

FRANCES BAARD

DISTRICT MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS
30 JUNE 2007

FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2007

	INDEX	PAGE
1	General Information	GI-1
2	Report from the Auditor General	
3	Report from the Chief Financial Officer	FR-1
4	Accounting Policies	AP-1
5	Statement of Financial Position	FS-1
6	Statement of Financial Performance	FS-2
7	Statement of changes in net assets	FS-3
8	Cash Flow Statement	FS-4
9	Notes to the Annual Financial Statements	FS-5
10	Appendix A: Schedule of External Loans	FS-29
11	Appendix B: Analysis of Property, Plant and Equipment	FS-30
12	Appendix C: Segmental Analysis of Property, Plant and Equipment	FS-31
13	Appendix D: Segmental Statement of Financial Performance	FS-32
14	Appendix E (1): Actual versus Budget (Revenue and Expenditure)	FS-33
15	Appendix E (2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	FS-34

GENERAL INFORMATION

GENERAL INFORMATION

1. GRADING

Grade 4 – Category C.

Council is accorded the same grading as the largest Category B municipality in the district, namely Sol Plaatje Municipality, which is a Grade 4 local authority

2. AUDITORS

2.1. External Auditors

The Office of the Auditor-General
Private Bag X5013
KIMBERLEY

2.2. Internal Auditors

Internal audit function has been implemented during March 2004, based on an external audit service provider required to establish a self-sufficient in-house function in accordance with Council policy. Following the details of service provider:

Gobodo Chartered Accountants (SA)
P.O. Box 4242
CAPE TOWN

2.3. Members of the Audit Committee

Mr. DW Beukes Chairperson

Ms. S Matthews
Ms. H Ackermann

3. BANKERS

Absa Bank
80 Bultfontein Rd
KIMBERLEY

Type of Account:
Account Number:

Current Account
940 000 327

4. REGISTERED OFFICE

Frances Baard District Municipality
51 Drakensberg Avenue
CARTERS GLEN 8301

Private Bag X6088
KIMBERLEY 8300

5. GENERAL ACTIVITIES

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

6. COUNCILLORS

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

***District Management Area; and
Category B Municipalities—***

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

6.1. *Executive Mayor of District Municipality:* Mr. A Florence

Proportional

6.2 *Speaker of District Municipality*

Ms. M Chwarisang Sol Plaatje Municipality

6.3 *Members of the Mayoral Committee:*

Mr. A Florence (Chairperson)	Proportional
Mr. P Everyday	Proportional
Mr. PN Jammer	Dikgatlong Municipality
Mr. W Johnson	Magareng Municipality
Ms. DM Moeketsi	Phokwane Municipality
Ms. MM Moloji	Proportional

6.4 *Ordinary Council Members:*

Mr. MA Africa	Sol Plaatje Municipality
Ms. MJ Beyleveld	Sol Plaatje Municipality
Ms. KJ de Kock	Sol Plaatje Municipality
Mr. EJ Damoense	Sol Plaatje Municipality
Mr. AK Jabetla	Sol Plaatje Municipality
Mr. GP Kock	Sol Plaatje Municipality
Ms. M Mogwazeni	Sol Plaatje Municipality
Ms. KG Mthukwane	Sol Plaatje Municipality
Ms. RD Gopane	Dikgatlong Municipality
Mr. MS Mooketsi	Phokwane Municipality
Mr. MA Gabanele	District Management Area
Ms. HE Booyesen	Proportional
Ms. M Hattingh	Proportional
Mr. TS Kgaladi	Proportional
Mr. DJ Stubbe	Proportional
Mr. LJ Letebele	Proportional
Mr. BM Maribe	Proportional
Mr. LJ Mothomme	Proportional

7. MANAGEMENT STRUCTURE

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

Municipal Manager

Mr. TJ Nosi
B.Admin; B.Admin(Hons)

Director: Administration

Ms. NG Kgantsi
B.Admin

Director: Technical Services

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

Director: Finance

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

6. CERTIFYING OF FINANCIAL STATEMENTS

I am responsible for the preparation of these financial statements, which are set out on pages FR-1 to FR-10, AP-1 to AP-11 and FS-1 to FS-34, in terms of section 126(1) of the Municipal Finance management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 16 of these financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of the Provincial and Local Government's determination in accordance with this act.

MUNICIPAL MANAGER

DATE: 31 August 2007

CHIEF FINANCIAL OFFICER REPORT

FINANCIAL PERFORMANCE REVIEW

By the Chief Financial Officer

1. INTRODUCTION

The main aim of the Department of Finance is to ensure that the Frances Baard District Municipality is financially sustainable to fulfill its developmental role.

In order to do this, Council follows a practice of sound, conservative budgeting aimed at enhancing financial resources through maximised revenue collection and controlling costs to the minimum necessary expenditure. Council also utilizes all possible sources of external financing to supplement its own infrastructure investment strategies, including the use of State grants and loan funding from the Development Bank of Southern Africa.

Integrated Development Planning (IDP) is the corner stone of facilitating sustainable development in the District. Given the nature of the Integrated Development Plan, it was necessary to revise and update financial strategies on a continuous basis. Pre-determined key performance indicators in the IDP and operational outcomes have informed and driven the financial planning process about what is financially affordable given the financial targets and expenditure limits determined by National Treasury.

The outcome of the key strategic goals and priorities with regard to the impact on the community is the reduction of backlogs in infrastructure e.g., increased access to free basic services, increased community participation in affairs of the municipality, customer care, job creation and poverty alleviation, increased economic growth, safe and healthy environment. Although access to municipal services such as water, electricity, sanitation and refuse removal in general is higher than the provincial average and compares favourable to the national average the District Municipality remains focus to eradicate backlogs concentrated in the three project consolidate municipalities of Dikgatlong, Sol Plaatje (URP Node) and Phokwane. The District Municipality awarded 44,34% of the a total approved expenditure budget to towards infrastructure and other special projects as identified in the IDP for the financial year under review.

The economic growth of the Frances Baard District (consisting of Sol Plaatje, Dikgatlong, Magareng and Phokwane Munciplaities) is 3,7% per annum which is above the national average of 2,5% per annum and the fifth highest growth rate of all districts in the country according to a survey done by CSIR over the period 1995 to 2003.

The Community Wealth (Reserves and Unappropriated Surplus) has grown from approximately R61,63 million to approximately R70,99 million for the financial year under review. All of the provisions and resources are cash backed.

Council holds a substantial amount of conditional grants and receipts. The amount allocated in terms of DoRA decrease for the financial year under review due to the fact that most of the national grants have been directly allocated to the Category B municipalities, it is envisaged that most of the remaining unspent grants will be expended before the end of the next financial year as per already approved business plans.

2. OPERATING RESULTS

Council has achieved a significant operating surplus to the amount of R3,55m before taking into account appropriations to the amount of R2,54m for the past financial year. The positive results are mainly due to high returns on invested cash reserves, unspent grant funding rolled-over from previous financial year and spent during the financial year under review as well as savings on expenditure like salaries, contracted services, general expenses and repairs & maintenance.

The operating results for the year ended 30 June 2007 are as follows:

<i>Revenue & Expenditure</i>	<i>Actual 2006 R</i>	<i>Actual 2007 R</i>	<i>Variance 2006/07 %</i>	<i>Budget 2007 R</i>	<i>Variance Actual / Budget %</i>
Operating Income for the year	77,221,241	74,199,592	-3.91%	60,846,152	-21.95%
Operating Expenditure for the year	(62,267,587)	(70,649,872)	13.46%	(77,548,400)	8.90%
<i>SURPLUS / (DEFICIT) FOR THE YEAR</i>	14,953,653	3,549,721		(16,702,248)	
Accumulated Surplus / (Deficit) at the beginning of the year	28,764,083	56,554,537			
Appropriations for the year	12,836,800	-2,548,083	-119.85%	4,487,727	156.78%
<i>Accumulated Surplus / (Deficit) at the end of the year</i>	56,554,537	57,556,174		(12,214,521)	

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

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

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

2.1 Executive and Council:

<i>Revenue & Expenditure</i>	<i>Actual 2006 R</i>	<i>Actual 2007 R</i>	<i>Variance 2006/07 %</i>	<i>Budget 2007 R</i>	<i>Variance Actual / Budget %</i>
Revenue	1,916,193	1,075,664	-43.86%	1,060,000	-1.48%
Expenditure	8,463,571	9,766,543	15.40%	14,529,970	32.78%
<i>SURPLUS / (DEFICIT)</i>	<i>(6,547,378)</i>	<i>(8,690,879)</i>	<i>32.74%</i>	<i>(13,469,970)</i>	<i>35.48%</i>

Executive and Council consists of Council activities, the office of the Municipal Manager, Internal Audit unit and Communications section and reflects a net deficit of R8,69m compared to the approved deficit of R13,46m. The under-expenditure to the amount of R4,78m can mainly be attributed to the ad hoc grant receipts for financial support to category B municipalities which were not promulgated as part of the DoRA allocations nor budgeted in the 2006/07 financial year as well as savings on expenditure budget.

The expenditure for Executive & Council reflects under-expenditure to the amount of R4,76m which is mainly due to the following reasons:

- Budgeted for fulltime Mayoral Committee and full benefits like pension as well as medical aid to all councillors which was not utilised by all.
- A number of new positions in the office of the Executive Mayor have been budgeted for the full year whilst they have not been filled accordingly.
- An amount of R1,5m has been budgeted for performance bonuses to all level employees but due to lack of an approved performance system with criteria to employees other than the section 57 managers a saving to the estimated amount of R1,26m realised for the year under review.

2.2 Finance & Administration:

<i>Revenue & Expenditure</i>	<i>Actual 2006 R</i>	<i>Actual 2007 R</i>	<i>Variance 2006/07 %</i>	<i>Budget 2007 R</i>	<i>Variance Actual / Budget %</i>
Revenue	49,604,269	57,546,110	16.01%	50,093,646	-14.88%
Expenditure	13,158,804	12,362,598	-6.05%	15,884,895	22.17%
<i>SURPLUS / (DEFICIT)</i>	<i>36,445,466</i>	<i>45,183,512</i>	<i>23.98%</i>	<i>34,208,751</i>	<i>-32.08%</i>

The vote of Finance & Administration reflects a positive deviation of R10,97m or 32,08% compared to the approved budget. The following factors mainly contributed to the positive variance:

Revenue:

Interest earned on external investments reflected a positive deviation of R4,13m compared to the approved amount of R3,58m. The significant deviation is mainly due to higher than planned levels of cash reserves throughout the year.

High cash reserve levels are attributed to increase of income and reserves as well as to delayed expenditure patterns.

Expenditure:

Expenditure reflects a saving to the amount of R3,52m or 22,18% compared to the approved budget for Finance and Administration. Main reasons for the under expenditure are:

- A number of new and approved vacant positions in the Departments of Finance and Administration have been budgeted for the full year whilst they have not been filled accordingly.
- Over budget in terms of general expenditure and repairs & maintenance eg. Consultancy fees, postage, photocopiers, etc.

