered	-	-

The grant is used to maintain effective functioning of the NEAR control centres and provide additional funds for training NEAR personnel.

19.06 NCPA - Housing Accreditation Grant		
Opening balance	-	-
Grants received	1 050 000	1 380 000
Gross Funding	1 050 000	1 380 000
Conditions met - transferred to revenue	(1 050 000)	(1 380 000)
Conditions still to be met	-	-

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.

19.07 NCPA Firefighting Equipment		
Opening balance	315 000	-
Grants received	350 000	315 000
Gross Funding	665 000	315 000
Conditions met - transferred to revenue	-	-
Conditions still to be met	665 000	315 000

Grant is used to enhance municipalities' capacity to deal with fire hazards.

19.08 SETA - Skills Grant		
Opening balance	-	-
Grants received	90 198	77 099
Gross Funding	90 198	77 099
Conditions met - transferred to revenue	(90 198)	(77 099)
Conditions still to be met	-	-

The grant is used for training and capacity building of employees as per approved Skills Work Plan.

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
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	2016 R	2015 R
19.09 NCPA: EPWP		
Opening balance	-	-
Grants received	1 000 000	1 006 000
Gross Funding	1 000 000	1 006 000
Conditions met - transferred to revenue	(1 000 000)	(1 006 000)
Conditions still to be met	-	-
The grant is used for clearance and vegetation control of areas in the DMA.		
19.10 NCPA: Environmental Health Recycling Project		
Opening balance	52 283	52 283
Grants received	-	-
Gross Funding	52 283	52 283
Conditions met - transferred to revenue	(52 283)	-
Conditions still to be met	-	52 283
Grant is used for Frances Baard Recycling projects.		
19.11 NCPA - Tourism Grant		
Opening balance	-	-
Grants received	200 000	200 000
Gross Funding	200 000	200 000
Conditions met - transferred to revenue	-	(200 000)
Conditions still to be met	200 000	-
19.12 NCPA: Operation Kgotsa Pula Nala		
Opening balance	4 000 000	-
Grants received	-	-
Gross Funding	4 000 000	-
Conditions met - transferred to revenue	(2 000 001)	-
Conditions still to be met	1 999 999	-
19.13 Rural Roads Asset Management System		
Opening balance	2 153 000	-
Grants received	-	-
Gross Funding	2 153 000	-
Conditions met - transferred to revenue	(2 153 000)	-
Conditions still to be met	-	-
19.14 NCPA Housing Project		
Opening balance	-	-
Grants received	2 250 051	-
Gross Funding	2 250 051	-
Conditions met - transferred to revenue	(2 250 051)	-
Conditions still to be met	-	-
19.15 Total Government Grants & Subsidies		
Opening balance	1 177 558	331 350
Grants received	112 569 249	103 405 099
Gross Funding	113 746 806	103 736 449
Transferred to sundry revenue	-	(68)
Transferred back to National Treasury	(259 885)	(179 068)
Conditions met - transferred to revenue	(110 413 263)	(102 379 757)
Conditions still to be met/(Grant expenditure to be recovered)	3 073 659	1 177 558

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	3 073 659	1 177 558
	3 073 659	1 177 558
20 Public Contributions & Donations		
20.1 ABSA		
Opening balance	-	15 000
Grants received	-	-
Gross Funding	-	15 000
Conditions met - transferred to revenue	-	(15 000)
Conditions still to be met	-	-
Private contribution to fund commemorative day celebrations		
20.2 Total Public Contributions & Donations		
Opening balance	-	15 000
Grants received	-	-
Gross Funding	-	15 000
Conditions met - transferred to revenue	-	(15 000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
21 OTHER INCOME		
Commission: Insurance Payments	11 532	21 303
Private telephone calls / photo copies	32 241	38 530
Rentals	25 677	9 879
Discount on SALGA membership fees		37 500
Recovered Unauthorised, Fruitless & Wasteful Expenditure		10 128.31
Insurance Claims / Replace Stolen Assets	301 493	24 737
Reversal of impairment	1 713 113	-
Tender fees	38 628	-
Motor vehicle usage		5 500
Other	12 245	5 075
Total Other Income	2 134 929	152 651
Other income represents income such as insurance claims, private telephone calls and other sundry income.		
22 EMPLOYEE RELATED COSTS		
Employee related costs – Salaries and Wages	34 334 808	30 918 010
Employee related costs – Contributions for UIF, pensions and medical aids	7 172 698	6 451 426
Motor car and other allowances	4 305 063	3 671 632
Housing benefits and allowances	389 658	265 399
Leave benefit	1 674 221	1 437 153
Annual Bonus	2 527 155	2 407 275
Performance bonus	361 557	485 248
Compulsory cost:- Skills Levy; Workmen's Compensation; Industrial Council Contributions	720 414	507 658
Group Insurance	476 154	431 882
Long Service Bonus	201 377	141 985
Post-Retirement Medical Aid	580 573	-
Post-Retirement Pension fund	-	394 998
	52 743 677	47 112 666
Total Employee Related Costs	52 743 677	47 112 666
KEY MANAGEMENT PERSONNEL		
The 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.		

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
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		2016 R	2015 R
REMUNERATION OF KEY MANAGEMENT PERSONNEL			
<i>Remuneration of the Municipal Manager - Ms ZM Bogatsu</i>			
Annual Remuneration		1 776 349	1 647 598
Performance Bonuses		301 252	235 689
Total		2 077 601	1 883 287
<i>Remuneration of the Acting Director Financial Services - Ms O Moseki</i>			
Annual Remuneration		751 275	884 075
Performance Bonuses		104 005	-
Total		855 280	884 075
<i>Remuneration of the Director Administration - Ms NG Kgantsi</i>			
Annual Remuneration		-	160 315
Performance Bonuses		-	101 849
Total		-	262 163
Resigned on 22 August 2014			
<i>Remuneration of Executive Director: Infrastructure Services - Mr PJ van der Walt</i>			
Annual Remuneration		1 188 651	1 173 607
Performance Bonuses		104 005	97 199
Total		1 292 656	1 270 806
<i>Remuneration of Executive Director: Planning & Development - Mr FS Mdee</i>			
Annual Remuneration		1 265 247	1 173 607
Performance Bonuses		104 005	101 849
Total		1 369 252	1 275 456
23	REMUNERATION OF COUNCILLORS		
Mayor		807 929	766 897
Speaker		650 515	617 690
MPAC Chairperson		337 003	320 391
Mayoral Committee Members		2 821 013	2 679 253
Councillors		1 280 775	1 236 981
Other Obligatory Contributions (Skills Levy, etc.)		90 418	69 742
Total Councillors' Remuneration		5 987 653	5 690 954
<i>In-kind Benefits</i>			
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 municipal vehicle for official duties.			
24	DEBT IMPAIRMENT		
Trade Receivables from non-exchange transactions - Note 16		-	-
Total Contribution to Debt Impairment		-	-
Debt impairment recognised in statement of financial performance		-	-
25	DEPRECIATION AND AMORTISATION		
Property Plant and Equipment		3 775 996	3 630 130
Intangible Assets		184 973	138 960
		3 960 969	3 769 090
26	IMPAIRMENTS		
Property Plant and Equipment		(1 771 597)	-
Intangible assets		27 792	-
		(1 743 806)	-
27	FINANCE CHARGES		
27.1	Long-term Liabilities	884 112	1 052 381
Finance leases		-	-
Total finance charges: long-term Liabilities		884 112	1 052 381
27.2	Employee Benefits	1 513 138	1 328 389
Total finance charges		2 397 250	2 380 770

