FRANCES BAARD

DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS
30 JUNE 2011

FRANCES BAARD DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010

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-79
11	Appendix B: Analysis of Property, Plant and Equipment	FS-80
12	Appendix C: Segmental Analysis of Property, Plant and Equipment	FS-81
13	Appendix D: Segmental Statement of Financial Performance	FS-82
14	Appendix E (1): Actual versus Budget (Revenue and Expenditure)	FS-83
15	Appendix E (2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	FS-83

GENERAL INFORMATION

GENERAL INFORMATION

1. GRADING

Grade 4 – Category C.

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

2. AUDITORS

2.1. External Auditors

The Office of the Auditor-General
Private Bag X5013
KIMBERLEY

2.2. Internal Auditors

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

2.3. Members of the Audit Committee

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

3. BANKERS

Absa Bank	*Type of Account:*	Current Account
80 Bultfontein Rd	*Account Number:*	940 000 327

KIMBERLEY

4. REGISTERED OFFICE

Frances Baard District Municipality
51 Drakensberg Avenue — Private Bag X6088
CARTERS GLEN 8301 — KIMBERLEY 8300

5. GENERAL ACTIVITIES

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

6. COUNCILLORS

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

District Management Area; and
Category B Municipalities—

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

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

Ms. MM Moloi — Proportional

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

Mr BM Maribe — Proportional

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

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

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

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

7. MANAGEMENT STRUCTURE

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

Acting Municipal Manager

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

Director: Administration

Ms. NG Kgantsi
M. Public Admin

Director: Infrastructure Services

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

Director: Finance

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

Director: Planning & Development

Mr. FS Mdee
M. Civil Design

7. CERTIFYING OF FINANCIAL STATEMENTS

I am responsible for the preparation of these financial statements, which are set out on pages FR-1 to FR-15, AP-1 to AP-29 and FS-1 to FS-84, 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 23 of these financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Cooperative Governance, Human Settlement & Traditional Affairs determination in accordance with this act.

ACTING MUNICIPAL MANAGER **DATE:** **31 August 2011**

CHIEF FINANCIAL OFFICER REPORT

FINANCIAL PERFORMANCE REVIEW

By the Chief Financial Officer

1. INTRODUCTION

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

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

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

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

2. OPERATING RESULTS

Council has achieved an operating surplus to the amount of R13,57m before taking into account nett negative appropriations to the amount of R0,342m for the past financial year. The positive results are mainly due to savings on expenditure like salaries, unspent grants & subsidies for infrastructure, maintenance and social related projects at year end, contracted services and general expenses.

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

Revenue & Expenditure	***Actual 2010 R***	***Actual 2011 R***	***Variance 2010/11 %***	***Budget 2011 R***	***Variance Actual / Budget %***
Operating Income for the year	93,624,887	97,852,083	4.52%	112,734,710	13.20%
Operating Expenditure for the year	(89,798,170)	(84,651,037)	-5.73%	(119,241,584)	29.01%
Discontinued Operations	178,684	369,787			
SURPLUS / (DEFICIT) FOR THE YEAR	***4,005,401***	***13,570,833***		***(6,506,874)***	
Accumulated Surplus / (Deficit) at the beginning of the year	50,137,581	62,850,596			
Nett appropriations for the year	8,707,615	(521,771)	-105.99%	5,243,140	109.95%
Accumulated Surplus / (Deficit) at the end of the year	***62,850,596***	***75,899,658***		***(1,263,734)***	

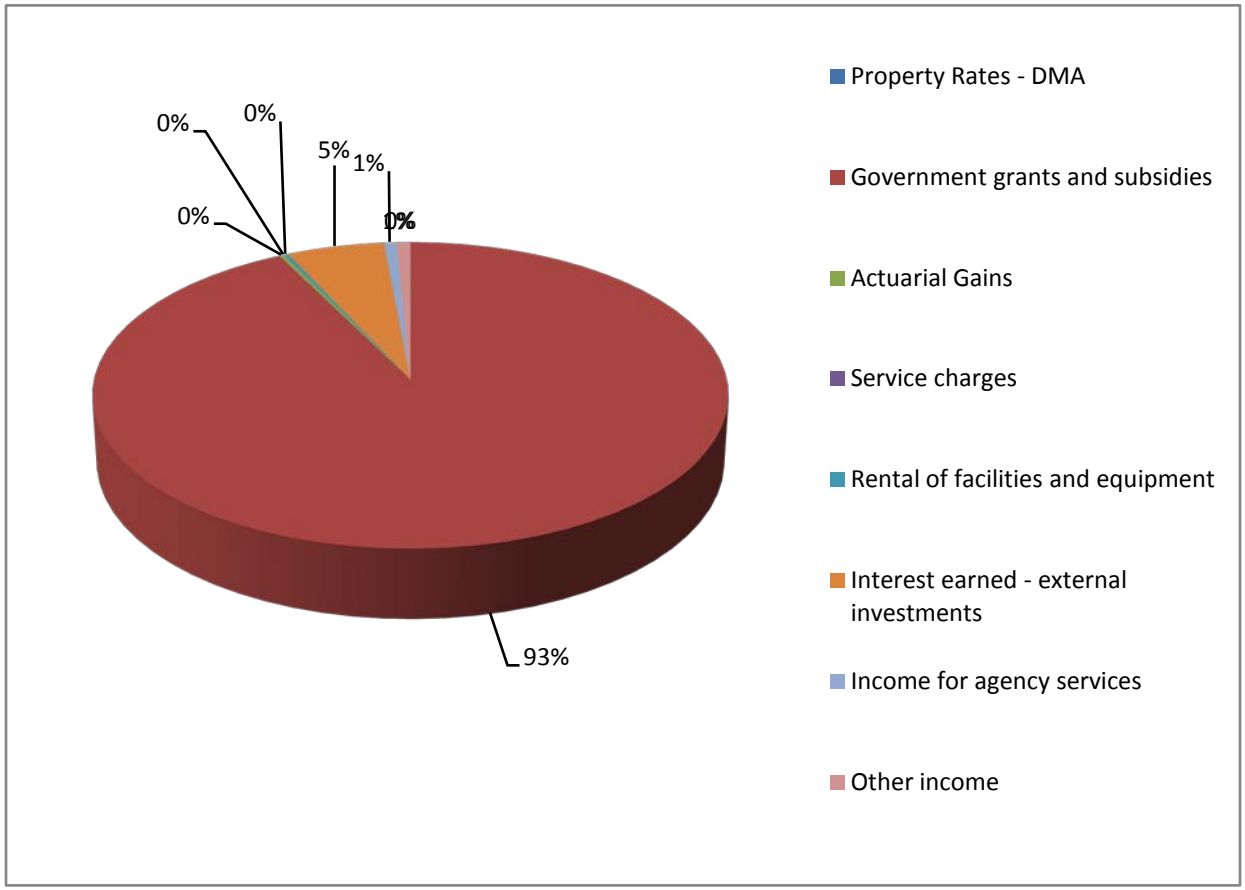
Details of the operating results per classification and object of income and expenditure are included in the statement of financial performance, note 35.1 to the financial statements and appendix E (1), whilst the detailed operating results per National Treasury functional classification are reflected in Appendix D.