2.3 Planning & Development::

	<i>Actual</i> 2006	<i>Actual</i> 2007	<i>Variance</i> 2006/07	<i>Budget</i> 2007	<i>Variance</i> Actual / Budget
<i>Revenue & Expenditure</i>	R	R	%	R	%
Revenue	22,000,515	14,788,503	-32.78%	15,650,565	5.51%
Expenditure	33,495,078	43,997,061	31.35%	30,603,900	-43.76%
SURPLUS / (DEFICIT)	(11,494,563)	(29,208,558)	154.11%	(14,953,335)	-95.33%

Revenue:

The negative deviation of 5,51% on revenue compared to the approved budget is mainly due to grant funding in respect of the 2006/07 financial year not spent in full at 30 June 2007. The total value of grants and subsidies received has been adjusted to match the nature of the grant in question:

- Unconditional grants are fully reflected as revenue; while

- Conditional grants are reflected as revenue equivalent to the expenditure incurred in terms of the grant.

Expenditure:

The main reasons for the over expenditure to the amount of R13,39m on the vote of Planning and Development are:

- Unspent grants and subsidies in respect of infrastructure projects rolled-over from the previous financial year and spent during the financial year under review for which nothing was budgeted.

2.4 Health:

<i>Revenue & Expenditure</i>	<i>Actual 2006 R</i>	<i>Actual 2007 R</i>	<i>Variance 2006/07 %</i>	<i>Budget 2007 R</i>	<i>Variance Actual / Budget %</i>
Revenue	75,000	87,000	16.00%	81,000	-7.41%
Expenditure	1,260,232	1,236,390	-1.89%	1,556,850	20.58%
SURPLUS / (DEFICIT)	(1,185,232)	(1,149,390)	-3.02%	(1,475,850)	22.12%

The environmental health section reflects a total saving to the amount of R326k or 22,12% compared to the approved budget due to special projects to the amount of R239k not completed according to the approved service delivery and budget implementation plan.

2.3 Community & Social Services:

<i>Revenue & Expenditure</i>	<i>Actual 2006 R</i>	<i>Actual 2007 R</i>	<i>Variance 2006/07 %</i>	<i>Budget 2007 R</i>	<i>Variance Actual / Budget %</i>
Revenue	-	-	0.00%	-	0.00%
Expenditure	557,775	584,731	4.83%	784,660	25.48%
SURPLUS / (DEFICIT)	(557,775)	(584,731)	4.83%	(784,660)	25.48%

The under expenditure to the amount of R199k or 25,48% compared to the approved budget is mainly attributed to special community projects to the value of R297k not spent according to identified and pre-determined projects.

2.6 *Public Safety:*

<i>Revenue & Expenditure</i>	<i>Actual 2006 R</i>	<i>Actual 2007 R</i>	<i>Variance 2006/07 %</i>	<i>Budget 2007 R</i>	<i>Variance Actual / Budget %</i>
Revenue	1,061,028	689,958	-34.97%	935,000	26.21%
Expenditure	1,593,786	1,546,675	-2.96%	2,057,860	24.84%
<i>SURPLUS / (DEFICIT)</i>	<i>(532,757)</i>	<i>(856,718)</i>	<i>60.81%</i>	<i>(1,122,860)</i>	<i>23.70%</i>

Fire Fighting and Disaster Management section reflects an under expenditure to the amount of R266k compared to the approved budget. The main reason for the variation is due the late approval of business plan to utilise the Fire fighting and Disaster Management grant (2006/07) to the total value of R462k for fire fighting and disaster management projects in the district.

2.7 *Water Service – Koopmansfontein:*

<i>Revenue & Expenditure</i>	<i>Actual 2006 R</i>	<i>Actual 2007 R</i>	<i>Variance 2006/07 %</i>	<i>Budget 2007 R</i>	<i>Variance Actual / Budget %</i>
Revenue	10,308	12,357	19.87%	66,539	81.43%
Expenditure	13,320	36,817	176.41%	89,860	59.03%
<i>SURPLUS / (DEFICIT)</i>	<i>-3,011</i>	<i>(24,460)</i>	<i>712.22%</i>	<i>-23,321</i>	<i>-4.88%</i>

The deviation of the actual revenue and expenditure compared to the approved budget is not regarded as significant.

3. **APPROPRIATIONS**

Appropriations for the year amount to a net outflow of R2,54m which can mainly be attributed to:

- Transfer to Capital Replacement Reserve R4,181,660
- Pre-payment penalty fee – DBSA loan R 800,000

4. POST-BALANCE SHEET EVENTS

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

5. CAPITAL EXPENDITURE AND FINANCING

	<i>Actual 2007 R</i>	<i>Budget 2007 R</i>	<i>Variance Actual / Budget %</i>	<i>Actual 2006 R</i>
<i>Capital Expenditure</i>				
Executive & Council	53,042	41,500	-100.00%	3,943
Finance & Administration	823,015	835,160	1.45%	882,512
Planning & Development	14,484	3,064,000	99.53%	101,071
Health	167,825	181,000	0.00%	-
Community & Social Services	-	-	0.00%	-
Public Safety	80,851	860,000	90.60%	279,837
Water Services	-	-	0.00%	-
<i>TOTAL CAPITAL EXPENDITURE:</i>	<i>1,139,216</i>	<i>4,981,660</i>	<i>100.00%</i>	<i>1,267,363</i>
<i>Financing of Fixed Assets</i>				
Capital Replacement Reserve	1,090,431	4,981,660	78.11%	716,921
Government Grants & Subsidies	48,784			550,442
<i>TOTAL FUNDING OF CAPITAL EXPENDITURE:</i>	<i>1,139,216</i>	<i>4,981,660</i>	<i>77.13%</i>	<i>1,267,363</i>

Actual expenditure incurred on fixed assets represents an decrease of R128k or (10,11%) in comparison with the 2005/06 financial year.

The actual capital expenditure reflects 77,13% or R3,84m less than the approved budget and can mainly be attributed to the delay by the responsible Provincial Department in providing proper specifications for Disaster Management software. According to a letter received from the Department

Housing and Local Government the new timeframe for implementation of a disaster management information system has been scheduled for the 2007/08 financial year.

Tenders for the building of a new Council Chamber were invited and the unspent portion of the approved amount has been rolled-over for spending in the 2007/08 financial year.

Council attained a capital efficiency ratio of 22,87% which needs to be closely monitored and improved in the coming financial years.

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

6. EXTERNAL LOANS

External loans outstanding as at 30 June 2007 amounted to zero due to the full settlement of external loan to the capital value of R7,5m as set out in Appendix A.

Some financial ratios relevant to external loans are:

	<u>2006/07</u>	<u>2005/06</u>
Interest Bearing Debt to Revenue	-	9,35%
Average Interest Paid to Debt	15,57%	15,87%
Capital Charges to Operating Expenditure	1,56%	1,89%

7. CASH AND INVESTMENTS

Council's cash and investments to the amount of R71,63m reflected an decrease of R4,83m or 6,32% compared to the previous financial year. Investments to the amount of R500k are ceded as collateral security on housing loans for officials of Council.

(Refer to notes 10 & 11)

8. OUTSTANDING DEBTORS

Overall debtors including the short term portion of long term debtors reflect a decrease of R5,98m compared to the previous financial year. The 61,90% decrease can mainly be attributed to the effective implementation of credit control policy and debt management procedures for the year under review. Provision for bad debts decreased by R1,31m due to an agreement by the Department of Roads, Transport and Public Works to settle the outstanding debt before the end of August 2007. *(Details with regard to the breakdown of debtors per category is set out in Notes 8 & 9)*

Some financial ratios relevant to debtors are:

	<u>2006/07</u>	<u>2005/06</u>
Debt to Revenue	7,61%	9,35%
Outstanding Water Consumer Debtors to Revenue	2,32%	1,93%
Days Debtors Outstanding – Koopmansfontein Water	6 Days	7 Days

9. OUTSTANDING CREDITORS

Decrease of outstanding creditors to the amount of R1,16m or 31,78% can mainly be attributed to sundry creditors which is R1,07m less compared to the provision of the previous financial year.

Unspent government grants reflect an decrease of 27,38% mainly due to an increase in the spending grants and subsidies rolled-over from the previous financial year.

Some financial ratios relevant to creditors are:

<u>Creditors Management</u>	<u>2006/07</u>	<u>2005/06</u>
Creditors system efficiency	100%	100%

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

(Details with regard to outstanding creditors is set out in Notes 2 & 3)

10. RATIO ANALYSIS / BENCHMARKS

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

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

<u>Liquidity</u>	<u>2006/07</u>	<u>2005/06</u>
Liquidity - Current Ratio	3,77: 1	3,40: 1
Cash to Current Liabilities	3,50: 1	3,05: 1
Total Asset Turnover	6,81 Times	7,51 Times
Grant Dependency (Actual receipts per DoRA allocation)	84,83%	37,42%

<u>Efficiency</u>	<u>2006/07</u>	<u>2005/06</u>
Personnel costs to operating expenditure	26,94%	26,49%

11. EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, the Speaker, Councillors, the Municipal Manager, Heads of Departments and staff for their support and co-operation received during the past financial year.

A special word of appreciation to the staff involved with the compilation of the financial statements for their dedication and hard work, as well as to all the staff in the Directorate Finance for their full support and commitment in the operations of the Directorate.

P.J. VAN BILJON
CHIEF FINANCIAL OFFICER

ACCOUNTING POLICIES

**ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE
FINANCIAL STATEMENTS**

1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements. ¹	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

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

2. PRESENTATION CURRENCY

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

3. GOING CONCERN ASSUMPTION

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

4. RESERVES

4.1 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 in terms of a Council Resolution for approval thereof. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

The amount transferred to the CRR is based on the municipality's need to finance capital projects included in the Integrated Development Plan.

The CRR may only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items.

4.2 Government Grant Reserve

When property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus / (deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with the directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus / (deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus / (deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus / (deficit).

4.3 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation reserve is realized as revaluated buildings are depreciated, through a transfer from the Revaluation Reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on revaluated amounts, are charged to the Statement of Financial Performance.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation and accumulated impairment losses, except land and buildings, which are revaluated as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When impaired land and buildings are revalued, the increase in value of land and buildings are recognized as revenue to the extent that it reverses the impairment loss previously recognized as expense.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary or non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

5.1. Asset Classification

- (a) Council owns and utilizes assets for its core administrative needs and its mandated functions, which assets consist of the head office premises and buildings, as well as movable assets used in its operations.

The GAMAP classification of "Other Assets" is applicable to all Council's assets.

- (b) All movable assets and inventory items are duly recorded and accounted for in the asset tracking system. The conceptual asset register includes a separate listing of fixed properties registered to Council's ownership, most of which are in the process of being transferred to succeeding authorities.
- (c) No existence and amount of restrictions on title, property, plant and equipment has been pledged as security for liabilities.
- (d) The carrying value of assets has been reviewed to determine whether the current value is more than the realized value. No impairments were realized.

5.2. Depreciation

Assets are depreciated in accordance with GAMAP / GRAP guidelines. Depreciation is calculated on cost, using the straight line method over the estimated useful lives of assets. Depreciation begins when the asset is available for use and continues until the asset is derecognized, even if it is idle.