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
28	GRANTS AND SUBSIDIES		
28.1	Grants and subsidies paid to other municipalities		
	Infrastructure grants paid to other municipalities	36 187 382	27 435 011
	Dikgatlong Municipality	4 956 323	4 734 558
	Streets & Storm Water	-	573 636
	Refuse	2 000 636	-
	Electricity	200 641	2 444 535
	Sanitation	-	1 310 547
	Water	256 293	405 840
	Maintenance Projects	2 498 753	-
	Magareng Municipality	12 146 650	7 500 210
	Water	-	5 000 000
	Trucks & Equipment	1 873 900	-
	Sanitation	7 772 751	-
	Maintenance Projects	2 500 000	2 500 210
	Phokwane Municipality	10 609 963	8 374 432
	Sanitation	-	1 510 530
	Streets & Stormwater	678 625	251 200
	Water	7 432 307	1 624 790
	Maintenance Projects	2 499 032	4 987 912
	Sol Plaatje Municipality	8 474 445	6 825 811
	Water	5 974 445	4 325 811
	Maintenance Projects	2 500 000	2 500 000
	Total Grants and subsidies paid to other municipalities	36 187 382	27 435 011
The municipality 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.			
28.2	Other grants paid and special projects		
	Other grants paid and special projects	18 434 065	9 840 966
	Grants paid to other organs of state	135 000	135 000
	Northern Cape Tourism Authority	135 000	135 000
	Other special projects	18 299 065	9 705 966
	Council - Special Projects in the Office of the Mayor and Speaker	101 134	102 032
	Special Projects: Office of The Municipal Manager	-	10 964
	Youth unit	368 467	-
	Communications - Communication Projects	-	112 662
	Internal Audit	357 376	91 546
	Political Office Admin	450 537	-
	Financial Management & Support Programmes	1 577 491	2 728 420
	Information Technology Projects	553	866
	Employee wellness programmes	151 764	476 570
	Project Management Projects	1 798 877	7 001
	Tourism Projects	2 027 416	1 885 981
	Operation Khotso Pula Nala	2 000 002	-
	GIS Projects	599 991	594 414
	Spatial Planning Projects	2 025 184	63 021
	Planning & Development projects	825 910	760 365
	IDP / PMS Projects	42 457	44 258
	Other special projects continue		
	Local Economic Development	2 636 426	2 079 508
	Environmental Health Projects	115 132	273 217
	Disaster Management	926 908	392 898
	Housing Awareness	2 293 442	82 244
	Total Other grants paid and special projects	18 434 065	9 840 966
	Summary of Grants and Subsidies Paid		
	Infrastructure grants paid to other municipalities	36 187 382	27 435 011
	Grants paid to other organs of state	135 000	135 000
	Other special projects	18 299 065	9 705 966
	Total Grants and Subsidies	54 621 447	37 275 977

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

	2016 R	2015 R
29 GENERAL EXPENSES		
Accommodation	843 589	1 127 291
Audit Fees	1 762 995	1 887 149
Bank Charges	48 118	48 325
Books, Printing & Stationery	697 272	671 597
Cellphones	66 756	71 358
Cleaning Materials	57 400	54 959
Cleaning Motor Vehicles	13 780	14 079
Conferences and Seminars	147 783	219 808
Consultancy	1 345 867	469 369
Entertainment / Refreshments	229 421	224 778
General Expenses	399 410	313 061
General Notices	946 917	1 019 572
Gifts	3 139	4 036
Insurance	402 638	340 250
Motor vehicle operating cost	524 837	837 803
Municipal Services & Taxes	2 266 507	1 428 580
Office Requirements	4 360	5 516
Pauper Burials	12 000	13 200
Postage	13 901	26 742
Protective Clothing	32 791	28 120
Relocation Costs	119 571	221 186
SALGA Membership Fees	628 254	587 261
IA membership fees	8 079	7 523
Security Services	589 826	589 826
Study Bursaries	73 367	79 935
Training	938 984	794 400
Telephone / Data Lines	380 389	448 533
Transportation	583 380	529 683
General Expenses	13 141 331	12 063 939
30 CORRECTION OF ERROR IN TERMS OF GRAP 3		
30.1 Accumulated Surplus		
<u>1 July 2014 - Opening Balance</u>		
Balance Previously Reported		73 425 979
Recognise off-set of revaluation surplus relating to 2012 revaluation reserve opening balance		644 654
Reverse depreciation off-set on land		(93 620)
Realise remaining revaluation surplus of land and buildings transferred to NCPA		(249 128)
Reverse revaluation surplus realised for land incorrectly derecognised		(800 000)
Reverse carrying value of land incorrectly derecognised as part of transferred land to NCPA		800 000
Restated Accumulated surplus at 30 June 2014		73 727 885
1 July 2015 - Opening balance		
Balance Previously Reported		70 463 202
Straight lining correction of MTN lease agreement in terms of GRAP 13 Leases		2 754
Recognise off-set of revaluation surplus relating to 2012 revaluation reserve opening balance		92 093
Reverse depreciation off-set on land		(46 810)
Res Restated accumulated surplus at 30 June 2015		70 511 239
30.2 Revaluation Reserve		
Balance Previously Reported		15 323 973
Restatement of prior year depreciation offset		452 811
Restated Balance		15 776 784

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
31 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	(16 496 889)	(2 467 377)
Adjustments for:		
Depreciation	3 775 996	3 630 130
Amortisation of Intangible Assets	184 973	138 960
Loss on disposal of property, plant and equipment	216 455	110 505
Contribution from/to Employee Benefits - Current	4 443 054	4 329 675
Contribution from/to Employee Benefits - Current - Expenditure incurred	(3 908 046)	(3 225 747)
Contribution from/to Employee Benefits - Non-Current	3 151 361	2 722 740
Contribution from/to Employee Benefits - Non-Current - Expenditure incurred	(1 869 288)	(1 651 056)
Actuarial Losses	(227 716)	1 087 338
Grader cost	-	(891 005)
Grader cost	(275 164)	891 005
Grants Received	112 569 249	103 405 097
Grant Expenditure	(110 673 149)	(102 573 890)
Operating lease income accrued	(2 247)	-
Operating Surplus/(Deficit) before changes in working capital	(10 855 216)	5 506 377
Changes in working capital	(814 454)	(1 424 000)
Increase/(Decrease) in Trade and Other Payables	(2 077 202)	4 278 123
(Increase)/Decrease in Taxes	1 469 081	(5 655 193)
(Increase)/Decrease in Inventory	20 536	(31 864)
(Increase)/Decrease in Trade and other receivables	(226 870)	(15 067)
Cash generated/(absorbed) by operations	(11 669 670)	4 082 377