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

2.1 OPERATING REVENUE

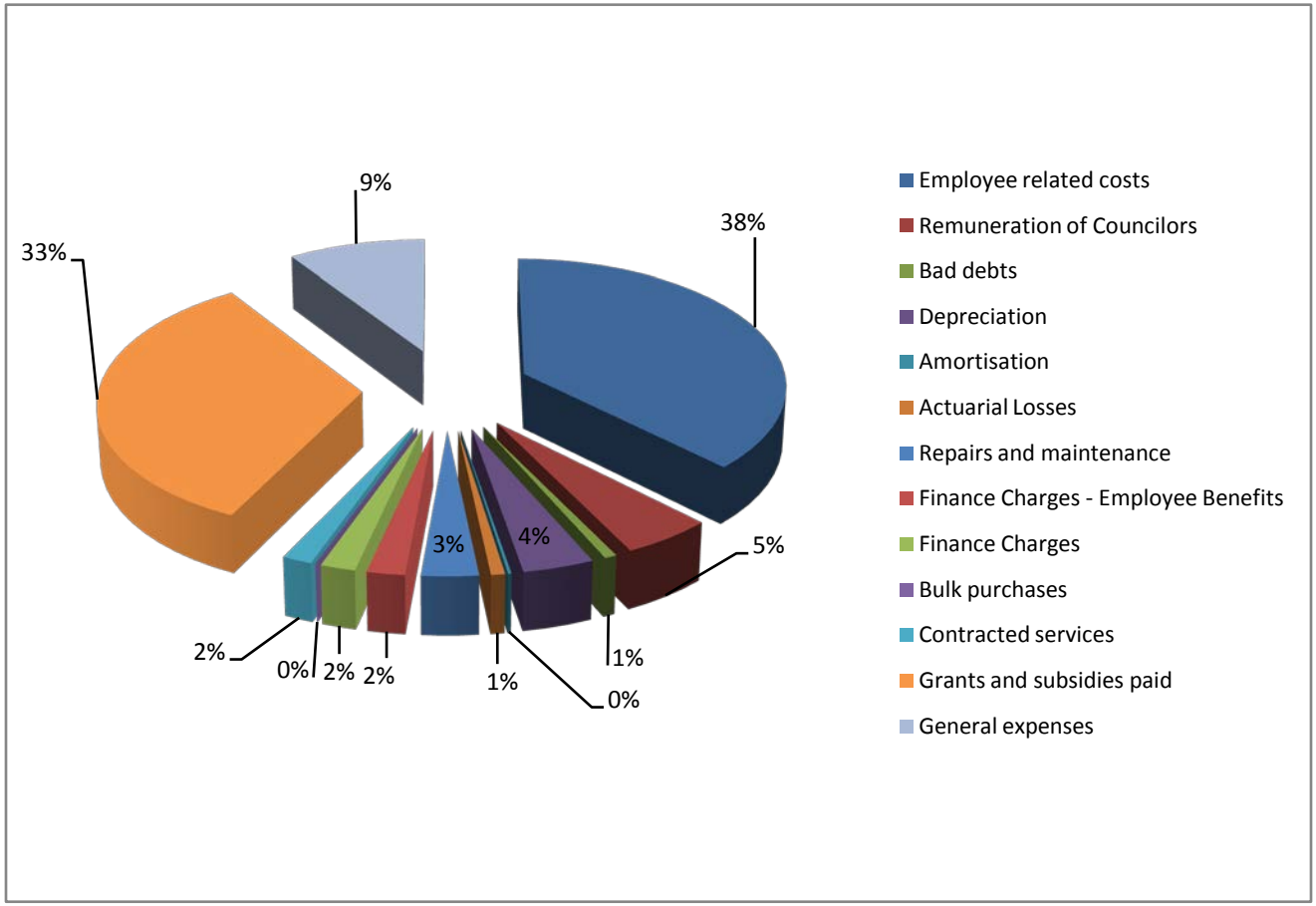
The major revenue streams that supported the programmes and activities of the district municipality were:

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



2.2 OPERATING EXPENDITURE

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



2.3 OPERATING PER NATIONAL TREASURY FUNCTIONAL CLASSIFICATIONS

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

2.3.1 Executive and Council:

Revenue & Expenditure	*Actual 2010 R*	*Actual 2011 R*	*Variance 2010/11 %*	*Budget 2011 R*	*Variance Actual / Budget %*
Revenue	1,408,596	1,393,914	-1.04%	1,278,406	-9.04%
Expenditure	17,524,876	12,757,657	-27.20%	20,416,086	37.51%
SURPLUS / (DEFICIT)	***(16,116,280)***	***(11,363,743)***	***-29.49%***	***(19,137,680)***	***40.62%***

Executive and Council consists of Council activities, the office of the Municipal Manager, Internal Audit Unit and Communications section and reflects a net deficit of R11,36m compared to the approved deficit of R19,14m.

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

2.3.2 Finance & Administration:

Revenue & Expenditure	*Actual 2010 R*	*Actual 2011 R*	*Variance 2010/11 %*	*Budget 2011 R*	*Variance Actual / Budget %*
Revenue	70,311,740	70,552,459	0.34%	67,739,234	-4.15%
Expenditure	30,447,660	29,066,052	-4.54%	25,741,820	-12.91%
SURPLUS / (DEFICIT)	***39,864,080***	***41,486,408***	***4.07%***	***41,997,414***	***1.22%***

The vote of Finance & Administration reflects deviation of R511k or 0.30% compared to the approved budget. The nett result compared to the approved budget is not regarded as significant.