The depreciation rates are based on the following estimated asset lives:

➤ Buildings	30 years	3.3%
➤ Furniture & Fittings	10 years	10.0%
➤ Computer equipment	3 years	33.0%
➤ Other movable assets	5 years	20.0%

5.3. Disposal of assets

- Assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds it's reflected as a profit or loss in the Statement of Financial Performance.

6. REVALUATION OF LAND AND BUILDINGS

Land and buildings are stated at revaluated amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses on the buildings.

7. INVESTMENTS

The District Municipality classified its investments in debt and equity securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets.

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets; during the period the District Municipality did not hold any investments in this category. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognised on the trade date, which is the date that the District Municipality commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the income statement in the period in which they arise. The fair value of investments is based on quoted bid prices or amounts derived from cash flow models. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

8. FINANCIAL INSTRUMENTS

8.1 Financial Instruments.

- Financial instruments, which include, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.
- On disposal of an investment. The difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance

8.2 Measurement

- 8.2.1 Financial instruments carried on the balance sheet include embedded cash and bank balances, accounts receivable, interest bearing borrowings and provision for financial liabilities. These instruments are generally carried at their estimated value. This particular recognition methods are disclosed in the individual policy statements associated with each item.

8.2 Trade and other receivables

Trade and other receivables originated by the municipality are stated at cost less provision for doubtful debts.

8.3 Cash and cash equivalents.

Cash and equivalents are measured at fair value.

8.4 Financial liabilities.

Non-derivative financial liabilities are recognized at amortized cost, comprising original debt less principal payments and amortizations.

9. INVENTORIES

Stores and materials held by Council are solely for use in the Roads Agency's operations and have been transferred to the relevant accounts. The balance sheet value of stores and materials, shown on the Roads Agency balance sheet as from June 2003, is determined by physical count and calculated at applicable cost.

10. ACCOUNTS RECEIVABLE

Accounts receivable are carried at original invoice amount less an estimate made for impairment based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within twelve months from the reporting date are classified as current.

11. TRADE CREDITORS

Trade creditors and other payables are carried at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier.

12. REVENUE RECOGNITION

Service charges relating to water sales at Koopmansfontein are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Interest and rentals are recognised on a time proportion basis.

Revenue for agency services is recognised on a monthly basis in accordance with the agency agreement. Other revenue is recognised when all conditions associated with the service rendered have been met.

13. CONDITIONAL GRANTS AND SUBSIDIES

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.

13.1 *Unutilized Conditional Grants*

Unutilized conditional grants are reflected on the Statement of Financial Position as a creditor. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilization of this creditor.

- The cash, which backs up the creditor, is invested until it is utilized.
- 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 recognized as interest earned in the Statement of Financial Position.
- Whenever an asset is purchased out of an unutilized conditional grant, an amount equal to the cost price of the asset is transferred from Unutilized Capital Receipts to the Statement of Financial Performance as revenue. Therefore an equal amount is transferred on the statement of changes in the net assets to the donations and public contributions reserve. This reverse is equal to the remaining depreciable value (book value) of assets purchased out of unutilized capital receipts. The reserve is used to offset depreciation charged on assets purchased out of unutilized capital receipts.

14. PROVISIONS

A provision is recognized when the municipality has a present obligation(legal or constructive) as a result of a past event and it is probable(i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the obligation.

Council's provisions for future liabilities include:

- *Personnel leave benefits*, based on the total leave days due on the reporting date, calculated at salary scales applicable at the reporting date. No provision is made for leave obligations in respect of Roads Agency personnel as this liability does not apply to Council.

15. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments 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 purpose of the cash flow statement, cash and cash equivalents comprise of cash on hand, deposits held on call with banks and investments in financial instruments and the net value of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings under current liabilities.

Bank overdrafts are recorded based on facility utilised. Finance charges on bank overdraft are expensed as incurred.

16. EMPLOYEE BENEFITS

16.1 Post retirement pension benefits

The District Municipality contributes to the following post retirement funds - Cape Joint Pension fund, Cape Joint Retirement fund and SAMWU Retirement fund which provides for retirement benefits to its employees.

Actuarial gains and losses arising from experience adjustments and charges in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to the income over the employees expected average remaining working lives.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in services for a specific period of time (vesting period). In this instance the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the District Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in the future payments is available.

At present Council is paying, out of own funds, pensions to certain persons from the former Divisional Council Vaalrivier who retired before 31 December 1990.

It is an unfunded post-employment benefit and the amount paid per year is recognised as an expense on the operating account.

16.2. Post-retirement medical benefits

The District Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pay 70% as contribution and remaining 30% are paid by 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 expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions in excess of the greater of 10 % of the value of plan assets or 10% of the defined obligation, is charged or credited to the Statement of Financial Performance over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries. (See note: 27)

However no valuations of these obligations were carried out for the year end as 30 June 2007, by independent actuaries due to the Minister of Finance promulgation per General Notice 522 of 2007 where municipalities are exempted from compliance with regards to AC 116 (Employee Benefits) defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. [Paragraphs 29, 48-119, 120A(q)] .

17. 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 in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. COMPARATIVE INFORMATION

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

21. CONTINGENT LIABILITIES

Contingent liabilities existent at the reporting date include housing loan guarantees issued by arrangement with Council's bankers. An investment has been ceded to the bank for global security against individual guarantees issued for collateral security provided for approved employees. Other known contingent liabilities are reflected in the financial statements.

22. AGENCY SERVICES

Council performs a cost-based roads maintenance service on behalf of the Department of Transport, Roads and Public Works of the Northern Cape Province.

Financial reporting on agency services is excluded from these statements as the principal requires reports to be submitted for processing on their independent system.

Inter-authority obligations relevant to the agency service on the reporting date are reflected in the balance sheet.

23. SEGMENTAL INFORMATION

The principle segments have been identified according to service operation (Internal Structure) and by classification of revenue and expenditure as per functional grouping of activity cost determined by National Treasury.

24. AMENDED DISCLOSURE POLICY

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

FINANCIAL STATEMENTS

30 JUNE 2007

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED ON 30 JUNE 2007

	Note	2007 R	2006 R
<u>NET ASSETS AND LIABILITIES</u>			
Net Assets		71,025,548	64,435,636
Capital Replacement Reserve		5,921,921	2,864,544
Government Grant Reserve		688,081	1,011,938
Fixed Property Revaluation		6,859,372	4,004,617
Accumulated Surplus / (Deficit)		57,556,174	56,554,537
Non-current Liabilities		-	6,961,253
Long-term Liabilities	1	-	6,961,253
Current Liabilities		21,528,331	24,764,670
Creditors	2	2,495,463	3,462,567
Unspent Conditional Grants and Receipts	3	15,360,600	21,150,613
Current Portion of Long-term Liabilities	1	-	151,490
Bank Overdraft	11	3,672,269	-
TOTAL: NET ASSETS AND LIABILITIES		92,553,879	96,161,559
<u>ASSETS</u>			
Non-current Assets		11,382,152	8,478,616
Property, Plant and Equipment	4	11,376,430	8,398,840
Investments	5	5,722	5,722
Long-term Receivables	6	-	74,055
Current Assets		81,171,727	87,682,942
VAT	9	2,155,966	943,717
Consumer Debtors	7	287	199
Other Debtors	8	3,684,784	10,105,745
Current Portion of Long-term Debtors	6	27,389	171,301
Call Investment Deposits	10	75,300,000	73,800,000
Bank Balances and Cash	11	3,300	2,661,980
TOTAL: ASSETS		92,553,879	96,161,559

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED ON 30 JUNE 2007

Budget			Note	Actual	
2007 R	2006 R			2007 R	2006 R
REVENUE					
18,052	35,435	Service charges	12	12,357	10,308
-	27,000,000	Regional Services Levies – turnover	13	-	26,344,086
-	13,000,000	Regional Services Levies - remuneration	13	-	16,512,406
-	23,496	Rental of facilities and equipment		42,843	23,496
3,580,000	2,280,000	Interest earned - external investments		7,716,239	5,594,266
18,300	608,600	Interest earned - outstanding debtors		8,071	269,875
640,000	610,000	Income for agency services		623,308	599,712
56,234,000	18,697,000	Government grants and subsidies	14	65,530,976	27,249,137
285,800	238,804	Other income	15	210,009	429,379
70,000	-	Gains on disposal of property, plant and equipment		55,789	188,575
60,846,152	62,493,335	TOTAL REVENUE		74,199,592	77,221,241
EXPENDITURE					
18,456,890	17,963,973	Employee related costs	16	16,195,772	15,448,656
4,505,370	3,074,087	Remuneration of Councilors	17	2,538,856	2,014,596
16,010	14,561	Bad debts		1,225	484
550,000	395,000	Collection costs		452,860	889,415
1,384,865	991,814	Depreciation		1,195,494	906,639
1,536,780	1,024,803	Repairs and maintenance		840,050	936,031
1,083,550	1,113,005	Interest paid	18	1,083,539	1,104,528
22,700	33,725	Bulk purchases	19	18,540	3,609
4,410,390	4,130,592	Contracted services		2,603,867	2,140,677
38,703,705	34,707,500	Grants and subsidies paid	20	40,795,353	31,359,446
6,878,140	4,584,528	General expenses		3,811,374	3,492,602
	2,863,150	Pre-payment Penalty on Settlement - DBSA Loan		800,000	1,684,464
	-	Change in Estimates: Adjustment i.r.o provision for bad debt		306,618	2,286,440
	-	Loss on disposal of property, plant and equipment		6,323	1
77,548,400	70,896,738	TOTAL EXPENDITURE		70,649,872	62,267,587
(16,702,248)	(8,403,403)	SURPLUS / (DEFICIT) FOR THE YEAR		3,549,721	14,953,653

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED ON 30 JUNE 2007

	Capital Replacement Reserve R	Government Grant Reserve R	Revaluation Reserve R	Accumulated surplus (Deficit) R	Total R
2006					
Balance at 1 July 2005	1,982,221	777,945	4,157,350	28,764,083	35,681,599
Surplus/(deficit) for the year				14,953,653	14,953,653
Transfer from Engen Claim Liability				13,800,383	13,800,383
Transfer to Capital Replacement Reserve	1,599,244			(1,599,244)	-
Property, plant and equipment purchased	(716,921)			716,921	-
Capital grants used to purchase Property Plant & Equipment		550,442		(550,442)	-
Asset disposals					-
Offsetting of depreciation		(316,449)	(152,733)	469,182	-
BALANCE AT 30 JUNE 2006	2,864,544	1,011,938	4,004,617	56,554,537	64,435,636
2007					
Correction of error					-
Change in accounting policy					-
RESTATED BALANCE	2,864,544	1,011,938	4,004,617	56,554,537	64,435,636
2007					
Surplus/(deficit) for the year				3,549,721	3,549,721
Revaluation of Land & Buildings			3,040,192	-	3,040,192
Transfer to Capital Replacement Reserve	4,181,660			(4,181,660)	-
Property, plant and equipment purchased	(1,124,283)			1,124,283	-
Capital grants used to purchase Property Plant & Equipment		48,784		(48,784)	-
Donated/contributed Property Plant & Equipment					-
Asset disposals					-
Offsetting of depreciation		(372,641)	(185,437)	558,078	-
BALANCE AT 30 JUNE 2007	5,921,921	688,081	6,859,372	57,556,174	71,025,548