32 CASH AND CASH EQUIVALENTS

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

Call Investments Deposits - Note 18	66 000 000	84 500 000
Cash Floats - Note 18	3 300	3 300
Bank - Note 18	3 271 754	2 979 273
Total cash and cash equivalents	69 275 054	87 482 573

33 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 32	69 275 054	87 482 573
Investments - Note 13	5 550 000	5 250 000
	74 825 054	92 732 573
Less:	50 972 552	50 843 690
Unspent Committed Conditional Grants - Note 7	3 073 659	1 177 558
Payables from exchange transactions	8 458 171	10 535 373
Current Employee benefits	9 440 722	9 130 759
Cash Reserves to Cover Expenditure for Three Months	30 000 000	30 000 000
Resources available for working capital requirements	23 852 502	41 888 884
Allocated to:		
Capital Replacement Reserve	15 281 795	9 186 800
Employee Benefits	27 713 911	26 680 633
Resources available for working capital requirements	(19 143 203)	6 021 451

34 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2	6 649 115	8 433 717
Used to finance property, plant and equipment - at cost	(6 649 115)	(8 433 717)

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

BUDGET COMPARISONS

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 (%)
34.1 Operational				
Revenue by source				
Government Grants and Subsidies - Operating	110 413 264	112 934 646	(2 521 382)	-2%
Rental of Facilities and Equipment	643 770	1 072 000	(428 230)	-40%
Interest Earned - external investments / current account	7 866 135	5 843 350	2 022 785	35%
Other Income	2 134 929	4 552 800	(2 417 871)	-53%
Gain on disposal of Property, Plant and Equipment	-	60 000	(60 000)	-100%
	121 058 098	124 462 796	(3 404 698)	-3%

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Expenditure by nature

Employee Related Costs	52 743 677	57 549 150	(4 805 473)	8%
Remuneration of Councillors	5 987 653	6 336 840	(349 187)	6%
Debt Impairment	-	3 000	(3 000)	100%
Depreciation and Amortisation	3 960 969	5 615 000	(1 654 031)	29%
Repairs and Maintenance	3 520 611	4 694 686	(1 174 075)	25%
Finance Charges - Employee Benefits	1 513 138	2 000 000	(486 862)	24%
Finance Charges - External Funding	884 112	1 054 000	(169 888)	16%
Grants and Subsidies	54 621 447	66 320 906	(11 699 459)	18%
General Expenses	14 106 924	20 906 402	(6 799 478)	33%
Loss on disposal of Property, Plant and Equipment	216 455	210 000	6 455	-3%
	137 554 987	164 689 984	(27 134 997)	16%
Net Surplus for the year	(16 496 889)	(40 227 188)	(30 539 695)	76%

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 (%)
34.2 Expenditure by Vote				
Executive & Council	22 314 198	26 659 230	(4 345 032)	-16%
Budget & Treasury	20 664 284	23 981 223	(3 316 939)	-14%
Corporate Services	15 360 825	18 926 192	(3 565 367)	-19%
Planning & Development	64 806 546	77 031 879	(12 225 333)	-16%
Housing	6 781 314	8 716 636	(1 935 322)	-22%
Public Safety	5 139 509	6 504 404	(1 364 895)	-21%
Environmental Protection	2 488 311	2 870 420	(382 109)	-13%
	137 554 987	164 689 984	(27 134 997)	-16%

	2016 R (Actual)	2016 R (Budget)	2016 R (Variance)	2016 (%)
34.3 Capital expenditure by vote				
Executive & Council	29 811	166 880	(137 069)	-82%
Budget & Treasury	1 952 827	2 143 460	(190 633)	-9%
Corporate Services	365 348	504 493	(139 145)	-28%
Planning & Development	631 582	1 188 233	(556 651)	-47%
Housing	-	-	-	0%
Public Safety	2 592 796	7 655 120	(5 062 324)	-66%
Environmental Protection	9 640	20 411	(10 771)	-53%
	5 582 005	11 678 597	(6 096 592)	-52%

35 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

35.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	-	695 884
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year - operating	6 455	-
Written off by council	-	(695 884)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	6 455	-

2016

Incident	Disciplinary steps/criminal proceedings
Under budget on loss on sale of fixed assets.	Non-cash item that will be tabled to council during 2016 / 2017 financial year

2015

No unauthorised expenditure was incurred for 2014/15 financial year.

35.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	216 856	275 664
Fruitless and wasteful expenditure current year	42 077	58 602
Written off by council / Recovered	(186 583)	(117 410)
Transfer to receivables for recovery	(66 740)	-
Fruitless and wasteful expenditure awaiting further action	5 610	216 856

Recoverability of all fruitless and wasteful 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 2016**

	2016 R	2015 R
35.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	582 330	582 330
Irregular expenditure current year	-	-
Written off by council	(582 330)	(582 330)
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	-	-
	-	-
	-	-
Recoverability of all irregular expenditure was resolved by Council in terms of section 32 of MFMA.		
35.4 Material Losses		
No material losses occurred during the year.		
36 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
36.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	-
Council subscriptions	628 254	587 261
Amount paid - current year	(628 254)	(587 261)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
36.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year audit fee	1 762 995	1 887 149
Amount paid - current year	(1 762 995)	(1 887 149)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-
36.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	6 862 911	1 193 819
Amounts received - current year	(4 854 334)	-
Amounts received - previous years	(4 973 929)	-
Amounts claimed - current year	8 362 199	5 669 092
Closing balance - Receivable	5 396 847	6 862 911
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.		
36.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	10 523 848	8 960 851
Amount paid - current year	(10 520 579)	(8 960 851)
Balance unpaid (included in creditors)	3 269	-
36.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	9 356 677	8 511 637
Amount paid - current year	(9 356 679)	(8 511 637)
Balance unpaid (included in creditors)	(2)	-
36.6 Other non-compliance (MFMA 125(2)(e))		
None		
36.7 Deviations approved by the Municipal Manager		
Supply Chain Management Policy has been amended and adopted by Council with an effective date of 23 September 2015 for implementation.		

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
The following deviations were allowed in terms of the Supply Chain Policy for the year under review.			
Supplier	Service	Amount	
2016			
Summat Training institute	MFMA internship programme / training	279 300	
Sage VIP Payroll	VIP payroll upgrade	114 717	
Mubesko Africa	Review annual financial statements	146 661	
Celebrity Heating and Cooling	Service and maintenance of air conditioners	12 433	
Tietse Trading Enterprises	Catering for district youth summit	49 500	
Ous Meisies	Year end function	49 750	
Lexis Nexis	On-line library package	53 210	
Letsebele Transport and Trading	Razor mech fence	847 440	
Total		1 553 011	
2015			
Quantec Research (PTY) LTD	Annual data subscription		104 844
The Signature Hotel	Hosting of year-end function programme		57 342
Cheesy lifestyle Entertainment	Catering for youth day programme		54 000
Madibuseng Trading	Extension of work on painting of council chambers		9 260
Deloitte Consulting	Job description writing training		53 798
Wolters Kluwer Tax & Accounting Services	Teammate software for internal audit work		191 241
Price Waterhouse Coopers / Combined Systems	Data cleansing, upload of final asset register to Baud		59 280
Total		-	529 765

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FINANCIAL RISK MANAGEMENT

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% (2016 - 0.5%) Increase in interest rates	551 703	358 249
0.5% (2016 - 0.5%) Decrease in interest rates	(275 852)	(358 249)

(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.