2.3.3 Planning & Development::

Revenue & Expenditure	*Actual 2010 R*	*Actual 2011 R*	*Variance 2010/11 %*	*Budget 2011 R*	*Variance Actual / Budget %*
Revenue	35,192,238	22,706,787	-35.48%	38,283,299	40.69%
Expenditure	59,374,592	36,293,005	-38.87%	59,930,814	39.44%
SURPLUS / (DEFICIT)	***(24,182,354)***	***(13,586,218)***	***-43.82%***	***(21,647,515)***	***37.24%***

Revenue:

The negative deviation of 43,82% on revenue compared to the approved budget is mainly due to unrealistic DoRA allocation in respect of the Expanded Public Works Programme (EPWP) not realised to the amount of R10,21m as well as the unspent portion of grant funding budgeted for roll over in the next financial year to the estimated amount of R4,09m.

Expenditure:

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

2.3.4 Health:

Revenue & Expenditure	*Actual 2010 R*	*Actual 2011 R*	*Variance 2010/11 %*	*Budget 2011 R*	*Variance Actual / Budget %*
Revenue	1,700,000	153,845	-90.95%	96,000	-60.26%
Expenditure	3,590,730	1,670,463	-53.48%	2,367,810	29.45%
SURPLUS / (DEFICIT)	***(1,890,730)***	***(1,516,618)***	***-19.79%***	***(2,271,810)***	***33.24%***

The environmental health section reflects a total saving to the amount of R1,52m or 19,79% compared to the approved budget due to savings on grants & subsidies paid in respect of a recycle project in Dikgatlong Local Municipality not completed at year end.

2.3.5 Community & Social Services:

Revenue & Expenditure	*Actual 2010 R*	*Actual 2011 R*	*Variance 2010/11 %*	*Budget 2011 R*	*Variance Actual / Budget %*
Revenue	-	-	0.00%	-	0.00%
Expenditure	1,025,820	101,742	-90.08%	522,780	80.54%
SURPLUS / (DEFICIT)	***(1,025,820)***	***(101,742)***	***-90.08%***	***(522,780)***	***80.54%***

The under expenditure reflected to the amount of R421k or 80,54% compared to the approved budget is mainly attributed to special community projects not completed due to the position of Community Development Officer not filled during the financial year under review.

2.3.6 Public Safety:

Revenue & Expenditure	*Actual 2010 R*	*Actual 2011 R*	*Variance 2010/11 %*	*Budget 2011 R*	*Variance Actual / Budget %*
Revenue	1,314,206	961,842	-26.81%	1,650,716	41.73%
Expenditure	3,935,006	2,613,894	-33.57%	3,543,156	26.23%
SURPLUS / (DEFICIT)	***(2,620,800)***	***(1,652,052)***	***-36.96%***	***(1,892,440)***	***12.70%***

Fire Fighting and Disaster Management section reflects an under expenditure to the amount of R240k compared to the approved budget.

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

2.3.7 Water Services – Koopmansfontein:

Revenue & Expenditure	*Actual 2010 R*	*Actual 2011 R*	*Variance 2010/11 %*	*Budget 2011 R*	*Variance Actual / Budget %*
Revenue	21,259	12,789	-39.84%	41,370	69.09%
Expenditure	22,836	27,949	22.39%	44,870	37.71%
SURPLUS / (DEFICIT)	***(1,578)***	***(15,159)***	***861%***	***-3,500***	***-333%***

Transferred to Discontinued operations

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

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

2.3.8 Electricity Service – Koopmansfontein:

Revenue & Expenditure	*Actual 2010 R*	*Actual 2011 R*	*Variance 2010/11 %*	*Budget 2011 R*	*Variance Actual / Budget %*
Revenue	8,134	-	-100.00%	12,780	100.00%
Expenditure	8,741	14,140	61.77%	12,780	-10.64%
SURPLUS / (DEFICIT)	***(607)***	***(14,140)***	***2229%***	**-**	***100%***

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

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

Transferred to Discontinued operations

2.3.9 Sewerage – Koopmansfontein

Revenue & Expenditure	*Actual 2010 R*	*Actual 2011 R*	*Variance 2010/11 %*	*Budget 2011 R*	*Variance Actual / Budget %*
Revenue	-	3,360	100%	12,780	73.71%
Expenditure	-	2,890	100%	12,780	77.39%
SURPLUS / (DEFICIT)	-	***470***	***100%***	-	***100%***

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

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

Transferred to Discontinued operations

2.3.10 Refuse Removal – Koopmansfontein

Revenue & Expenditure	*Actual 2010 R*	*Actual 2011 R*	*Variance 2010/11 %*	*Budget 2011 R*	*Variance Actual / Budget %*
Revenue	-	6,840	100%	12,780	46.48%
Expenditure	-	3,925	100%	12,780	69.29%
SURPLUS / (DEFICIT)	-	***2,915***	***100%***	-	***100%***

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

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

Transferred to Discontinued operations

2.3.11 Housing

Revenue & Expenditure	***Actual 2010 R***	***Actual 2011 R***	***Variance 2010/11 %***	***Budget 2011 R***	***Variance Actual / Budget %***
Revenue	2,700,000	2,083,235	-22.84%	2,700,000	22.84%
Expenditure	3,234,970	2,148,223	-33.59%	3,234,970	33.59%
SURPLUS / (DEFICIT)	***(534,970)***	***(64,988)***	***-88%***	***- 534,970***	***88%***

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

3. APPROPRIATIONS

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

- Transfer to Capital Replacement Reserve (R4,415,020)
- Property, Plant and Equipment purchased R3,655,643