FRANCES BAARD DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		68,176,150	64,862,964
Cash paid to suppliers and employees		(65,443,720)	(57,760,329)
Cash generated from/(utilised in) operations		2,732,430	7,102,635
Dividends received			
Interest received		7,724,309	5,900,502
Interest paid		(1,083,539)	(1,104,528)
NET CASH FROM OPERATING ACTIVITIES	23	9,373,200	11,898,609
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,139,216)	(1,267,363)
Proceeds on disposal of property, plant and equipment		55,789	188,575
Increase in investment properties			
Increase / (decrease) in non-current receivables		(217,966)	(351,678)
Increase in non-current investments			
(Increase) / decrease in call investment deposits			
NET CASH FROM INVESTING ACTIVITIES		(1,301,393)	(1,430,467)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised / (repaid)		(7,112,743)	(130,501)
Increase in consumer deposits			
Increase in unspent grants & subsidies		(5,790,013)	685,058
Decrease / (increase) in short-term loans			
NET CASH FROM FINANCING ACTIVITIES		(4,830,949)	11,022,699
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(4,830,949)	11,022,699
Cash and cash equivalents at the beginning of the year		76,461,980	65,439,281
Cash and cash equivalents at the end of the year	24	71,631,031	76,461,980

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
1 LONG-TERM LIABILITIES		
Local Registered Stock Loans	-	-
Annuity Loans	-	-
Capitalised Lease Liability	-	-
Government Loans : Other	-	7,112,743
Sub-total	-	7,112,743
Less : Current portion transferred to current liabilities	-	151,490
Local Registered Stock Loans	-	-
Annuity Loans	-	-
Capitalised Lease Liability	-	-
Government Loans : Other	-	151,490
Total External Loans	-	6,961,253
<i>Refer to Appendix A for more detail on long-term liabilities.</i>		
<i>External Loan with DBSA to the capital value of R7,5 m have been settled at year end as per Council Resolution FIN 03 06/07 dated 20 / 06 / 07. A pre-payment penalty to the amount of R0,80m have been charged by DBSA in terms of settlement in the loan agreement.</i>		
2 CREDITORS		
Leave Provision	753,841	724,433
Other Creditors	1,741,622	2,738,134
Total creditors at year end	2,495,463	3,462,567
2.1 Leave Provision		
Balance at beginning of year	724,433	851,407
Net movement	29,408	(126,974)
Total: Leave Provision	753,841	724,433
<i>Annual leave provision is based on the total number of leave days due on 30 June, at individual salary values effective on the reporting date.(Nett movement on leave provision included in employee cost for the financial year under review)</i>		
<i>Council does not made provision for leave benefits due to the Roads Agency personnel.</i>		
<i>Obligations for accumulated leave at the reporting date amount to:</i>		
	175,895	153,754
<i>Roads Agency obligations are dealt with as part of the annual operating subsidy provided by the principal. No accumulated obligations are accounted for in the Agency financial reports.</i>		

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
2.2 Other Creditors		
Payments received in advance	18,171	19,574
Retentions	518,611	542,076
Creditors Control	15,222	20,581
Payments received in advance - RSC Levies	194,334	-
Sundry Creditors	452,508	1,601,506
ABSA Fleet Card	15,330	12,881
Salary Control:- Workmen's Compensation	96,676	97,913
Salary Control: - SARS SITE / PAYE	-	2,750
Salary Control: - Skills Development Levy	-	6
Salary Control: - Medical Aid Fund	-	5,402
Salary Control: - Group Life Insurance	-	438
Salary Control: - Pension Fund	-	8,320
Salary Control: - KGA Deductions	-	38
Salary Control: - ADMED Deductions	48	46
Suspense Account	-	33,790
Staff Bonus Provision	430,722	392,814
Total: Other Creditors	<u>1,741,622</u>	<u>2,738,134</u>
2.3 RSC Claim Liability - Engen Petroleum Ltd		
Total Claim Component	-	11,889,263
Interest: Previous Years	-	4,826,656
Interest: Current Year	-	1,684,464
Less: Settlement Paid	-	-4,600,000.00
Less: Transfer to Accumulated Surplus	-	-13,800,383.15
Total: RSC Claim Liability - Engen Petroleum Ltd	<u>-</u>	<u>-</u>

*The matter has been resolved by payment of a settlement amount of R4,6m during the 2005 / 06 financial year.
The fair value of trade and other payables approximate their carrying value.*

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
3 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
3.1 Conditional Grants from other spheres of Government	15,360,600	21,150,613
3.1.1 Equitable Share	868,512	2,883,132
3.1.2 Financial Management Grant	-	466,456
3.1.3 Municipal Systems Improvement Grant	1,632,621	1,966,326
3.1.4 DWAF - Sanitation (Mvula Trust)	2,357,539	1,495,912
3.1.5 DWAF - Infrastructure	-	-
3.1.6 Department of Transport: Expanded Works Program	514,902	604,792
3.1.7 District Aids Council	46,015	62,550
3.1.8 NEAR Control Centre	-	-
3.1.9 NCPA - Housing Accreditation Grant	346,776	-
3.1.10 NCPA Firefighting Equipment	300,525	55,020
3.1.11 NCPA - Sewerage System: Dikgatlong	446,634	536,763
3.1.12 NCPA - Eradication of Bucket System	4,824,407	6,005,990
3.1.13 DWAF- Development Holpan (Project NC145)	1,373,623	1,419,631
3.1.14 NCPA - Municipal Support Program	-	174,627
3.1.15 DWAF - Warrenton (Project NC 148)	135,181	161,328
3.1.16 MIG - Projects	2,251,888	4,807,499
3.1.17 NCPA - O & M Electricity Grant	28,045	90,000
3.1.18 SETA - Skills Grant	88,422	128,975
3.1.19 Drought Relief Funds	123,900	290,000
3.2 Koopmansfontein Craft Project	21,610	1,610
Summary of Movements - External Funds		
Balance unspent at beginning of year	21,150,613	20,554,903
Current year receipts	59,153,964	27,859,195
Gross Funding	80,304,576	48,414,098
Conditions met – transferred to Government Grant Reserve	-	-
Conditions met – transferred to revenue	(64,943,976)	(27,263,485)
Unspent Portion at Year end	15,360,600	21,150,613

The following allocations were made to the municipality according to the stipulations of the Division of Revenue Act. Revenue received are recognised as revenue to the extent that the conditions or obligations are met. Conditions still to be met are transferred to liabilities. No allocations were delayed or withheld.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
3.1.1 Equitable Share		
Balance unspent at beginning of year	2,883,132	2,783,740
Current year receipts	45,908,775	2,552,040
Gross Funding	48,791,907	5,335,780
Conditions met – transferred to Government Grant Reserve	-	-
Conditions met – transferred to revenue	(47,923,395)	(2,452,648)
Unspent Portion at Year end	868,512	2,883,132
<i>Department of Provincial & Local Government</i>		
<i>Objective: To assist municipalities to provide basic infrastructure and services to low income households.</i>		
3.1.2 Financial Management Grant		
Balance unspent at beginning of year	466,456	662,857
Current year receipts	500,000	2,000,000
Gross Funding	966,456	2,662,857
Conditions met – transferred to Government Grant Reserve	-	-
Conditions met – transferred to revenue	(966,456)	(2,196,401)
Unspent Portion at Year end	-	466,456
<i>National Treasury</i>		
<i>Objective: To finance the reform programme for municipal budgeting and financial management practices</i>		
3.1.3 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	1,966,326	3,983,924
Current year receipts	1,000,000	1,000,000
Gross Funding	2,966,326	4,983,924
Conditions met – transferred to revenue	(1,333,705)	(3,017,597)
Unspent Portion at Year end	1,632,621	1,966,326
<i>Department of Provincial & Local Government</i>		
<i>Objective: To assist municipalities to build capacity for the new development system of local government.</i>		
3.1.4 DWAF - Sanitation (Mvula Trust)		
Balance unspent at beginning of year	1,495,912	1,222,899
Current year receipts	2,719,991	3,041,781
Gross Funding	4,215,903	4,264,680
Conditions met – transferred to revenue	(1,858,364)	(2,768,768)
Unspent Portion at Year end	2,357,539	1,495,912
<i>Department of Water Affairs & Forestry</i>		
<i>Objective: To provide adequate water and sanitation facilities to farm workers in the rural areas in the district</i>		

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007	2006										
		R	R										
3.1.5	DWAF - Infrastructure Balance unspent at beginning of year Current year receipts Gross Funding Conditions met – transferred to revenue Unspent Portion at Year end	<table border="1" style="width: 100%;"> <tr><td style="text-align: center;">-</td></tr> <tr><td style="text-align: center;">-</td></tr> <tr><td style="text-align: center;">-</td></tr> <tr><td style="text-align: center;">-</td></tr> <tr><td style="text-align: center;">-</td></tr> </table>	-	-	-	-	-	<table border="1" style="width: 100%;"> <tr><td style="text-align: right;">89,349</td></tr> <tr><td style="text-align: center;">-</td></tr> <tr><td style="text-align: right;">89,349</td></tr> <tr><td style="text-align: right;">(89,349)</td></tr> <tr><td style="text-align: center;">-</td></tr> </table>	89,349	-	89,349	(89,349)	-
-													
-													
-													
-													
-													
89,349													
-													
89,349													
(89,349)													
-													
<i>Department of Water Affairs & Forestry</i> <i>Objective: To provide adequate water and sanitation facilities to farm workers in the rural areas in the district</i>													
3.1.6	Department of Transport: Expanded Works Program Balance unspent at beginning of year Current year receipts Gross Funding Conditions met – transferred to revenue Unspent Portion at Year end	<table border="1" style="width: 100%;"> <tr><td style="text-align: right;">604,792</td></tr> <tr><td style="text-align: center;">-</td></tr> <tr><td style="text-align: right;">604,792</td></tr> <tr><td style="text-align: right;">(89,891)</td></tr> <tr><td style="text-align: right;">514,902</td></tr> </table>	604,792	-	604,792	(89,891)	514,902	<table border="1" style="width: 100%;"> <tr><td style="text-align: right;">5,274,905</td></tr> <tr><td style="text-align: center;">-</td></tr> <tr><td style="text-align: right;">5,274,905</td></tr> <tr><td style="text-align: right;">(4,670,112)</td></tr> <tr><td style="text-align: right;">604,792</td></tr> </table>	5,274,905	-	5,274,905	(4,670,112)	604,792
604,792													
-													
604,792													
(89,891)													
514,902													
5,274,905													
-													
5,274,905													
(4,670,112)													
604,792													
<i>Department of Transport, Roads and Public Works</i> <i>Objective: To maintain and support job creation opportunities within the district in order to relieve poverty</i>													
3.1.7	District Aids Council Balance unspent at beginning of year Current year receipts Gross Funding Conditions met – transferred to revenue Unspent Portion at Year end	<table border="1" style="width: 100%;"> <tr><td style="text-align: right;">62,550</td></tr> <tr><td style="text-align: center;">-</td></tr> <tr><td style="text-align: right;">62,550</td></tr> <tr><td style="text-align: right;">(16,534)</td></tr> <tr><td style="text-align: right;">46,015</td></tr> </table>	62,550	-	62,550	(16,534)	46,015	<table border="1" style="width: 100%;"> <tr><td style="text-align: right;">62,746</td></tr> <tr><td style="text-align: center;">-</td></tr> <tr><td style="text-align: right;">62,746</td></tr> <tr><td style="text-align: right;">(196)</td></tr> <tr><td style="text-align: right;">62,550</td></tr> </table>	62,746	-	62,746	(196)	62,550
62,550													
-													
62,550													
(16,534)													
46,015													
62,746													
-													
62,746													
(196)													
62,550													
<i>Department of Health - Northern Cape Province</i> <i>Objective: To finance the costs of District Aids Councils in the campaign against AIDS. against Aids . Also to provide HIV /AIDS prevention care programs and services in the region.</i>													
3.1.8	NEAR Control Centre Balance unspent at beginning of year Current year receipts Gross Funding Conditions met – transferred to revenue Unspent Portion at Year end	<table border="1" style="width: 100%;"> <tr><td style="text-align: center;">-</td></tr> <tr><td style="text-align: right;">499,000</td></tr> <tr><td style="text-align: right;">499,000</td></tr> <tr><td style="text-align: right;">(499,000)</td></tr> <tr><td style="text-align: center;">-</td></tr> </table>	-	499,000	499,000	(499,000)	-	<table border="1" style="width: 100%;"> <tr><td style="text-align: right;">81,049</td></tr> <tr><td style="text-align: right;">499,000</td></tr> <tr><td style="text-align: right;">580,049</td></tr> <tr><td style="text-align: right;">(580,049)</td></tr> <tr><td style="text-align: center;">-</td></tr> </table>	81,049	499,000	580,049	(580,049)	-
-													
499,000													
499,000													
(499,000)													
-													
81,049													
499,000													
580,049													
(580,049)													
-													
<i>Department of Housing & Local Government - Northern Cape Province</i> <i>Objective: To maintain effective functioning of the NEAR control centers and provide additional funds for the training of NEAR personnel.</i>													