2016	2015
R	R

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

(e) Liquidity Risk

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.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2016				
Long Term liabilities - Annuity Loans	2 705 066	5 377 449	-	-
Capital repayments	1 988 393	4 660 772	-	-
Interest	716 673	716 677	-	-
Trade and Other Payables	8 458 171	-	-	-
Unspent conditional government grants and receipts	3 073 659	-	-	-
Cash and Cash Equivalents	-	-	-	-
	14 236 896	5 377 449	-	-
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2015				
Long Term liabilities - Annuity Loans	2 505 184	8 132 077	-	-
Capital repayments	1 734 990	6 698 727	-	-
Interest	770 194	1 433 350	-	-
Trade and Other Payables	10 521 018	-	-	-
Unspent conditional government grants and receipts	1 162 558	-	-	-
Cash and Cash Equivalents	-	-	-	-
	14 188 760	8 132 077	-	-

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

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**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

		2016 R	2015 R
SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost	76 583 006	94 263 655
	At amortised cost	76 583 006	94 263 655
38.2	<u>Financial Liability</u>		
	<u>Classification</u>		
	Long-term Liabilities		
	Annuity Loans	4 660 722	6 698 727
	Capitalised Lease Liability	-	-
	Payables from exchange transactions		
	Other Payables	8 458 171	10 535 373
	Other Payables		
	Government Subsidies and Grants	3 073 659	1 177 558
	Current Portion of Long-term Liabilities		
	Annuity Loans	1 988 393	1 734 990
		18 180 945	20 146 648
SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost	18 180 945	20 146 648
39	STATUTORY RECEIVABLES		
	Taxes		
	VAT Receivable	5 393 830	6 862 911
	Receivables from Non-Exchange Transactions		
	Fines	-	-
	Total Statutory Receivables	5 393 830	6 862 911
40	EVENTS AFTER THE REPORTING DATE		
	The municipality has erroneously paid the outgoing councillors salaries from 11 August 2016 to 28 August 2016. Processes will be implemented to ensure that the monies are recovered from the affected parties.		
41	IN-KIND DONATIONS AND ASSISTANCE		
	A member of the Audit Committee is employed by the office of the premier and is not remunerated by the municipality.		
42	PRIVATE PUBLIC PARTNERSHIPS		
	The municipality has not entered into any private public partnerships during the financial year.		
43	CONTINGENT LIABILITY		
43.1	<u>Labour Disputes</u>		
	After dismissal, an employer tried to obtain a court ruling for unfair dismissal and to be re-instated in the position that she occupied before. The Labour Court ruled in her favour and ruled that she must be re-instated and that her backdated salary should be paid to her accordingly.		
	The municipality has resubmitted the case to the Labour Appeal Court and awaiting final ruling.		
	If the court of appeal rules in favour of the employee, an amount of R 1 703 424 may be payable to the employee.		
44	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.		

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

44.1 Related Party Loans

None

44.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 22 to the annual financial statements.

44.3 Other related party transactions

None

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2016

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairment Losses				Carrying Value	
	Opening Balance	Additions	Revaluation Adjustment	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Revaluation / Impairment Movements	Closing Balance
	R	R		R	R	R	R	R		R
Community Assets	1 202 724	-		-	1 202 724	706 837	150 712	-	-	857 549
Land & Buildings	151 676			-	151 676	92 452	9 241	-	-	101 694
Security Measures	1 051 048				1 051 048	614 385	141 471		-	755 856
Other Assets	70 539 129	5 505 354	3 683 479	1 190 967	78 536 992	33 222 854	3 625 284	988 122	(3 074 717)	32 785 298
Land & Buildings	47 500 086	3 051 119	3 683 479		54 234 681	20 188 434	500 811	-	(3 074 717)	17 614 528
Office Equipment	3 871 188	86 981		298 039	3 660 130	2 375 706	432 435	259 811	-	2 548 330
Furniture & Fittings	3 105 649	158 956		32 502	3 232 103	2 312 795	221 563	27 615	-	2 506 744
Plant & Machinery	2 297 405	19 744			2 317 149	1 609 263	228 963	-	-	1 838 225
Emergency Equipment	1 292 209			14 154	1 278 055	838 646	128 955	13 371	-	954 230
Motor Vehicle	7 659 903	1 755 448		352 240	9 063 110	2 807 139	1 551 980	242 060	-	4 117 058
Computer Equipment	4 812 689	433 106		494 033	4 751 762	3 090 871	560 577	445 265	-	3 206 183
	71 741 853	5 505 354	3 683 479	1 190 967	79 739 716	33 929 691	3 775 996	988 122	(3 074 717)	33 642 848

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

30 JUNE 2015

Reconciliation of Carrying Value

	Cost			Accumulated Depreciation and Impairment Losses					Carrying Value	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Depreciation Charge	Disposals	Correction of Error - Disposal	Closing Balance	
	R	R	R	R	R	R	R		R	R
Community Assets	1 121 141	81 583	-	1 202 724	503 208	203 629	-	-	706 837	495 887
Land & Buildings	106 676	45 000	-	151 676	85 341	7 112	-	-	92 452	59 223
Security Measures	1 014 465	36 583		1 051 048	417 867	196 518		-	614 385	436 664
Other Assets	69 751 548	1 835 603	1 048 021	70 539 129	30 814 532	3 336 233	927 910	-	33 222 854	37 316 275
Land & Buildings	47 500 088			47 500 086	19 679 077	509 357		-	20 188 434	27 311 652
Balance Previously Rreported	46 795 656			46 795 654	19 684 377	599 625		-	20 284 001	26 511 652
Classification correction	(95 568)			(95 568)	(5 300)	(90 267)			(95 568)	-
Correction of Error - Transferred to Department of Transport - Note 30	800 000			800 000						
Office Equipment	3 338 405	612 801	80 018	3 871 188	2 023 823	430 062	78 178	-	2 375 706	1 495 482
Furniture & Fittings	3 036 775	89 638	20 763	3 105 649	2 047 363	285 514	20 081	-	2 312 795	792 854
Plant & Machinery	1 996 576	8 386		2 004 962	1 421 293	193 516	5 546	-	1 609 263	395 699
Plant & Machinery - Residual Value	298 000		5 558	292 443	-	-		-	-	292 443
Emergency Equipment	1 336 057		43 848	1 292 209	700 924	181 589	43 867	-	838 646	453 563
Motor Vehicle	5 169 761	425 443	271 613	5 323 592	2 070 664	1 008 007	271 533	-	2 807 139	2 516 453
Motor Vehicle - Residual Value	2 029 861	414 850	108 400	2 336 311	-	-		-	-	2 336 311
Computer Equipment	5 046 025	284 486	517 822	4 812 689	2 871 388	728 189	508 705	-	3 090 871	1 721 818
	70 872 689	1 917 187	1 048 021	71 741 853	31 317 740	3 539 862	927 910	-	33 929 691	37 812 162