- Offsetting of depreciation R 237,605

4. POST-BALANCE SHEET EVENTS

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

5. CAPITAL EXPENDITURE AND FINANCING

	Actual 2011 R	***Budget 2011 R***	***Variance Actual / Budget %***	***Actual 2010 R***
Capital Expenditure				
Executive & Council	185,142	95,270	-94.33%	118,006
Finance & Administration	2,482,542	2,702,800	8.15%	1,353,906
Planning & Development	756,606	1,091,460	30.68%	8,392,841
Health	-	-	100.00%	12,419
Community & Social Services	-	-	100.00%	-
Housing	6,279	6,290	0.18%	306,816
Public Safety	791,750	519,200	-52.49%	182,547
Water Services	-	-	0.00%	-
TOTAL CAPITAL EXPENDITURE:	***4,222,319***	***4,415,020***	***4.36%***	***10,366,535***
Financing of Fixed Assets				
Capital Replacement Reserve	3,700,529	4,415,020	16.18%	9,933,163
External Loans	-	-	0.00%	337,110
Government Grants & Subsidies	521,789	-	0.00%	46,816
TOTAL FUNDING OF CAPITAL EXPENDITURE:	***4,222,319***	***4,415,020***	***4.36%***	***10,317,088***

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

The actual capital expenditure reflects a positive performance of 4,36% or R192k less than the approved budget.

Council attained a capital efficiency ratio of 109,30% for the financial year under review.

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

6. EXTERNAL BORROWINGS

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

Some financial ratios relevant to external borrowings are:

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

7. CASH AND INVESTMENTS

Council's cash and investments to the amount of R65,87m reflect a decrease of R4,44m or 6,31% compared to the previous financial year. Investments to the amount of R500k are ceded as collateral security on housing loans for officials of Council. ***(Refer to note 17)***

8. OUTSTANDING RECEIVABLES

Overall receivables including the short term portion of long term receivables reflect a decrease of R1,81m compared to the previous financial year. The 45% decrease can mainly be attributed to the effective implementation of credit control policy and debt management procedures for the year under review. No provision for Bad Debt has been made.

(Details with regard to the breakdown of debtors per category is set out in Notes 14 & 15)

Some financial ratios relevant to debtors are:

	2010/11	***2009/10***
Debt to Revenue	3,74%	6,66%

9. OUTSTANDING PAYABLES

Decrease of outstanding payables to the amount of 3,45m or 60% can mainly be attributed to the decrease in sundry payables to the total value of R2,32m compared to the previous financial year.

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

Some financial ratios relevant to payables are:

Creditors Management	***2010/11***	***2009/10***
Creditors system efficiency	100%	100%

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

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

10. RATIO ANALYSIS / BENCHMARKS

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

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

Liquidity	***2010/11***	***2009/10***
Liquidity - Current Ratio	5,92: 1	3,90: 1
Cash to Current Liabilities	5,62: 1	3,55: 1
Total Asset Turnover	1,89 Times	2,05 Times
Grant Dependency (Actual receipts per DoRA allocation)	92,25%	89,17%
Efficiency	***2010/11***	***2009/10***
Personnel costs to operating expenditure *(Inclusive of councilor remuneration)*	43,00%	36,00%

11. EXPRESSION OF APPRECIATION

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

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

P.J. VAN BILJON
CHIEF FINANCIAL OFFICER

ACCOUNTING POLICIES

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

The standards are summarised as follows:

GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 101	Agriculture
GRAP 102	Intangible assets
IGRAP 1	Applying the probability test on initial recognition of exchange revenue
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
IAS 19 (AC116)	Employee Benefits
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets

SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

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

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

GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

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

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

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

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

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

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

GRAP 12 – Inventories
GRAP 16 – Investment Property

GRAP 17 – Property, Plant and Equipment
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
GRAP 102 – Intangible Assets
In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

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

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

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

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

1.5. MATERIALITY

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

1.6. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

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

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

1.7. RESERVES

1.7.1 Capital Replacement Reserve (CRR)

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

1.7.2 Revaluations Reserve

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

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

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

1.8. LEASES

1.8.1 Municipality as Lessee

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

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

1.8.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

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

1.9. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

1.10. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

1.11. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

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

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

(a) The Municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented.

(b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

1.12. EMPLOYEE BENEFITS

(a) Post Retirement Medical obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

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

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

(b) Long Service awards

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

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

(c) Ex gratia Gratuities

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

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

(d) Accrued Leave Pay

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

(e) Staff Bonuses

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

(f) Performance bonuses

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

(g) Pension and retirement fund obligations

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

1.13. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital

asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.14. PROPERTY, PLANT AND EQUIPMENT

1.14.1 Initial Recognition

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

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

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

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

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

1.14.2 Subsequent Measurement – Revaluation Model

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

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

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

1.14.3 Subsequent Measurement – Cost Model

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

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.14.4 Depreciation and Impairment

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

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

Finance lease assets	
Office equipment	3
Other assets	5

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

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

1.14.5 De-recognition

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

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

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

1.15. INTANGIBLE ASSETS

1.15.1 Initial Recognition

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

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

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

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

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

1.15.2 Subsequent Measurement – Cost Model

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

1.15.3 Amortisation and Impairment

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

Intangible Assets	**Years**
Computer Software	5
Computer Software Licenses	5

1.15.4 De-recognition

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

1.15.5 Application of deemed cost (Directive 7)

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

1.16. INVESTMENT PROPERTY

1.16.1 Initial Recognition

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

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

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

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

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

1.16.2 Subsequent Measurement – Cost Model

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

1.16.3 Depreciation and Impairment

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

Investment Property	**Years**
Buildings	30

1.16.4 De-recognition

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

1.16.5 Application of deemed cost - Directive 7

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

1.17. NON-CURRENT ASSETS HELD FOR SALE

1.17.1 Initial Recognition

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

1.17.2 Subsequent Measurement

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

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

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

1.18. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.18.1 Cash-generating assets

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

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

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

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

1.18.2 Non-cash-generating assets

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

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

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

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

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

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

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

1.19. NON CURRENT INVESTMENTS

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

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

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

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

1.20. INVENTORIES

1.20.1 Initial Recognition

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

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

1.20.2 Subsequent Measurement

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

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

In general, the basis of allocating cost to inventory items is the weighted average method.