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007	2006
		R	R
3.1.9	NCPA - Housing Accreditation Grant		
	Balance unspent at beginning of year	-	-
	Current year receipts	346,776	-
	Gross Funding	346,776	-
	Conditions met – transferred to revenue	-	-
	Unspent Portion at Year end	346,776	-
	<i>Department of Housing & Local Government - Northern Cape Province</i>		
	<i>Objective: To enable the District Municipality to obtain full accreditation to administer national housing programmes in terms of the delegation of functions from Department of Housing and Local Government.</i>		
3.1.10	NCPA Firefighting Equipment		
	Balance unspent at beginning of year	55,020	100,000
	Current year receipts	436,000	436,000
	Gross Funding	491,020	536,000
	Conditions met – transferred to revenue	(190,496)	(480,980)
	Unspent Portion at Year end	300,525	55,020
	<i>Department of Housing & Local Government - Northern Cape Province</i>		
	<i>Objective: To enhance municipalities' capacity to deal with fire hazards.</i>		
3.1.11	NCPA - Sewerage System: Dikgatlong		
	Balance unspent at beginning of year	536,763	632,640
	Current year receipts	-	-
	Gross Funding	536,763	632,640
	Conditions met – transferred to revenue	(90,129)	(95,877)
	Unspent Portion at Year end	446,634	536,763
	<i>Department of Housing & Local Government - Northern Cape Province</i>		
	<i>Objective: To provide improved quality sewerage connector lines in the residential areas of Proteahof and De Beershoogte</i>		
3.1.12	NCPA - Eradication of Bucket System		
	Balance unspent at beginning of year	6,005,990	1,054,152
	Current year receipts	7,595,000	7,059,757
	Gross Funding	13,600,990	8,113,909
	Conditions met – transferred to revenue	(8,776,584)	(2,107,918)
	Unspent Portion at Year end	4,824,407	6,005,990
	<i>Department of Housing & Local Government - Northern Cape Province</i>		
	<i>Objective: To eliminate the use of bucket sanitation systems in the district over a three - year period</i>		

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
3.1.13 DWAf - Development Holpan (Project NC145)		
Balance unspent at beginning of year	1,419,631	1,503,337
Current year receipts – included in public health vote	-	-
Gross Funding	1,419,631	1,503,337
Conditions met – transferred to revenue	(46,009)	(83,706)
Unspent Portion at Year end	1,373,623	1,419,631
<i>Department of Housing & Local Government - Northern Cape Province</i>		
<i>Objective: To administer funding for the upgrading of the bulk water supply to Holpan and rudimentary reticulation for 200 erven.</i>		
3.1.14 NCPA - Municipal Support Program		
Balance unspent at beginning of year	174,627	1,025,374
Current year receipts	-	600,000
Gross Funding	174,627	1,625,374
Conditions met – transferred to revenue	(174,627)	(1,450,747)
Unspent Portion at Year end	-	174,627
<i>Department of Housing & Local Government - Northern Cape Province</i>		
<i>Objective: To assist municipalities to prevent cash flow problems and to institute proper cash flow management procedures.</i>		
3.1.15 DWAf - Warrenton (Project NC 148)		
Balance unspent at beginning of year	161,328	674,253
Current year receipts	-	-
Gross Funding	161,328	674,253
Conditions met – transferred to revenue	-26,146.88	-512,925.02
Conditions still to be met	135,181	161,328
<i>Department of Housing & Local Government - Northern Cape Province</i>		
<i>Objective: To administer funding for the extension of the existing reticulation network of Ikhutseng to supply water to 241 erven.</i>		
3.1.16 MIG - Projects		
Balance unspent at beginning of year	4,807,499	1,290,925
Current year receipts	-	10,200,237
Gross Funding	4,807,499	11,491,162
Conditions met – transferred to Government Grant Reserve	-	-
Conditions met – transferred to revenue	(2,555,611)	(6,683,662)
Unspent Portion at Year end	2,251,888	4,807,499
<i>Department of Provincial & Local Government</i>		
<i>Objective: To provide service delivery infrastructure to households in poorer residential areas</i>		

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007	2006
		R	R
3.1.17	NCPA - O & M Electricity Grant		
	Balance unspent at beginning of year	90,000	40,000
	Current year receipts	40,000	50,000
	Gross Funding	130,000	90,000
	Conditions met – transferred to revenue	(101,955)	-
	Unspent Portion at Year end	28,045	90,000
	<i>Department of Housing & Local Government - Northern Cape Province</i>		
	<i>Objective: To improve the operation and maintenance of the Electricity infrastructure in the district</i>		
3.1.18	SETA - Skills Grant		
	Balance unspent at beginning of year	128,975	72,550
	Current year receipts	88,422	128,975
	Gross Funding	217,396	201,524
	Conditions met – transferred to revenue	(128,975)	(72,550)
	Unspent Portion at Year end	88,422	128,975
	<i>Sector Education and Training Authority</i>		
	<i>Objective: To be used for training and capacity building of employees as per approved Skills Work Plan.</i>		
3.1.19	DPLG Drought Relief Funds		
	Balance unspent at beginning of year	290,000	-
	Current year receipts	-	290,000
	Gross Funding	290,000	290,000
	Conditions met – transferred to revenue	(166,100)	-
	Unspent Portion at Year end	123,900	290,000
	<i>Department of Provincial and Local Government</i>		
	<i>Objective: To assist municipalities to fund emergency water services supply to communities affected by drought.</i>		
3.2	Other Conditional Receipts		
	Koopmansfontein Craft Project		
	Balance unspent at beginning of year	1,610	205
	Current year receipts	20,000	1,405
	Gross Funding	21,610	1,610
	Conditions met – transferred to revenue	-	-
	Unspent Portion at Year end	21,610	1,610
	<i>Koopmansfontein Craft Project</i>		
	<i>Objective: To enable the local community to generate funds to become self sufficient. The funds received from sales are held in trust by the FBDM until a Private Corporate Entity has been established to manage the funds.</i>		

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

4 PROPERTY PLANT & EQUIPMENT

4.1 Other Assets

Value at cost at the beginning of the year

Cost
Revaluation

Movements for the year

Acquisitions
Disposals
Other movements-cost
Other movements-revaluation

Value at cost at the end of the year

Cost
Revaluation

Accumulated depreciation at the beginning of the year

Cost
Revaluation

Movements for the year

Depreciation- cost
Depreciation- revaluation
Disposals
Other movements-cost
Other movements-revaluation

Accumulated depreciation at the end of the year

Cost
Revaluation

Carrying value at the end of the year

Cost
Revaluation

2007

R

2006

R

	2007 R	2006 R
Value at cost at the beginning of the year	14,229,332	13,458,912
Cost	9,601,055	8,830,635
Revaluation	4,628,277	4,628,277
Movements for the year	4,048,470	770,419
Acquisitions	1,139,216	1,068,109
Disposals	(130,938)	(277,614)
Other movements-cost		(20,075)
Other movements-revaluation	3,040,192	-
Value at cost at the end of the year	18,277,801	14,229,332
Cost	10,609,333	9,601,055
Revaluation	7,668,469	4,628,277
Accumulated depreciation at the beginning of the year	(6,111,416)	(5,420,795)
Cost	(5,487,756)	(4,949,868)
Revaluation	(623,660)	(470,927)
Movements for the year	(972,209)	(618,039)
Depreciation- cost	(983,970)	(742,917.91)
Depreciation- revaluation	(185,437)	(152,733.14)
Disposals	197,199	277,612.13
Other movements-cost	-	-
Other movements-revaluation	-	-
Accumulated depreciation at the end of the year	(7,083,627)	(6,038,834)
Cost	(6,274,530)	(5,415,174)
Revaluation	(809,097)	(623,660)
Carrying value at the end of the year	11,194,175	8,190,498
Cost	4,334,803	4,185,881
Revaluation	6,859,372	4,004,617

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

4.2 Community Assets

Value at cost at the beginning of the year

Cost
Revaluation

Movements for the year

Acquisitions
Disposals
Other movements-cost
Other movements-revaluation

Value at cost at the end of the year

Cost
Revaluation

Accumulated depreciation at the beginning of the year

Cost
Revaluation

Movements for the year

Depreciation- cost
Depreciation- revaluation
Disposals
Other movements-cost
Other movements-revaluation

Accumulated depreciation at the end of the year

Cost
Revaluation

Carrying value at the end of the year

Cost
Revaluation

Carrying value of total assets

Other assets
Community assets

2007

R

2006

R

219,330	-
219,330	-
-	-
-	219,330
-	199,254
-	-
-	20,075
-	-
219,330	219,330
219,330	219,330
-	-
(10,988)	-
(10,988)	-
-	-
(26,087)	(10,988)
(26,087)	(10,988)
-	-
-	-
-	-
-	-
(37,074)	(10,988)
(37,074)	(10,988)
-	-
182,255	208,342
182,255	208,342
-	-
11,376,430	8,398,840
11,194,175	8,190,498
182,255	208,342