APPENDIX A - Unaudited
FRANCES BAARD DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30 JUNE 2014	Redeemed written off during the period	Balance at 30 JUNE 2015
ANNUITY LOANS					
DBSA - Frances Baard Council Chamber & Offices	103363/1	10 Years	8 433 717	1 784 602	6 649 115
TOTAL EXTERNAL LOANS			8 433 717	1 784 602	6 649 115

APPENDIX B - Unaudited
FRANCES BAARD DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

	Cost					ACCUMULATED DEPRECIATION								Carrying Value
	Balance at 1 JULY 2015	Additions	Revaluation Movements / Impairments	Disposals	Balance at 30 JUNE 2016	Balance at 1 JULY 2015	Additions	Impairment	Impairment Reversal	Disposals	Revaluation Adjustment	Balance at 30 JUNE 2016		
Municipal Governance & Administration	63 480 815	3 855 930	3 710 479	1 196 269	69 850 955	28 510 130	2 805 314			986 961	(1 303 120)	27 281 557	42 569 398	
Executive & Council	2 391 634	192 370	-	101 726	2 482 278	1 638 291	215 267			92 966	-	1 760 592	721 686	
Mayor & Council	1 784 212	36 880		18 918	1 802 174	1 406 440	129 197			17 024		1 518 612	283 561	
Office of the Municipal Manager	607 422	155 490		82 808	680 104	231 852	86 070			75 942		241 980	438 124	
Budget & Treasury Office	53 096 308	3 317 459	3 669 772	495 421	59 588 117	22 601 664	1 775 316		1 800 637	373 688	(1 295 274)	20 907 381	38 680 737	
Corporate Services	7 992 874	346 101	40 707	599 122	7 780 560	4 270 174	814 732	56 832	-	520 307	(7 846)	4 613 585	3 166 975	
Human Resources	190 856	22 423	-	17 204	196 075	142 546	17 097	-		15 510	-	144 133	51 942	
Information Technology	5 024 842	216 106	17 467	248 500	5 009 915	2 627 063	604 146	27 792		215 216	(7 846)	3 035 939	1 973 976	
Other Admin	2 777 176	107 571	23 240	333 418	2 574 570	1 500 565	193 489	29 040		289 581	-	1 433 513	1 141 057	
Community Services & Public Safety														
Community & Social Services	4 770 590	1 605 818	-	18 720	6 357 688	2 296 836	599 963	-	-	15 578	-	2 881 221	3 476 467	
Community Services	22 721	-	-	-	22 721	151	4 670	-	-	-	-	4 821	17 900	
Public Safety - Civil Defense	4 417 252	1 605 818	-	18 215	6 004 855	2 128 599	550 508	-	-	15 124	-	2 663 984	3 340 871	
Housing	330 617			505	330 112	168 085	44 785			454		212 416	117 696	
Economic & Environmental Services	5 553 061	120 257	(27 000)	35 549	5 610 770	3 561 558	555 692			31 543	-	4 085 707	1 525 060	
Planning & Development	5 553 061	120 257	(27 000)	35 549	5 610 770	3 561 558	555 692			31 543		4 085 707	1 525 060	
Environmental Protection												()	0	
TOTAL PER STANDARD CLASSIFICATION	73 804 467	5 582 005	3 683 479	1 250 537	81 819 413	34 368 524	3 960 969			1 034 082	(1 303 120)	34 248 485	47 570 925	

APPENDIX C - Unaudited
FRANCES BAARD DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2016

Actual Income 2015 R	Actual Expenditure 2015 R	Surplus / (Deficit) 2015 R		Actual Income 2016 R	Actual Expenditure 2016 R	Surplus / (Deficit) 2016 R
95 955 859	(52 831 966)	43 123 893	Municipal Governance & Administration	100 801 167	(58 339 307)	42 461 860
4 732 610	(18 484 851)	(13 752 241)	Executive & Council	387 794	(22 314 198)	(21 926 405)
4 732 610	(8 485 808)	(3 753 198)	Mayor & Council	-	(8 690 800)	(8 690 800)
-	(9 999 043)	(9 999 043)	Office of the Municipal Manager	387 794	(13 623 399)	(13 235 605)
91 223 249	(19 992 325)	71 230 924	Budget & Treasury Office	100 413 373	(20 664 284)	79 749 090
-	(14 354 790)	(14 354 790)	Corporate Services	-	(15 360 825)	(15 360 825)
-	(3 358 689)	(3 358 689)	Human Resources	-	(3 999 057)	(3 999 057)
-	(4 117 530)	(4 117 530)	Information Technology	-	(3 492 503)	(3 492 503)
-	(6 878 571)	(6 878 571)	Other Admin	-	(7 869 265)	(7 869 265)
1 695 000	(9 111 530)	(7 416 530)	Community Services & Public Safety	3 650 051	(11 920 822)	(8 270 772)
315 000	(4 295 019)	(3 980 019)	Community & Social Services	350 000	(5 139 509)	(4 789 509)
315 000	(4 295 019)	(3 980 019)	Public Safety - Civil Defense	350 000	(5 139 509)	(4 789 509)
1 380 000	(4 816 511)	(3 436 511)	Housing	3 300 051	(6 781 314)	(3 481 263)
12 750 660	(50 925 401)	(38 174 741)	Economic & Environmental Services	16 606 880	(67 294 858)	(50 687 978)
9 750 660	(48 578 567)	(38 827 907)	Planning & Development	16 606 880	(64 806 546)	(48 199 666)
3 000 000	(2 346 833)	653 167	Environmental Protection	-	(2 488 311)	(2 488 311)
110 401 519	(112 868 896)	(2 467 377)	SUB TOTAL	121 058 098	(137 554 987)	(16 496 889)
110 401 519	(112 868 896)	(2 467 377)	TOTAL	121 058 098	(137 554 987)	(16 496 889)