1.21 FINANCIAL INSTRUMENTS

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

1.21.1 Initial Recognition

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

1.21.2 Subsequent Measurement

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

1.21.2.2 *Trade and Other Receivables*

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans

together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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

1.21.2.3 *Trade and Other Payables and Annuity Loans*

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

1.21.2.4 *Cash and Cash Equivalents*

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

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

1.21.3 De-recognition of Financial Instruments

1.21.3.1 *Financial Assets*

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

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

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

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

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

1.21.3.2 *Financial Liabilities*

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

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

1.21.4 Offsetting of Financial Instruments

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

1.22 REVENUE

1.22.1 Revenue from Non-Exchange Transactions

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

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

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

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

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

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

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

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

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

1.22.2 Revenue from Exchange Transactions

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

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

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

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

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

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

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

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

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

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

1.23. RELATED PARTIES

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

Related parties include:

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

Key management personnel include:

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

1.24. 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.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.27. CONTINGENT LIABILITIES

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

Management judgement is required when recognising and measuring contingent liabilities.

1.28. PRESENTATION OF BUDGET INFORMATION

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

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

Impairment of trade receivables

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

Property, plant and equipment

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

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

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

Intangible assets

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

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

Investment Property

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

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

Provisions and contingent liabilities

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

Revenue Recognition

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

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

1.30. TAXES – VALUE ADDED TAX

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

1.31. AMENDED DISCLOSURE POLICY

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

FINANCIAL STATEMENTS

30 JUNE 2011

FRANCES BAARD DISTRICT MUNICIPALITY

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

	Note	2011 R	2010 R
NET ASSETS AND LIABILITIES			
Net Assets		**86,139,831**	**72,568,998**
Capital Replacement Reserve		4,411,867	3,652,491
Government Grant Reserve		-	-
Revaluation Reserve		5,828,305	6,065,911
Accumulated Surplus / (Deficit)		75,899,658	62,850,596
Non-current Liabilities		**32,913,606**	**33,074,523**
Long-Term Liabilities	1	12,814,927	14,136,733
Employee Benefits	2	20,098,679	18,937,790
Current Liabilities		**13,518,717**	**18,223,696**
Current Employee Benefits	3	5,228,584	4,828,161
Trade Payables	4	2,269,980	5,721,321
Unspent Conditional Grants and Receipts	5	4,727,383	6,544,350
Operating Lease Liability	6.1	-	-
Current Portion of Long-term Liabilities	1	1,292,770	1,129,864
TOTAL: NET ASSETS AND LIABILITIES		**132,572,154**	**123,867,216**
ASSETS			
Non-current Assets		**52,501,125**	**51,501,695**
Property, Plant and Equipment	7	51,649,618	50,869,836
Non-Current Assets Held for Sale	8	-	-
Discontinues Operations	9	234,138	-
Investment Property	10	-	-
Intangible Assets	11	611,151	614,106
Financial Assets	12	6,218	17,754
Long-term Receivables	13	-	-
Current Assets		**80,071,029**	**72,365,521**
Taxes	14	1,489,296	2,226,349
Trade Receivables from Exchange Transactions	15	-	491
Trade Receivables from Non-Exchange Transactions	16	2,173,924	3,985,873
Operating Lease Asset	6.2	9,383	11,954
Inventory	18	370,274	273,545
Current Portion of Long-term Receivables	13	-	-
Cash and Cash Equivalents	19	76,028,152	65,867,308
TOTAL: ASSETS		**132,572,154**	**123,867,216**

FRANCES BAARD DISTRICT MUNICIPALITY

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

Budget 2011 R	Budget 2010 R		Note	Actual 2011 R	Actual 2010 R
		REVENUE			
105,307,940	94,948,470	**Revenue from Non-Exchange Transactions**		**90,516,430**	**86,215,269**
386,740	108,400	***Taxation Revenue***		9,686	2,061
384,740	108,400	Property Rates - DMA	21	-	-
2,000	-	Property rates - penalties imposed and collection charges		9,686	2,061
104,921,200	94,840,070	***Transfer Revenue***		90,264,456	83,345,642
62,056,000	56,927,000	Regional Service Levy Replacement Grant	23.1	62,056,000	56,927,000
42,865,200	37,913,070	Government grants and subsidies	23.2	28,208,456	26,418,642
	-	Public contributions	23.3	-	-
-	-	***Other Revenue***		242,288	2,867,566
-	-	Fines		-	-
-	-	Actuarial Gains		242,288	2,867,566
7,426,770	9,642,540	**Revenue from Exchange Transactions**		**7,335,653**	**7,409,619**
14,450	14,000	Service charges	22	-	(0)
50,000	36,000	Rental of facilities and equipment		254,499	42,701
5,580,000	7,780,000	Interest earned - external investments		5,337,922	5,880,677
590,000	715,000	Income for agency services		685,046	742,358
90,000	372,000	Gains on disposal of property, plant and equipment		302,302	372,000
1,102,320	725,540	Other income	24	755,884	371,883
112,734,710	**104,591,010**	**Total Revenue**		**97,852,083**	**93,624,887**
		EXPENDITURE			
37,744,320	29,394,810	Employee related costs	25	31,783,065	28,276,188
4,550,380	4,344,290	Remuneration of Councilors	26	4,315,775	4,244,467
115,500	2,000	Bad debts		580,000	21,558
3,357,600	2,879,720	Depreciation		3,349,291	2,456,146
	-	Amortisation		161,329	82,687
	-	Actuarial Losses		655,877	176,834
2,648,300	2,264,170	Repairs and maintenance		2,676,063	1,172,759
	-	Finance Charges - Employee Benefits		1,786,691	2,295,803
1,637,430	1,652,600	Finance Charges	27	1,641,000	1,119,034
13,750	18,580	Bulk purchases	28	-	-
5,567,760	4,329,430	Contracted services		1,405,100	1,483,581
51,444,689	63,838,570	Grants and subsidies paid	30	28,395,130	41,790,767
12,161,855	7,365,705	General expenses	31	7,853,470	6,523,395
-	-	Loss on disposal of property, plant and equipment		48,246	154,952
	-	Changes in Fair Value		-	-
119,241,584	**116,089,875**	**Total Expenditure**		**84,651,037**	**89,798,170**
(6,506,874)	**(11,498,865)**	**SURPLUS / (DEFICIT) FOR THE YEAR**		**13,201,046**	**3,826,717**
-	-	Discontinued operations			
-	-	Revenue	32	418,691	210,403
		Expenditure	32	(48,903)	(31,719)
(6,506,874)	**(11,498,865)**	**NET SURPLUS / (DEFICIT) FOR THE YEAR**		**13,570,833**	**4,005,401**