The revaluation of council's land and buildings was done by professional valuers (De Bruyn & Strauss Incorporated) on the method of estimated building cost less depreciation with the effective date 01 February 2007

(Appendix B & C in respect of property, plant and equipment have reference)

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
5 INVESTMENTS		
Unlisted		
Preference shares of 1c each, with a premium of 99c	3,433	3,433
Preference shares of R1.00 each	2,289	2,289
TOTAL INVESTMENTS	5,722	5,722
<p><i>Shares held in the agricultural co-operative society, acquired through purchase of operational materials. Although Council trades with GWK and receives a discount on its trading account, Council does not have any proprietary interest in the cooperative society.</i></p>		
6 LONG-TERM RECEIVABLES		
Car loans		74,055
Nel JA	-	46,665
Mdee F	-	27,389
Long Term Portion of Long Term Debt	-	74,055
Short Term Portion of Long Term Debt	27,389	171,301
Long Term Debt at Reporting Date	27,389	245,356
<p><i>Long-term debtors reflect only the long-term portion of the total debt owed for financing loans in terms of the approved motor vehicle loan scheme at an interest rate of 8% per annum. Phasing out as no new loans are allowed after 1st July 2004 in terms of section 164 of the Municipal Finance Management Act. (MFMA)</i></p>		
7 CONSUMER DEBTORS		
Water service		
Balances due at the end of the financial year	1,745	431
Less: Provision for bad debt	1,457	233
TOTAL CONSUMER DEBTORS	287	199

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
Summary of Debtors by Customer Classification		
Consumers		
Current (0 – 30 days)	181	144
31 – 60 Days	63	39
61 – 90 Days	43	16
91 – 120 Days	1,457	233
121 – 365 Days	-	-
+ 365 Days	-	-
Sub-total	1,745	431
Less: Provision for bad debts	1,457	233
	287	199
TOTAL CONSUMER DEBTORS		
8 OTHER DEBTORS	3,684,784	10,105,745
8.1 Sundry Debtors - Other	3,083,245	9,464,395
8.2 Recoverable Expenditure - Fraudulant Transactions	601,540	641,350
8.1 Sundry Debtors - Other		
Debtors Control Account	71,896	96,728
- Advanced - payments: Debtors Control Account	17,833	19,314
Regional Services Levies	1,099,001	7,361,019
Sundry Debtors: Interest on Investment	373,592	137,273
Recoverable Expenditure	103,764	131,520
Capital Expenditure - Council Building	17,760	-
Salary Control:- Payments	10,731	5,706
Salary Control: - Medical Aid Fund	60	-
Salary Control:- Motor vehicle insurance	-	9,841
Salary Control:- Traffic Fines	10	10
Salary Control:- Gamishing Orders	350	350
Salary Control: - Continued Medical Aid	-	28
NCPA Roads Agency Services	2,498,835	2,920,707
Government subsidies: Health	-	75,000
Total Other Debtors	4,193,832	10,757,497
Less: Provision for Bad Debt	1,110,588	1,293,102
Total Other Debtors	3,083,245	9,464,395

The fair value of trade and other receivables approximate their carrying value.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
8.2 Recoverable Expenditure - Fraudulent Transactions		
Recoverable unauthorised expenditure	1,974,758	1,707,950
Less: Provision for bad debt	-	1,066,600
Less: Written off by Council Resolution	(1,373,218)	-
Total Recoverable Expenditure - Fraudulent Transactions	601,540	641,350

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

A portion to the value of R601,540 is in process to be recovered from council's insurance and the pension fund of the official involved. - Accountant Expenditure. According to a report received from SHG Forensic, it was indicated that the amount to the value of R1 373 218.47 can be regarded as unrecoverable. Based on the report, Council resolve to write off the estimated unrecovareble amount to the value of R1.38M. (Council resolutionMAYCON 01 06/07 dated 20 June 2007)

Refer to note 26 for more detail.

9 VAT

VAT Receivable

2,155,966

943,717

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

10 CALL INVESTMENT DEPOSITS

Other Deposits

Short Term Investments

Absa Bank
First Rand
Nedcor
Standard Bank
Old Mutual Bank

Term Deposits

Absa Bank [Collateral]
Absa [Leave Provision]

	75,300,000	73,800,000
	74,000,000	72,500,000
	27,000,000	29,500,000
	-	9,000,000
	5,000,000	-
	7,000,000	14,000,000
	35,000,000	20,000,000
	1,300,000	1,300,000
	500,000	500,000
	800,000	800,000

Council provide collateral security for housing loans issued by commercial banks in favour of certain of Council's personnel. This security is provided by a block investment of R500,000 ceded to ABSA against which the bank issues letters of guarantee to the home loan financing institutions.

Trading and available-for-sale investments are subsequently carried at fair value. Average interest rate on investments in respect of the financial year under review reflects on 8,99%

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
11 BANK, CASH AND BALANCES		
The Municipality has the following bank accounts: -		
11.1 Current Account (Primary Bank Account)		
ABSA Bank Kimberley (Central Business District)		
Account Number 940 000 327		
Cash book balance at end of year	(3,672,269)	2,658,180
11.2 Petty Cash & Floats	<u>3,300</u>	<u>3,800</u>
TOTAL CASH ON HAND	<u>(3,668,969)</u>	<u>2,661,980</u>
<p><i>The cash book balance in the ledger reflects an overdraft to the amount of R3,67m whilst the bank statement reflects a positive balance of R46k. The reason for the overdraft was due to the fact that surplus funds were invested on year end without taking in consideration the amount of outstanding cheques at the time of investment. The error was corrected on 3 July 2007 with a transfer of an investment to the amount of R3,50m to the operating bank account.</i></p>		
12 SERVICE CHARGES		
Sale of water	12,357	10,308
Total Service Charges	<u>12,357</u>	<u>10,308.42</u>
13 REGIONAL SERVICES COUNCIL LEVIES		
Cash Receipts		
Regional Service Levy	-	36,820,800
Regional Establishment Levy	-	15,457,454
Plus: Provision for RSC Levies Debtors		
Regional Service Levy	-	6,035,692
Regional Establishment Levy	-	1,054,952
	-	4,980,740

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
14 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	47,923,395	2,452,648
Financial Management Grant	966,456	2,196,401
Municipal Systems Improvement Grant	1,333,705	3,017,597
DWAF - Sanitation (Mvula Trust)	1,858,364	2,768,768
DWAF - Infrastructure	-	-
Department of Transport: Expanded Works Program	89,891	4,670,112
District Aids Council	16,534	196
NEAR Control Centre	499,000	580,049
NCPA - Housing Accreditation Grant	-	-
NCPA Firefighting Equipment	190,496	480,980
NCPA - Sewerage System: Dikgatlong	90,129	95,877
NCPA - Eradication of Bucket System	8,776,584	2,107,918
DWAF- Development Holpan (Project NC145)	46,009	83,706
NCPA - Municipal Support Program	174,627	1,450,747
DWAF - Warrenton (Project NC 148)	26,147	512,925
Local Economic Development Grant	500,000	-
MIG - Projects	2,555,611	6,683,662
NCPA - O & M Electricity Grant	101,955	-
SETA - Skills Grant	128,975	72,550
DPLG Drought Relief Funds	166,100	-
Environmental Health	87,000	75,000
Total Government Grant and Subsidies	65,530,976	27,249,137
<i>The unspent portions of the conditional grants are treated as current liabilities and disclosed per Note 3 above.</i>		
<i>Only the actual expenditure amounts are transferred to the relevant operating statement to cover the expenditure incurred in terms of the grant conditions</i>		
15 OTHER INCOME		
Commission: Insurance Payments	4,874	4,579
Fines	7,340	25,745
Salary allocation to Roads Agency (30%) - Director Technical Services	174,497	150,373
SALGA: Traveling costs recovered	-	9,464
Salary allocation to Roads Agency - Transferred personnel	-	130,365
Cemetery Fees	105	-
Tender Fees	3,500	-
Other	19,693	108,852
Total Other Income	210,009	429,379

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

16 EMPLOYEE RELATED COSTS

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

Total Employee Related Costs

There were no advances to employees. Loans to employees are set out in note 6.

Social contributions:

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

<i>Cape Joint Pension Fund</i>
<i>Cape Joint Retirement Fund</i>
<i>SAMWU National Pension Fund</i>
<i>Pension Fund for Municipal Councillors</i>

Remuneration of the Municipal Manager

Annual Remuneration (Total cost to Employer)
Performance Bonuses

Total

Remuneration of the Chief Finance Officer

Annual Remuneration (Total cost to Employer)
Performance Bonuses

Total

Remuneration of executive directors

Administration and technical services

Annual Remuneration (Total cost to Employer)
Performance Bonuses

Total

	2007	2006
	R	R
	10,705,892	9,401,401
	3,129,134	3,036,793
	1,501,557	2,037,095
	307,300	401,339
	204,649	197,995
	108,330	124,572
	238,912	249,461
	16,195,772	15,448,656
	Employer %	Employee %
	18,00	9,00
	18,00	9,00
	18,00	9,00
	15,00	13,75
	698,234	634,319
	76,118	73,306
	774,352	707,625
	544,602	508,729
	50,873	58,718
	595,475	567,447
	544,602	508,729
	55,960	58,718
	600,562	567,447

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
17 REMUNERATION OF COUNCILLORS		
Executive Mayor	420,910	350,965
Speaker	227,783	196,685
Mayoral Committee Members	572,626	469,897
Councillors	1,150,422	843,914
Councillors' pension contribution	146,656	142,114
Other Obligatory Contributions (Skills Levy, etc.)	20,460	11,020
Total Councillors' Remuneration	<u>2,538,856</u>	<u>2,014,596</u>
In-kind Benefits		
<i>The Executive Mayor and Speaker are full time.</i>		
<i>Each is provided with a cellphone, office and secretarial support at cost of council. (Cell phone benefit does not exceed the limits as determined by the Remuneration of Public Office Bearers Act)</i>		
<i>The Executive Mayor makes use of a Council owned vehicle for seremonial duties</i>		
18 INTEREST ON EXTERNAL BORROWINGS		
External Loans	1,083,539	1,104,528
Finance Leases	-	-
Bank Overdrafts	-	-
Total Interest on External Borrowings	<u>1,083,539</u>	<u>1,104,528</u>
<i>Refer to note 11 for explanation on the bank overdraft.</i>		
19 BULK PURCHASES		
Water	11,866	3,609
Total Bulk Purchases	<u>11,866</u>	<u>3,609</u>
20 GRANTS AND SUBSIDIES PAID TO OTHER MUNICIPALITIES		
20.1 Dikgatlong Municipality	10,325,481	6,811,338
Streets & Storm Water	1,579,725	2,982,026
Sanitation	3,939,268	2,876,901
Water	1,943,780	620,541
Development of erven	-	318,898
Electricity	2,862,707	12,973