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 2015	Correction of error	Balance 1 JULY 2015	Grants Received	Write Offs/ Transfers	Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2016
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS							
	R	R	R	R		R	R
Equitable Share	-	-	-	98 936 000	-	98 936 000	-
Financial Management Grant	-	-	-	1 250 000	-	1 250 000	-
Municipal Systems Improvement Grant	259 885	-	259 885	940 000	259 885	893 937	46 063
DWA - Sanitation (Mvula Trust)	-	-	-	-	-	-	-
NC Tourism - Contribution Tourism Month	-	-	-	-	-	-	-
Department of Public Works: Expanded Public Works Program Inc	-	-	-	-	-	-	-
District Aids Council	550 390	-	550 390	-	-	387 794	162 596
NEAR Control Centre	-	-	-	350 000	-	350 000	-
NCPA - Housing Accreditation Grant	-	-	-	1 050 000	-	1 050 000	-
NCPA Firefighting Equipment	315 000	-	315 000	350 000	-	-	665 000
NCPA - Eradication of Bucket System	-	-	-	-	-	-	-
MIG - Projects	-	-	-	-	-	-	-
SETA - Skills Grant	-	-	-	90 198	-	90 198	-
NCPA: Vuna Awards	-	-	-	-	-	-	-
DWA: Backlogs in Water & Sanitation at Clinics and Schools	-	-	-	-	-	-	-
NCPA: EPWP	-	-	-	1 000 000	-	1 000 000	-
NCPA: Environmental Health Recycling Project	52 283	-	52 283	-	-	52 283	-
NCPA - Tourism Grant	-	-	-	200 000	-	-	200 000
NCPA: Operation Kgotso Pula Nala	-	-	-	4 000 000	-	2 000 001	1 999 999
Rural Roads Asset Management System	-	-	-	2 153 000	-	2 153 000	-
NCPA Housing Project	-	-	-	2 250 051	-	2 250 051	-
ABSA	-	-	-	-	-	-	-
Total	1 177 558	-	1 177 558	112 569 249	259 885	110 413 263	3 073 659

FRANCES BAARD DISTRICT MUNICIPALITY

APPENDIX E

APPROPRIATION STATEMENT FOR THE YEAR ENDED ON 30 June 2016

BUDGET SUMMARY

Description	2015/16								2014/15			
	Original Budget	Budget Adjustments	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R												
Financial Performance												
Investment revenue	5 443	400 000	5 843 350	7 866 135	-	2 022 785	134.6%	144.5%				6 882 359
Transfers recognised - operational	106 509	6 425 646	112 934 646	110 413 264	-	(2 521 382)	97.8%	103.7%				102 394 822
Other own revenue	5 185	500 000	5 684 800	2 778 699	-	(2 906 101)	48.9%	53.6%				1 124 338
Total Revenue (excluding capital transfers and contributions)	117 137	7 325 646	124 462 796	121 058 098	-	(3 404 698)	97.3%	103.3%				110 401 519
Employee costs	57 549 150	-	57 549 150	52 743 677	-	(4 805 473)	91.6%	91.6%	26 740	-	26 740	47 112 666
Remuneration of councillors	6 336 840	-	6 336 840	5 987 653	-	(349 187)	94.5%	94.5%	-	-	-	5 690 954
Debt impairment	3 000	-	3 000	-	-	(3 000)	-	-	-	-	-	-
Depreciation & asset impairment	5 615 000	-	5 615 000	3 960 969	-	(1 654 031)	70.5%	70.5%	-	-	-	3 769 090
Finance charges	3 054 000	-	3 054 000	2 397 250	-	(656 750)	78.5%	78.5%	2 760	-	2 760	2 380 770
Materials and bulk purchases	3 955 716	738 970	4 694 686	3 520 611	-	(1 174 075)	75.0%	89.0%	-	-	-	3 254 275
Transfers and grants	56 991 970	9 328 936	66 320 906	54 621 447	-	(11 699 459)	82.4%	95.8%	-	-	-	37 275 977
Other expenditure	21 596 232	(479 830)	21 116 402	14 323 380	6 455	(6 793 022)	67.8%	66.3%	27 094	-	27 094	13 385 164
Total Expenditure	155 101 908	9 588 076	164 689 984	137 554 987	6 455	(27 134 997)	83.5%	88.7%	56 594	-	56 594	112 868 896
Surplus/(Deficit)	(37 964 758)	(2 262 430)	(40 227 188)	(16 496 889)	(6 455)	23 730 299	41.0%	43.5%				(2 467 377)
Transfers recognised - capital	-	-	-	-	-	-	-	-				-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-				-
Surplus/(Deficit) after capital transfers & contributions	(37 964 758)	(2 262 430)	(40 227 188)	(16 496 889)	(6 455)	23 730 299	41.0%	43.5%				(2 467 377)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-				-
Surplus/(Deficit) for the year	(37 964 758)	(2 262 430)	(40 227 188)	(16 496 889)	(6 455)	23 730 299	41.0%	43.5%				(2 467 377)
Capital expenditure & funds sources												
Capital expenditure												
Internally generated funds	13 555 691	(1 877 094)	11 678 597	5 582 005	-	(6 096 592)	47.8%	41.2%				2 124 642
Total sources of capital funds	13 555 691	(1 877 094)	11 678 597	5 582 005	-	(6 096 592)	47.8%	41.2%				2 124 642
Cash flows												
Net cash from (used) operating	(21 732 645)	36 960	(21 695 685)	(11 669 670)		(466 846)	53.8%	-				4 082 377
Net cash from (used) investing	(4 178 984)	(144 180)	(4 323 164)	(4 782 288)		(137 069)	110.6%	-				(2 927 209)
Net cash from (used) financing	(1 111 453)	-	(1 111 453)	(1 784 602)		(190 633)	160.6%	-				(1 606 934)
Cash/cash equivalents at the year end	66 992 929	6 599 517	60 352 272	69 275 054		(139 145)	114.8%	-				87 482 577

FRANCES BAARD DISTRICT MUNICIPALITY

APPENDIX E

APPROPRIATION STATEMENT FOR THE YEAR ENDED ON 30 June 2016

FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION

Description	2015/16								2014/15			
	Original Budget	Budget Adjustments	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R												
Revenue - Standard												
Governance and administration	100 012 150	900 000	100 912 150	100 801 334	-	(110 816)	99.9%	100.8%				95 955 859
Executive and council	-	500 000	500 000	387 794		(112 206)	77.6%	#DIV/0!				4 732 610
Budget and treasury office	100 012 150	400 000	100 412 150	100 413 540		1 390	100.0%	100.4%				91 223 249
Community and public safety	2 030 000	2 425 646	4 455 646	3 650 051	-	(805 595)	81.9%	179.8%				1 695 000
Public safety	630 000	70 000	700 000	350 000		(350 000)	50.0%	55.6%				315 000
Housing	1 400 000	2 355 646	3 755 646	3 300 051		(455 595)	87.9%	235.7%				1 380 000
Economic and environmental services	15 095 000	4 000 000	19 095 000	16 606 880	-	(2 488 120)	87.0%	110.0%				12 750 660
Planning and development	15 095 000	4 000 000	19 095 000	16 606 880		(2 488 120)	87.0%	110.0%				9 750 660
Total Revenue - Standard	117 137 150	7 325 646	124 462 796	121 058 265		(3 404 531)	97.3%	103.3%				110 401 519
Expenditure - Standard												
Governance and administration	67 262 610	2 304 035	69 566 645	58 207 809	6 455	(11 358 836)	83.7%	86.5%	56 594	-	56 594	52 831 966
Executive and council	26 015 800	643 430	26 659 230	22 314 198	-	(4 345 032)	83.7%	85.8%	2 827		2 827	18 484 851
Budget and treasury office	23 864 378	116 845	23 981 223	20 532 786	6 455	(3 448 437)	85.6%	86.0%	29 500		29 500	19 992 325
Corporate services	17 382 432	1 543 760	18 926 192	15 360 825	-	(3 565 367)	81.2%	88.4%	24 268		24 268	14 354 790
Community and public safety	13 350 964	1 870 076	15 221 040	11 920 822	-	(3 300 217)	78.3%	89.3%	-	-	-	9 111 530
Public safety	6 832 964	(328 560)	6 504 404	5 139 509	-	(1 364 895)	79.0%	75.2%			-	4 295 019
Housing	6 518 000	2 198 636	8 716 636	6 781 314	-	(1 935 322)	77.8%	104.0%			-	4 816 511
Economic and environmental services	69 635 134	5 501 345	75 136 479	63 926 410	-	(11 210 069)	85.1%	91.8%	-	-	-	50 925 401
Planning and development	66 968 514	5 297 545	72 266 059	61 438 098	-	(10 827 961)	85.0%	91.7%			-	48 578 567
Environmental protection	2 666 620	203 800	2 870 420	2 488 311	-	(382 109)	86.7%	93.3%			-	2 346 833
Other	4 853 200	(87 380)	4 765 820	3 368 448	-	(1 397 372)	70.7%	69.4%			-	
Total Expenditure - Standard	155 101 908	9 588 076	164 690	137 423 489	6 455	(27 266 494)	83.4%	88.6%	56 594	-	56 594	112 868 896
Surplus/(Deficit) for the year	(37 964 758)	(2 262 430)	(40 227 188)	(16 365 224)	(6 455)	23 861 964	40.7%	43.1%	(56 594)	-	(56 594)	(2 467 377)