Refer to Appendix D for segmental income statement

FRANCES BAARD DISTRICT MUNICIPALITY

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

	Capital Replacement Reserve R	Government Grant Reserve R	Revaluation Reserve R	Accumulated surplus (Deficit) R	Total R
2010					
Balance at 1 July 2009	10,943,550	-	6,396,928	45,320,288	62,660,766
Change in Accounting Policy - Note 31	-	-	145,858	4,817,293	4,963,151
Prior year errors - Note 29	-	-	-	-	-
Restated balance at 1 July 2009	10,943,550	-	6,542,786	50,137,581	67,623,917
Surplus/(deficit) for the year	-	-	-	4,005,401	4,005,401
Revaluation of Land & Buildings	-	-	-		-
Transfer to Capital Replacement Reserve	2,691,550	-	-	(2,691,550)	-
Property, plant and equipment purchased	(9,982,610)	-	-	9,982,610	-
Capital grants used to purchase Property Plant & Equipment	-	-	-	-	-
Donated/contributed Property Plant & Equipment	-	-	-	-	-
Asset disposals	-	-	(149,920)	149,920	-
Offsetting of depreciation	-	-	(233,543)	233,543	-
BALANCE AT 30 JUNE 2010	**3,652,491**	**-**	**6,159,323**	**61,817,504**	**71,629,318**
2010					
Correction of error (Note 29)	-	-	-	341,767	341,767
Change in accounting policy (Note 31)	-	-	(93,412)	691,325	597,913
RESTATED BALANCE	**3,652,491**	**-**	**6,065,911**	**62,850,596**	**72,568,998**
2011					
Surplus/(deficit) for the year	-	-	-	13,570,833	13,570,833
Revaluation of Land & Buildings	-	-	-	-	-
Transfer to Capital Replacement Reserve	4,415,020	-	-	(4,415,020)	-
Property, plant and equipment purchased	(3,655,643)	-	-	3,655,643	-
Capital grants used to purchase Property Plant & Equipment	-	-	-	-	-
Donated/contributed Property Plant & Equipment	-	-	-	-	-
Asset disposals	-	-	-	-	-
Offsetting of depreciation	-	-	(237,605)	237,605	-
BALANCE AT 30 JUNE 2011	**4,411,867**	**-**	**5,828,305**	**75,899,658**	**86,139,831**

FRANCES BAARD DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED ON 30 JUNE 2011

	Note	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		91,437,284	82,162,790
Cash paid to suppliers and employees		(79,802,293)	(81,480,623)
Cash generated from/(utilised in) operations	35	11,634,991	682,166
Dividends received		-	-
Interest received		5,347,608	5,880,677
Interest paid		(1,641,000)	(1,119,034)
NET CASH FROM OPERATING ACTIVITIES		**15,341,600**	**5,443,809**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,177,319)	(10,366,535)
Proceeds on disposal of property, plant and equipment		302,302	217,048
Increase in investment properties		-	-
(Increase) / decrease in intangeble assets		(158,375)	-
Increase / (decrease) in non-current receivables		-	-
(Increase) / decrease in non-current investments		11,536	-
NET CASH FROM INVESTING ACTIVITIES		**(4,021,856)**	**(10,149,487)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings raised / (repaid)		(1,158,900)	266,597
Increase in consumer deposits		-	-
Decrease / (increase) in short-term borrowings		-	-
NET CASH FROM FINANCING ACTIVITIES		**10,160,843**	**(4,439,081)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**10,160,844**	**(4,439,081)**
Cash and cash equivalents at the beginning of the year		65,867,308	70,306,389
Cash and cash equivalents at the end of the year	19	76,028,152	65,867,308

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
1	**LONG-TERM LIABILITIES**		
1.1	Local Registered Stock Loans	-	-
1.2	Annuity Loans	13,948,476	15,000,000
1.3	Capitalised Lease Liability	159,221	266,597
1.4	Government Loans	-	-
	Sub-total	**14,107,697**	**15,266,597**
	Less : Current portion transferred to current liabilities	**1,292,770**	**1,129,864**
	Local Registered Stock Loans	-	-
	Annuity Loans	1,167,848	1,022,489
	Capitalised Lease Liability	124,923	107,376
	Government Loans	-	-
	Total Long-Term Liabilities	**12,814,927**	**14,136,733**
	Total Interest Paid		
	Local Registered Stock Loans	-	-
	Annuity Loans	1,607,683	1,084,027
	Capitalised Lease Liability	33,317	35,007
	Government Loans	-	-
	Total Interest Paid	**1,641,000**	**1,119,034**

1.1 Registered Stock Loans

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

FRANCES BAARD DISTRICT MUNICIPALITY

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

	2011 R	2010 R
1.2 Anuity Loans		
Balance at the beginning of the year	15,000,000	15,000,000
Received during the period	-	-
Redeemed, written off during the period	1,051,524	-
Balance at the end of the financial year	**13,948,476**	**15,000,000**
Less: Transferred to Current Liabilities	1,167,848	1,022,489
Total Anuity Loans	**12,780,628**	**13,977,511**
Interest paid during the year	**1,607,683**	**1,084,027**

The obligations under anuity loans are scheduled below:

	Minimum Anuity Loan Payments	
Amounts payable under anuity loans:		
Payable within one year	2,659,207	2,659,207
Payable within two to five years	11,966,433	11,966,433
Payable after five years	6,648,018	9,307,225
	21,273,658	23,932,865
Less: Future finance obligations	(7,325,182)	(8,932,865)
Present value of anuity loan obligations	**13,948,476**	**15,000,000**

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
1.2.1	**Development Bank of Southern Africa**		
	Construction of new Council Chamber & offices		
	Loan No. 103363/1		
	Redeemable: 10 Years		
	Balance at the beginning of the year	15,000,000	15,000,000
	Received during the period	-	-
	Redeemed, written off during the period	1,051,524	-
	Balance at the end of the financial year	**13,948,476**	**15,000,000**
	Less: Transferred to Current Liabilities	1,167,848	1,022,489
	Total: Development Bank of Southern Africa	**12,780,628**	**13,977,511**
	Interest paid during the year	**1,607,683**	**1,084,027**