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007	2006
		R	R
20.2	Magareng Municipality	3,973,204	2,413,183
	Cemeteries	-	257,124
	Water	3,071,468	1,167,555
	Sanitation	663,499	
	Streets & Storm Water	238,237	988,505
	Machinery & Equipment	-	-
20.3	Phokwane Municipality	7,083,343	2,709,408
	Electricity	1,454,776	4,177
	Streets & Storm Water	-	27,336
	Water	3,183,072	2,391,081
	Sanitation	2,445,494	-
	Development of erven	-	286,814
20.4	Sol Plaatje Municipality	5,872,498	2,042,398
	Sanitation	3,438,490	292,398
	Housing	2,000,000	
	Cemeteries	434,007	
	Public transport	-	1,750,000
	Streets & Storm water	-	-
20.5	District Management Areas	3,578,222	6,681,772
	Cemeteries	-	-
	Other Infrastructure Projects	85,148	-
	Electricity	203,814	249,142
	Housing	2,992,234	242,137
	Water	10,000	-
	Sanitation	287,026	6,190,493
	Summary of infrastructure grants paid to other municipalities	30,832,747	20,658,100
	Dikgatlong Municipality	10,325,481	6,811,338
	Magareng Municipality	3,973,204	2,413,183
	Phokwane Municipality	7,083,343	2,709,408
	Sol Plaatje Municipality	5,872,498	2,042,398
	District Management Areas	3,578,222	6,681,772
	<i>Council makes allocations to participating bodies within its area of jurisdiction. Such allocations are primarily for infrastructure development and are treated as grants in kind. Assets with regard to property, plant and equipment funded becomes the property of the participating body who controls the asset. (Unspent portion of Council's contribution amounted to R4,23m whilst the unspent portion of conditional grants reflects under Note 3 above)</i>		
21	GRANTS PAID TO OTHER ORGANS OF STATE	150,000	100,000
	Northern Cape Tourism Authority	150,000	100,000

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007	2006
		R	R
22	OTHER SPECIAL PROJECTS	9,812,605	10,430,082
	Council	229,962	200,156
	Municipal Manager	280,590	1,463,453
	Communications	132,773	82,630
	Administration	29,342	-
	Other Infrastructure Projects	5,662,583	4,930,265
	IDP / PMS Projects	6,260	19,754
	Tourism Projects	465,370	206,036
	PIMMS Center	476,766	2,146,356
	Local Economic Development	1,807,258	535,905
	Environmental Health Projects	183,864	482,481
	Community Development	261,518	269,465
	Disaster Management	276,320	93,580
	Summary of Grants and Subsidies Paid		
	Grants and subsidies paid to other municipalities (Note 20)	30,832,747	20,658,100
	Grants paid to other organs of state (Note 21)	150,000	100,000
	Other special projects (Note 22)	9,812,605	10,430,082
	Total Grants and Subsidies	<u>40,795,353</u>	<u>31,188,183</u>
23	CASH GENERATED BY OPERATIONS		
	Surplus for the year	3,549,721	16,124,749
	Adjustment for:-		
	Depreciation	1,195,494	942,930
	Gain on disposal of property, plant and equipment	(55,789)	(188,575)
	Contribution to provisions – non-current	-	-
	Contribution to provisions – current	-	-
	Internal Motor vehicle charges	(85,397)	3,244
	Contribution to bad debt provision	307,843	2,286,440
	Appropriation receipts	2,799,809	33,395
	Investment income	(7,587,037)	(5,726,869)
	Extraordinary items - Pre-payment penalty fee - DBSA	800,000	1,684,464
	Other non-cash activities	97,004	(1,708,558)
	Interest paid	1,083,539	1,104,528

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
<i>Operating surplus before working capital changes:</i>	2,105,186	14,555,748
(Increase) / Decrease in Inventories	-	-
(Increase) / Decrease in Debtors	(88)	3,594
(Increase) / Decrease in Other Debtors	3,852,973	(292,125)
(Decrease) / Increase in Conditional Grants and Receipts	5,790,013	685,058
(Decrease) / Increase in Creditors	(1,162,635)	(3,234,337)
(Increase) / Decrease in VAT Receivables	(1,212,249)	180,671
	<u>9,373,200</u>	<u>11,898,609</u>
 <i>Cash generated by operations</i>		
 24 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :		
Bank balances and cash	75,303,300	76,461,980
Bank overdraft	3,672,269	-
 <i>Total cash and cash equivalents</i>	<u>71,631,031</u>	<u>76,461,980</u>
 25 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
25.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	1,707,950	-
Unauthorised expenditure current year	331,316	1,717,829
Approved by Council or condoned	(1,437,727)	-9,879
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>601,540</u>	<u>1,707,950</u>

Unauthorised expenditure to the amount of R1,44m was considered and approved by council.

The Accountant Expenditure involved was found guilty in terms of an internal disciplinary hearing and dismissed on 6 December 2006.

The outcome of the criminal procedures is still pending and is likely to be resolved in the 2007 / 08 financial year.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
25.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	21,030	46,658.80
Condoned or written off by Council	(1,800)	-46,658.80
To be recovered – contingent asset	-	-
	19,230	-
Fruitless and wasteful expenditure awaiting condonement		
<i>Fruitless expenditure to the amount of R1 800 was considered and approved by council</i>		
<i>The amount of R19 230 is still under investigation.</i>		
25.3 Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	-	-
Unauthorised expenditure current year	73,053	-
Approved by Council or condoned	(73,053)	-
Transfer to receivables for recovery	-	-
	-	-
Irregular expenditure awaiting authorisation		
<i>Irregular expenditure to the amount of R73 053 was considered and approved by council</i>		
26 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
26.1 Contributions to organized local government		
Opening balance	-	-
Council subscriptions	103,439	97,584
Amount paid – current year	(103,439)	(97,584)
Amount paid – previous years	-	-
	-	-
<i>Balance unpaid (included in creditors)</i>		
26.2 Audit fees		
Opening balance	-	-
Current year audit fee	596,409	381,705
Amount paid – current year	(596,409)	(381,705)
Amount paid – previous years	-	-
	-	-
<i>Balance unpaid (included in creditors)</i>		

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
26.3 PAYE and UIF		
Opening balance	2,750.00	-
Current year payroll deductions	2,925,874	2,865,479
Amount paid – current year	(2,928,624)	(2,862,729)
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	-	2,750
26.4 Pension and Medical Aid Deductions		
Opening balance	14,511	-
Current year payroll deductions and Council Contributions	3,481,438	4,665,871
Amount paid – current year	(3,495,950)	(4,651,360)
Amount paid – previous years	-	-
Balance unpaid (included in creditors)	-	14,511

The advance deductions were made in respect of an employee who went on maternity leave.

The amount will be paid over in monthly installments to the relevant institutions.

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

Supply Chain Management Policy has been adopted by Council with an effective date of 1st January 2006 for implementation..

To ensure adherence and full implementation of the Supply Chain Management Policy a number of challenges still needs to be address in the next financial year. Following some challenges to be addressed:

- *Establishment of an effective Supply Chain Management Unit*
- *Review, develop and implementation of new procurement procedure aligned with SCM policy*
- *Review and amendment of procedures with regard to the tender committee system (Specification, Evaluation and Adjudication Committees)*
- *Develop systems to monitor and report on supply chain management as required in terms of the policy*
- *Development of a proper supplier contract register.*
- *Ongoing update of the SCM supplier database and verification of information received*

27 RETIREMENT BENEFIT INFORMATION

27.1 Pension fund contributions

The District Municipality contributes to the following post retirement funds - Cape Joint Pension fund, Cape Joint Retirement fund and SAMWU Retirement fund which provides for retirement benefits to its employees. All Councillors and employees belong to these defined benefit retirement funds administered by the Provincial Pension Fund. These funds are subject to a triennial actuarial valuation.

An amount of R1 677 555 (2006 : R1 531 585) was contributed by Council in respect of Councillor and employees retirement funding. These contributions have been expensed.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007	2006
R	R

27.2 Pensions

At present Council is paying, out of own funds, pensions to eight persons from the former Divisional Council Vaalrivier who retired before 31 December 1990.

It is an unfunded post-employment benefit and the amount recognised as an expense on the operating account amounted to R90 194 for the year under review.

27.3 Continued medical aid contributions

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pay 70% as contribution and remaining 30% are paid by members. The liability for these benefits is charged to the statement of financial performance in the year of payment.

It is an unfunded post-employment benefit and the amount recognised as an expense on the operating account amounted to R930 969 for the year under review.

28 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure

Approved and contracted for

Community

3,024,000

-

The expenditure will be financed from

Internal Funding (Own Resources)

3,024,000

-

An estimated amount of R24m is budgeted for the building of a council chamber of which an amount of R3,02m was approved for the 2006 / 07 financial year for the initial planning phase.

An amount of R17 740 was paid towards the planning phase which includes the advertisement, appointment of architects and the drawing of building plans before tenders are requested for the construction work.

29 CONTINGENT LIABILITIES

Transnet: Sale of Koopmansfontein

Sighning of an agreement to sell Koopmansfontein to the District Municipality has been concluded on 17 November 2003 pending ministerial approval for the sale.

In terms of the sighthed agreement, the purchaser will be liable to pay a monthly occupational rent amounting to 1% of the purchase price (R45 000) if the purchaser elect to take occupation and possession before the date of registration. Due to the fact that the sale of Koopmansfontein has not been approved by the minister, the occupational rental to the estimated amount of R21 600 has not been paid since the date of sighthing of the contract.

Computers Direct: Rental of Photocopying Machine

Rental of the equipment amounted to R31 814 for the year under review and further payments to the amount of R64 101 for the remainder of the contract period.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2007

2006

R

R

30 FINANCIAL RISK MANAGEMENT

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

30.1 Foreign Exchange Currency Risk:

The District Municipality does not engage in foreign currency transactions.

30.2 Interest Rate Risk:

The District Municipality is mainly exposed to interest rate risk due to the movements in long-term and short term interest rates:

The risk is managed on an on-going basis.

30.3 Credit Risk:

Credit risk is the risk that a counter party to a financial asset will fail to discharge an obligation and cause the District Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to grant debtors.

For banks and financial institutions, only independently rated parties with minimum rating of "B+" are accepted. Grants are receivable from higher order levels of government.

30.4 Liquidity Risk:

Liquidity risk is the risk that the District Municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The financial liabilities of the District Municipality are backed by appropriate assets and it has adequate liquid resources. The District Municipality monitors the cash projections by ensuring that borrowing facilities are available to meet its cash requirements.

No significant financial risk pertaining to creditors exists except for mainly operational risks that are not covered in here.