FRANCES BAARD DISTRICT MUNICIPALITY

APPENDIX E

APPROPRIATION STATEMENT FOR THE YEAR ENDED ON 30 June 2016

BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE

Description	2015/16								2014/15			
	Original Budget	Budget Adjust-ments	Final adjust-ments budget	Actual Outcome	Unau- thorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unau- thorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R												
<u>Revenue by Vote</u>												
Vote 1 - Executive & Council	-	500 000	500 000	387 794	-	(112 206)	77.6%	#DIV/0!				4 732 610
Vote 2 - Budget & Treasury	100 012 150	400 000	100 412 150	100 413 540	-	1 390	100.0%	100.4%				91 222 789
Vote 3 - Corporate Services	630 000	70 000	700 000	350 000	-	(350 000)	50.0%	55.6%				3 315 000
Vote 4 - Planning & Development	940 000	-	940 000	893 937	-	(46 063)	95.1%	95.1%				889 115
Vote 5 - Project Management & Advisory Services	15 555 000	6 355 646	21 910 646	19 012 994	-	(2 897 652)	86.8%	122.2%				10 242 005
						-	-	-				
Total Revenue by Vote	117 137	7 325 646	124 462 796	121 058 265	-	(3 404 531)	97.3%	103.3%				110 401 519
<u>Expenditure by Vote to be appropriated</u>												
Vote 1 - Executive & Council	26 015 800	643 430	26 659 230	22 314 198	-	(4 345 032)	83.7%	85.8%	2 827	-	2 827	18 474 155
Vote 2 - Budget & Treasury	23 864 378	116 845	23 981 223	20 789 756	6 455	(3 191 467)	86.7%	87.1%	29 500	-	29 500	19 952 276
Vote 3 - Corporate Services	26 882 016	1 419 000	28 301 016	22 988 645	-	(5 312 371)	81.2%	85.5%	24 268	-	24 268	21 046 928
Vote 4 - Planning & Development	22 205 319	(31 060)	22 174 259	18 345 798	-	(3 828 461)	82.7%	82.6%			-	14 674 995
Vote 5 - Project Management & Advisory Services	56 134 395	7 439 861	63 574 256	53 242 062	-	(10 332 194)	83.7%	94.8%			-	38 720 543
											-	
Total Expenditure by Vote	155 101 908	9 588 076	164 689 984	137 680 460	6 455	(27 009 524)	83.6%	88.8%	56 594	-	56 594	112 868 897
Surplus/(Deficit) for the year	(37 964 758)	(2 262 430)	(40 227 188)	(16 622 195)	(6 455)	23 604 993	41.3%	43.8%				-2 467 378

FRANCES BAARD DISTRICT MUNICIPALITY

APPENDIX E

APPROPRIATION STATEMENT FOR THE YEAR ENDED ON 30 June 2016

BUDGETED FINANCIAL PERFORMANCE

Description	2015/16								2014/15			
	Original Budget	Budget Adjust-ments	Final adjust-ments budget	Actual Outcome	Unau-thorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unau-thorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R												
Revenue By Source												
Rental of facilities and equipment	1 072 000	-	1 072 000	643 770	-	(428 230)	60.1%	60.1%				971 687
Interest earned - external investments	5 443 350	400 000	5 843 350	7 866 135	-	2 022 785	134.6%	144.5%				6 882 359
Transfers recognised - operational	106 509 000	6 425 646	112 934 646	110 413 264	-	(2 521 382)	97.8%	103.7%				102 394 822
Other revenue	4 052 800	500 000	4 552 800	2 134 929	-	(2 417 871)	46.9%	52.7%				152 651
Gains on disposal of PPE	60 000	-	60 000	-	-	(60 000)	-	-				
Total Revenue (excluding capital transfers and contributions)	117 137 150	7 325 646	124 462 796	121 058 098	-	(3 404 698)	97.3%	103.3%				110 401 519
Expenditure By Type												
Employee related costs	57 549 150	-	57 549 150	52 743 677	-	(4 805 473)	91.6%	91.6%	26 740	-	26 740	47 112 666
Remuneration of councillors	6 336 840	-	6 336 840	5 987 653	-	(349 187)	94.5%	94.5%	-	-	-	5 690 954
Debt impairment	3 000	-	3 000	-	-	(3 000)	-	-	-	-	-	-
Depreciation & asset impairment	5 615 000	-	5 615 000	3 960 969	-	(1 654 031)	70.5%	70.5%	-	-	-	3 769 090
Finance charges	3 054 000	-	3 054 000	2 397 250	-	(656 750)	78.5%	78.5%	2 760	-	2 760	2 380 770
Other materials	3 955 716	738 970	4 694 686	3 520 611	-	(1 174 075)	75.0%	89.0%	-	-	-	3 254 275
Transfers and grants	56 991 970	9 328 936	66 320 906	54 621 447	-	(11 699 459)	82.4%	95.8%	-	-	-	37 275 977
Other expenditure	21 386 232	(479 830)	20 906 402	14 106 924	-	(6 799 478)	67.5%	66.0%	-	-	-	13 274 658
Loss on disposal of PPE	210 000	-	210 000	216 455	6 455	6 455	103.1%	103.1%	27 094	-	27 094	110 505
Total Expenditure	155 101 908	9 588 076	164 689 984	137 554 987	6 455	(27 134 997)	83.5%	88.7%	56 594	-	-56 594	112 868 896
Surplus/(Deficit)	(37 964 758)	(2 262 430)	(40 227 188)	(16 496 889)	(6 455)	23 730 299	41.0%	43.5%				(2 467 377)
Transfers recognised - capital	-	-	-	-	-	-	-	-				-
Contributions recognised - capital	-	-	-	-	-	-	-	-				-
Contributed assets	-	-	-	-	-	-	-	-				-
Surplus/(Deficit) after capital transfers & contributions	(37 964 758)	(2 262 430)	(40 227 188)	(16 496 889)	(6 455)	-	-	-				(2 467 377)
Taxation	-	-	-	-	-	-	-	-				-
Surplus/(Deficit) after taxation	(37 964 758)	(2 262 430)	(40 227 188)	(16 496 889)	(6 455)	-	-	-				(2 467 377)
Attributable to minorities	-	-	-	-	-	-	-	-				-
Surplus/(Deficit) attributable to municipality	(37 964 758)	(2 262 430)	(40 227 188)	(16 496 889)	(6 455)	-	-	-				(2 467 377)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-				-
Surplus/(Deficit) for the year	(37 964 758)	(2 262 430)	(40 227 188)	(16 496 889)	(6 455)	-	-	-				(2 467 377)