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

1.3	**Capitalised Lease Liability**		
	Balance at the beginning of the year	266,597	-
	Received during the period	-	337,110
	Redeemed, written off during the period	107,376	70,513
	Balance at the end of the financial year	**159,221**	**266,597**

	2011 R	2010 R
Less: Transferred to Current Liabilities	124,923	107,376
Total: Capitalised Lease Liability	**34,299**	**159,221**
Interest paid during the year	**33,317**	**35,007**

The obligations under Capitalised Lease Liability are scheduled below:

	Minimum Capitalised Lease Liability Payments	
Amounts payable under capitalised lease liability:		
Payable within one year	140,692	140,692
Payable within two to five years	35,173	175,865
Payable after five years	-	-
	175,865	316,557
Less: Future finance obligations	(16,644)	(49,961)
Present value of capitalised lease liability	**159,221**	**266,597**

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

1.4 Government Loans

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

FRANCES BAARD DISTRICT MUNICIPALITY

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

	2011 R	2010 R
2 EMPLOYEE BENEFITS		
Employment Benefits		
Post Employment Health Care Benefits	20,022,772	18,576,826
Ex-Gratia Pension Benefits	833,298	782,897
Long Service Leave Awards	789,848	1,013,696
	21,645,918	**20,373,418**
Less Short Term Portion Transferred to Current Employee Benefits	(1,547,239)	(1,435,628)
Total Employee Benefits	**20,098,679**	**18,937,790**

EMPLOYEE BENEFITS

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

Post Employment Health Care Benefits

Balance 1 July	18,576,826	20,279,882
Contribution for the year	2,051,757	2,300,947
Expenditure for the year	(1,203,492)	(1,136,438)
Actuarial Loss/(Gain)	597,681	(2,867,566)
Total post retirement benefits 30 June	20,022,772	18,576,826
Less: Transfer of Current Portion to Current Employee Benefits - Note 3	(1,369,008)	(1,203,492)
Balance 30 June	18,653,764	17,373,334

FRANCES BAARD DISTRICT MUNICIPALITY

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

	2011 R	2010 R
Long Service Leave Awards		
Balance 1 July	1,013,696	758,174
Contribution for the year	179,322	180,225
Expenditure for the year	(160,882)	(53,401)
Actuarial Loss/(Gain)	(242,288)	128,698
Total provision 30 June	789,848	1,013,696
Less: Transfer of Current Portion to Current Employee Benefits - Note 3	(102,645)	(160,882)
Balance 30 June	687,203	852,814
Ex-Gratia Pensions		
Balance 1 July	782,896	724,910
Contribution for the year	63,460	78,708
Expenditure for the year	(71,254)	(68,859)
Actuarial Loss/(Gain)	58,196	48,137
Total long service 30 June	833,298	782,896.00
Less: Transfer of Current Portion to Current Employee Benefits - Note 3	(75,586)	(71,254)
Balance 30 June	757,712	711,642

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

2.1 Post Retirement Health Care Benefits

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

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

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

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

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

	2011 R	2010 R

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

Bonitas;
Keyhealth
LA Health
ProSano
SAMWU Medical Aid

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

Key actuarial assumptions used:

i) Rate of interest

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

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

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

FRANCES BAARD DISTRICT MUNICIPALITY

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

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

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

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

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

	2011 R	2010 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:	**+1%**	**-1%**
Effect on the aggregate of the current service cost	503,600	341,600
Effect on the defined benefit obligation	1,844,500	1,466,900

2.2 Long Service Bonusses

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

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

Key actuarial assumptions used:

i) Rate of interest		
Discount rate	8.18%	8.99%
General Salary Inflation (long-term)	6.20%	6.34%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.86%	2.49%
Analysis of accrued liability		
Fair value of plan assets -	-	-
Accrued Liability	789,848	1,013,696
Unrecognised past service cost -	-	-
Present value of unfunded obligations	-	-
Net liability / (asset)	**789,848**	**1,013,696**

FRANCES BAARD DISTRICT MUNICIPALITY

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

	2011 R	2010 R
Reconciliation of accrued liability values:		
Present value of fund obligation at the beginning of the year	1,013,696	758,174
Current service cost	95,292	99,982
Present value of fund obligation recognised for the first time		-
Interest Cost	84,030	80,243
Benefits Paid	(160,882)	(53,401)
Total expenses	**1,032,136**	**884,998**
Actuarial (gains) / losses	(242,288)	128,698
Present value of fund obligation at the end of the year	**789,848**	**1,013,696**
Reconciliation of fair value of plan assets:		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets -	-	-
Contributions : employer	-	-
Contributions : employee	-	-
Past service costs	-	-
Actuarial (gains) / losses	-	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	-	-
The effect of a 1% movement in the assumed rate of general salary inflation is as follows:	**+1%**	**-1%**
Effect on the aggregate of the current service cost	97,673	93,094
Effect on the defined benefit obligation	186,647	172,595

FRANCES BAARD DISTRICT MUNICIPALITY

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

2.3 Ex-Gratia Pension Benefits

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

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

Key actuarial assumptions used:

	2011 R	2010 R
i) Rate of interest		
Discount rate	7.94%	8.14%
Benefit Increase Rate (CPI Inflation)	5.38%	5.16%
Analysis of accrued liability		
Fair value of plan assets -	-	-
Accrued Liability	833,299	782,897
Unrecognised past service cost -	-	-
Unrecognised actuarial gains / (losses) -	-	-
Present value of unfunded obligations	-	-
Net liability / (asset)	**833,299**	**782,897**
Reconciliation of accrued liability values:		
Present value of fund obligation at the beginning of the year	782,897	724,910
Current service cost		-
Present value of fund obligation recognised for the first time		-
Interest Cost	63,460	78,708
Benefits Paid	(71,254)	(68,858)
Total expenses	**775,103**	**734,760**
Actuarial (gains) / losses	58,196	48,137
Present value of fund obligation at the end of the year	**833,299**	**782,897**

	2011 R	2010 R
Reconciliation of fair value of plan assets:		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets -	-	-
Contributions : employer	-	-
Contributions : employee	-	-
Past service costs	-	-
Actuarial (gains) / losses	-	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	-	-

The effect of a 1% movement in the assumed inflation is as follows:	**+1%**	**-1%**
Effect on the interest cost	69,738	58,050
Effect on the defined benefit obligation	915,358	762,509

2.4 Retirement Funds

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

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

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

CAPE JOINT PENSION FUND

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

CAPE JOINT RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed forthe year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of100.3% (30 June 2009 - 103.3%).