APPENDIX A

FRANCES BAARD DISTRICT MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 01/07/2006	Received during the period	Redeemed written off during the period	Balance at 30/06/2007	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
LONG-TERM LOANS			R	R	R	R		
Registered Stock Loans			-	-	-	-		
Total Long-Term Loans			-	-	-	-	-	-
ANNUITY LOANS								
Annuity Loans			-	-	-	-		
Total Annuity Loans			-	-	-	-	-	-
GOVERNMENT LOANS								
DBSA Loan:- Hartswater:- Sewerage Scheme	13,515	31/12/2020	7,112,743	-	7,112,743	-		7,500,000
Total Government Loans			7,112,743	-	7,112,743	-	-	7,500,000
LEASE LIABILITY								
Lease Liability			-	-	-	-		
Total Lease Liability			-	-	-	-	-	-
TOTAL EXTERNAL LOANS			7,112,743	-	7,112,743	-	-	7,500,000

APPENDIX B

FRANCES BAARD DISTRICT MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Balance at 01/07/2006	Additions	Under Construction	Disposals	Balance at 30/06/2007	Balance at 01/07/2006	Additions	Disposals	Balance at 30/06/2007	
COMMUNITY ASSETS										
Land & Buildings	106,676	-	-	-	106,676	-	3,556	-	3,556	103,120
Security Measures	112,654	-	-	-	112,654	10,988	22,531	-	33,519	79,136
Total: Community Assets	219,330	-	-	-	219,330	10,988	26,087	-	37,074	182,256
OTHER ASSETS										
Land & Buildings	9,196,877	3,044,892	-	-	12,241,769	3,128,165	281,910	-	3,410,075	8,831,694
Office Equipment	396,295	82,690	-	-	478,985	276,311	49,279	-	325,590	153,395
Furniture & Fittings	249,616	5,461	-	-	255,077	103,393	21,667	-	125,060	130,017
Plant & Machinery	247,921	167,439	-	-	415,360	25,402	57,059	-	82,461	332,900
Emergency Equipment	374,811	25,751	-	7,293	393,269	169,964	47,460	971	216,452	176,817
Motor Vehicle	1,858,203	694,718	-	123,645	2,429,277	1,000,734	387,359	123,645	1,264,448	1,164,828
Computer Equipment	1,905,607	158,456	-	-	2,064,063	1,334,866	324,674	-	1,659,540	404,523
Total: Other Assets	14,229,331	4,179,408	-	130,938	18,277,801	6,038,835	1,169,407	124,616	7,083,626	11,194,175
TOTAL ASSETS	14,448,661	4,179,408	-	130,938	18,497,131	6,049,823	1,195,494	124,616	7,120,700	11,376,430

APPENDIX C

FRANCES BAARD DISTRICT MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Cost				ACCUMULATED DEPRECIATION				Carrying Value	
	Balance at 01/07/2006	Additions	Under Construction	Disposals / Adjustments	Balance at 30/06/2007	Balance at 01/07/2006	Additions	Disposals / Adjustments		Balance at 30/06/2007
Executive and Council	132,244	53,042	-	(22,386.3) *	162,900	88,955	19,008	(10,934) *	97,029	65,871
Finance & Admin	13,455,954	3,863,207	-	24,394.5 *	17,219,911	5,568,344	1,064,427	9,542 *	6,518,667	10,701,243
Planning & Development	321,070	14,484	-	123,645 (7,204) *	328,349	176,090	19,007	(528) *	194,569	133,780
Health	22,783	167,825	-	2,146 *	192,753	17,737	15,286	447 *	33,470	159,283
Community & Social Services	7,558	-	-	3,050 *	10,608	3,902	2,629	1,472 *	8,003	2,605
Housing	-	-	-	-	-	-	-	-	-	-
Public Safety	509,052	80,851	-	7,293	582,610	194,796	75,137	971	268,962	313,648
Sport & Recreation	-	-	-	-	-	-	-	-	-	-
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-
Road Transport	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	14,448,661	4,179,408	-	- 130,938 *	18,497,131	6,049,823	1,195,494	- 124,616 *	7,120,701	11,376,431

* Internal Transfers

APPENDIX D

FRANCES BAARD DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE AS AT 30 JUNE 2007

Actual Income 2006 R	Actual Expenditure 2006 R	Surplus / (Deficit) 2006 R		Actual Income 2007 R	Actual Expenditure 2007 R	Surplus / (Deficit) 2007 R
1,916,193	(12,423,345)	(10,507,152)	Executive and Council	1,075,664	(10,873,161)	(9,797,497)
52,158,196	(13,158,804)	38,999,393	Finance & Admin	57,546,110	(12,362,598)	45,183,512
22,000,515	(33,296,617)	(11,296,103)	Planning & Development	14,788,503	(43,997,061)	(29,208,558)
75,000	(1,260,232)	(1,185,232)	Health	87,000	(1,236,390)	(1,149,390)
-	(557,775)	(557,775)	Community & Social Services	-	(584,731)	(584,731)
-	-	-	Housing	-	-	-
1,061,028	(1,557,494)	(496,466)	Public Safety	689,958	(1,559,113)	(869,155)
-	-	-	Sport & Recreation	-	-	-
-	-	-	Environmental Protection	-	-	-
-	-	-	Waste Management	-	-	-
-	-	-	Road Transport	-	-	-
10,308	(13,320)	(3,011)	Water	12,357	(36,817)	(24,460)
-	-	-	Electricity	-	-	-
-	-	-	Other	-	-	-
77,221,241	(62,267,587)	14,953,653	SUB TOTAL	74,199,592	(70,649,872)	3,549,721
-	-	-	Less: Inter-Departmental Charges	-	-	-
77,221,241	(62,267,587)	14,953,653	TOTAL	74,199,592	(70,649,872)	3,549,721

APPENDIX E1

FRANCES BAARD DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus Budget
REVENUE					
Service charges	12,357	18,052	(5,695)	-46.09%	Over budget in respect of the 2006/07 financial year
Rental of facilities and equipment	42,843	-	42,843.18	100.00%	Not applicable
Interest earned - external investments	7,716,239	3,580,000	4,136,239	53.60%	Under budget due to conservative budgeting practices
Interest earned - outstanding debtors	8,071	18,300	(10,229)	-126.75%	Over budget in respect of the 2006/07 financial year
Income for agency services	623,308	640,000	(16,692)	-2.68%	Deviation not significant
Government grants and subsidies	65,530,976	56,234,000	9,296,976	14.19%	Positive variance as per expenditure occurred in respect of grants received
Other income	210,009	285,800	(75,791)	-36.09%	Under budget due to accounting treatment of revaluation of land & buildings
Gains on disposal of property, plant and equipment	55,789	70,000	(14,211)	-25.47%	Deviation not significant
Total Revenue	74,199,592	60,846,152	13,353,440	18.00%	
EXPENDITURE					
Employee related costs	16,195,772	18,456,890	(2,261,118)	-13.96%	Approved vacant positions not filled during the year under review
Remuneration of Councillors	2,538,856	4,505,370	(1,966,514)	-77.46%	Budgeted for full time mayoral committee and full Councillor benefits that did not realised
Bad debts	1,225	16,010	(14,785)	-1207.15%	Amount not significant
Collection costs	452,860	550,000	(97,140)	-21.45%	Under spending due to lower collection rate by external levy inspectors
Depreciation	1,195,494	1,384,865	(189,371)	-15.84%	Under spending due to under spending on capital budget
Repairs and maintenance	840,050	1,536,780	(696,730)	-82.94%	Over budget to accommodate maintenance needs of council property.
Interest on external borrowings	1,083,539	1,083,550	(11)	0.00%	Not applicable
Bulk purchases	18,540	22,700	(4,160)	-22.44%	Over budget in respect of the 2006/07 financial year
Contracted services	2,603,867	4,410,390	(1,806,523)	-69.38%	Projects not completed as per Service Delivery and Budget Implementation Plans in relation to various projects by different departments.
Grants and subsidies paid	40,795,353	38,703,705	2,091,648	5.13%	Deviation not significant
General expenses - other	3,811,374	6,878,140	(3,066,766)	-80.46%	Over estimates in respect general expenditure by various departments
Pre-payment Penalty on Settlement - DBSA Loan	800,000	-	800,000	100.00%	Extraordinary - No budget provision
Change in Estimates: Adjustment i.r.o provision for bad debt	306,618	-	306,618	100.00%	Extraordinary - No budget provision
Loss on disposal of property, plant and equipment	6,323	-	6,323	100.00%	Not applicable
Total Expenditure	70,649,872	77,548,400	(6,898,528)	-9.76%	

APPENDIX E2

FRANCES BAARD DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007

Revenue	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus budget
COMMUNITY ASSETS					
Land & Buildings	-	800,000	(800,000)	100.00%	Establishment of Disaster Management Centre did not realised due to lack of specifications by DPLG.
Security Measures	-	-	0	0.00%	
Total: Community Assets	-	800,000	(800,000)	0.00%	
OTHER ASSETS					
Land & Buildings	3,044,892	3,024,000	20,892	0.69%	Building of council chambers rolled over to next financial year
Office Equipment	82,690	45,000	37,690	45.58%	Amount not significant
Furniture & Fittings	5,461	5,000	461	8.44%	Deviation not significant
Plant & Machinery	167,439	160,000	7,439	4.44%	Deviation not significant
Emergency Equipment	25,751	30,000	(4,249)	-16.50%	Amount not significant
Motor Vehicle	694,718	695,000	(282)	-0.04%	Deviation not significant
Computer Equipment	158,456	222,660	(64,204)	-40.52%	Amount not significant
Total Other Assets	4,179,408	4,181,660	(2,252)	-0.05%	
TOTAL ASSETS	4,179,408	4,981,660	(802,252)	-19.20%	

REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF FRANCES BAARD DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of Frances Baard District Municipality which comprise the statement of financial position as at 30 June 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages AP-1 to AP-10 and FS-1 to FS-28.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of financial statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by Frances Baard District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.

Emphasis of matter

Without qualifying my audit opinion, I draw attention to the following matter:

Basis for preparation

10. As set out in accounting policy 1 the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of *General Notice 552 of 2007* issued in *Government Gazette No. 30013 of 29 June 2007*.

Opinion

11. In my opinion the financial statements present fairly, in all material respects, the financial position of Frances Baard District Municipality as at 30 June 2007 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the MFMA.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Material non-compliance with applicable legislation

12. The municipality did not have a by-law for the provision of water as required by section 21(1) of the Water Services Act, 1997 (Act No. 108 of 1997).

Material corrections made to the financial statements submitted for audit

13. a) Income and reserves were incorrectly stated by R3 040 192 due to the incorrect treatment of revaluation of Land and Buildings.
 b) Commitments were understated by R24 196 688.

Internal control

14. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies existed in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
Other matters					
Non-compliance with applicable laws and regulations					
By-law for the provision of water			X		

OTHER REPORTING RESPONSIBILITIES

Reporting on performance information

15. I have audited the performance information as set out in the annual report.

Responsibilities of the accounting officer

16. In terms of section 121(3)(c) of the MFMA the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

Responsibility of the Auditor-General

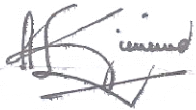
17. I conducted my engagement in accordance with section 13 of the PAA, read with *General Notice 646 of 2007*, issued in *Government Gazette No. 646 of 25 May 2007*.
18. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
19. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings.

Audit findings

20. No significant findings were identified as a result of my audit.

APPRECIATION

21. The assistance rendered by the staff of Frances Baard District Municipality during the audit is sincerely appreciated.



Kimberley

30 November 2007



A U D I T O R - G E N E R A L