FRANCES BAARD DISTRICT MUNICIPALITY

APPENDIX E

APPROPRIATION STATEMENT FOR THE YEAR ENDED ON 30 June 2016

BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Description	2015/16								2014/15			
	Original Budget	Budget Adjust-ments	Final adjust-ments budget	Actual Outcome	Unau- thorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unau- thorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R												
Capital expenditure - Vote												
Single-year expenditure												
Vote 1 - Executive & Council	164 850	2 030	166 880	29 811	-	(137 069)	18%	18%	-	-	-	310 928
Vote 2 - Budget & Treasury	1 923 500	219 960	2 143 460	1 952 827	-	(190 633)	91%	102%	-	-	-	936 106
Vote 3 - Corporate Services	10 408 781	-2 228 757	8 180 024	2 967 785	-	(5 212 239)	36%	29%	-	-	-	738 977
Vote 4 - Planning & Development	32 000	136 760	168 760	139 588	-	(29 172)	83%	436%	-	-	-	44 680
Vote 5 - Project Management & Advisory Services	1 026 560	-7 087	1 019 473	491 994	-	(527 479)	48%	48%	-	-	-	93 952
Capital single-year expenditure	13 555 691	(1 877 094)	11 678 597	5 582 005	-	(6 096 592)	48%	41%	-	-	-	2 124 642
Total Capital Expenditure - Vote	13 555 691	(1 877 094)	11 678 597	5 582 005	-	(6 096 592)	48%	41%	-	-	-	2 124 642
Capital Expenditure - Standard												
Governance and administration	2 751 200	63 633	2 814 833	2 347 987	-	(466 846)	83%	85%	-	-	-	1 935 131
Executive and council	164 850	2 030	166 880	29 811		(137 069)	18%	18%			-	310 927
Budget and treasury office	1 923 500	219 960	2 143 460	1 952 827		(190 633)	91%	102%			-	936 105
Corporate services	662 850	(158 357)	504 493	365 348		(139 145)	72%	55%			-	688 099
Community and public safety	9 725 520	(2 070 400)	7 655 120	2 592 796	-	(5 062 324)	34%	27%	-	-	-	62 324
Public safety	9 725 520	(2 070 400)	7 655 120	2 592 796		(5 062 324)	34%	27%			-	36 583
Economic and environmental services	1 078 971	129 673	1 208 644	641 222	-	(567 422)	53%	59%	-	-	-	127 113
Planning and development	1 058 560	129 673	1 188 233	631 582		(556 651)	53%	60%			-	112 819
Road transport	-	-	-	-		-	-	-			-	-
Environmental protection	20 411	-	20 411	9 640		(10 771)	47%	47%			-	14 294
Trading services	-	-	-	120 257	-	120 257	#DIV/0!	#DIV/0!	-	-	-	-
Other	-	-	-	120 257	-	120 257	#DIV/0!	#DIV/0!	-	-	-	-
Total Capital Expenditure - Standard	13 555 691	(1 877 094)	11 678 597	5 822 519	-	(5 856 078)	50%	43%	-	-	-	2 124 568
Funded by:												
Internally generated funds	13 555 691	(1 877 094)	11 678 597	5 822 519	-	(5 856 078)	50%	43%				2 124 568
Total Capital Funding	13 555 691	(1 877 094)	11 678 597	5 822 519	-	(5 856 078)	50%	43%				2 124 568

FRANCES BAARD DISTRICT MUNICIPALITY

APPENDIX E

APPROPRIATION STATEMENT FOR THE YEAR ENDED ON 30 June 2016

Description	2015/16							2014/15
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	5 124 800	-	5 124 800	2 291 944	(2 832.86)	44.7%	44.7%	39 198
Government - operating	106 509 000	70 000	106 579 000	112 569 249	5 990.25	105.6%	105.7%	103 405 097
Interest	5 443 350	-	5 443 350	7 866 135	2 422.79	144.5%	144.5%	6 882 359
Payments								
Suppliers and employees	(83 177 413)	(33 040)	(83 210 453)	(78 891 440)	4 319.01	94.8%	94.8%	(67 915 919)
Finance charges	(1 054 000)		(1 054 000)	(884 112)	169.89	83.9%	83.9%	(1 052 381)
Transfers and Grants	(54 578 382)	-	(54 578 382)	(54 621 447)	(43.07)	100.1%	100.1%	(37 275 977)
NET CASH FROM/(USED) OPERATING ACTIVITIES	(21 732 645)	36 960	(21 695 685)	(11 669 670)	10 026.02	53.8%	53.7%	4 082 377
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	60 000	-	60 000	-	(60.00)	-	-	9 605
Decrease (Increase) in non-current debtors	-	-	-	1 099 717	1 099.72	0.0%	0.0%	37 828
Decrease (increase) in non-current investments	5 250 000	-	5 250 000	(300 000)	(5 550.00)	-5.7%	-5.7%	(850 000)
Payments								
Capital assets	(9 488 984)	(144 180)	(9 633 164)	(5 582 005)	4 051.16	57.9%	58.8%	(2 124 642)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(4 178 984)	(144 180)	(4 323 164)	(4 782 288)	(459.12)	110.6%	114.4%	(2 927 209)
CASH FLOWS FROM FINANCING ACTIVITIES								
Payments								
Repayment of borrowing	(1 111 453)		(1 111 453)	(1 784 602)	(673.15)	160.6%	160.6%	(1 606 934)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1 111 453)	-	(1 111 453)	(1 784 602)	(673.15)	160.6%	160.6%	(1 606 934)
NET INCREASE/ (DECREASE) IN CASH HELD	(27 023 082)	(107 220)	(27 130 302)	(18 236 560)				(451 766)
Cash/cash equivalents at the year begin:	94 016 011	-6 533 437	87 482 573	69 275 054				87 934 343
Cash/cash equivalents at the year end:	66 992 929	6 599 517	60 352 272	69 275 054	8 922.78	114.8%	103.4%	87 482 577