MUNICIPAL COUNCILLORS PENSION FUND

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

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
3	**CURRENT EMPLOYEE BENEFITS**		
3.1	Performance Bonusses	405,240	414,472
3.2	Staff Leave	2,370,735	2,212,376
3.3	Staff Bonuses	905,370	765,684
	Current Portion of Non-Current Employee Benefits - Note 2	1,547,239	1,435,628
	Total Provisions	**5,228,584**	**4,828,161**
3.1	**Performance Bonuses**		
	Balance at beginning of year	414,472	586,791
	Transfer from non-current	-	-
	Contributions to provision - current year provision	405,240	484,512
	Contributions to provision - prior year over provision	77,084	
	Expenditure incurred	491,556	656,831
	Balance at end of year	**405,240**	**414,472**
3.2	**Staff Leave**		
	Balance at beginning of year	2,212,376	1,532,721
	Transfer from non-current	-	-
	Contributions to provision - current year provision	158,359	679,655
	Contributions to provision - prior year over provision	-	-
	Expenditure incurred	-	-
	Balance at end of year	**2,370,735**	**2,212,376**
3.3	**Staff Bonuses**		
	Balance at beginning of year	765,684	608,330
	Transfer from non-current	-	-
	Contributions to provision - current year provision	1,608,094	966,101
	Contributions to provision - prior year over provision	-	-
	Expenditure incurred	(1,468,408)	(808,747)
	Balance at end of year	**905,370**	**765,684**

	2011 R	2010 R

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

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

Obligations for accumulated leave at the reporting date amount to:	-	***359,367***

Roads Agency obligations are dealt with as part of the annual operating subsidy provided by the principal.
All leave relating to Roads Agency Personnel to the amount of R459,201 has been paid on 30 June 2011 due to the transfer of the roads function back to the Department as from 1 July 2011.

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

4 TRADE PAYABLES

Other Creditors	2,269,980	5,721,321
Total creditors at year end	**2,269,980**	**5,721,321**

Other Creditors

Payments received in advance	37,252	19,444
Retentions	432,923	689,086
Creditors Control	78,822	1,538,577
Sundry Creditors	830,511	3,154,487
ABSA Fleet Card	61,454	28,948
Salary Control	-	23,923
Salary Control: - SITE / PAYE	-	1,438
Salary Control: - Union Deduction	-	297
Salary Control:- Workmen's Compensation	329,968	264,697
Salary Control - Debit Order & Other Deductions Control	-	424
Salary Control - Traffic Fines	700	-

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
	Stale Cheque Account	32,204	-
	RD Cheque Control	-	-
	Suspense Account	466,145	-
	Total: Other Creditors	**2,269,980**	**5,721,321**

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

5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

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

FRANCES BAARD DISTRICT MUNICIPALITY

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

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

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

5.1.1 Equitable Share

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

Department of Cooperative Governance & Traditional Leaders
Objective: To assist municipalities to provide basic infrastructure and services to low income households.

5.1.2 Financial Management Grant

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

National Treasury

	2011 R	2010 R
Objective: To finance the reform programme for municipal budgeting and financial management practices		
5.1.3 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	511,947	1,379,409
Current year receipts	1,000,000	1,300,000
Gross Funding	**1,511,947**	**2,679,409**
Conditions met – transferred to revenue	(1,511,947)	(2,167,462)
Unspent Portion at Year end	**-**	**511,947**

Department of Cooperative Governance & Traditional Leaders
Objective: To assist municipalities to build capacity for the new development system of local government.

5.1.4 DWA - Sanitation (Mvula Trust)		
Balance unspent at beginning of year	3,275,455	3,524,916
Current year receipts	75,000	1,667,124
Gross Funding	**3,350,455**	**5,192,040**
Conditions met – transferred to revenue	(1,861,238)	(1,916,584)
Unspent Portion at Year end	**1,489,217**	**3,275,455**

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

5.1.5 NC Tourism - Contribution Tourism Month		
Balance unspent at beginning of year	-	-
Current year receipts	50,000	50,000
Gross Funding	**50,000**	**50,000**
Conditions met – transferred to revenue	(50,000)	(50,000)
Unspent Portion at Year end	**-**	**-**

Northern Cape Tourism
Objective: Funding of tourism month activities at schools.

		2011 R	2010 R
5.1.6	**Department of Public Works: Expanded Public Works Program Incentive**		
	Balance unspent at beginning of year	-	-
	Current year receipts	165,850	-
	Gross Funding	**165,850**	**-**
	Conditions met – transferred to revenue	(165,850)	-
	Unspent Portion at Year end	**-**	**-**

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

5.1.7	**District Aids Council**		
	Balance unspent at beginning of year	19,596	38,406
	Current year receipts	100,000	-
	Gross Funding	**119,596**	**38,406**
	Conditions met – transferred to revenue	(4,914)	(18,810)
	Unspent Portion at Year end	**114,682**	**19,596**

Department of Health - Northern Cape Province
Objective: To finance the costs of District Aids Councils in the campaign against AIDS.
Also to provide HIV /AIDS prevention care programs and services in the region.

5.1.8	**NEAR Control Centre**		
	Balance unspent at beginning of year	-	83,938
	Current year receipts	725,000	714,000
	Gross Funding	**725,000**	**797,938**
	Conditions met – transferred to revenue	(725,000)	(797,938)
	Unspent Portion at Year end	**-**	**-**

Department of Cooperative Governance, Human Settlement & Traditional Affairs
Objective: To maintain effective functioning of the NEAR control centres and provide additional funds for training NEAR personnel.

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
5.1.9	**NCPA - Housing Accreditation Grant**		
	Balance unspent at beginning of year	-	269,444
	Current year receipts	3,161,188	1,280,728
	Gross Funding	**3,161,188**	**1,550,172**
	Conditions met – transferred to revenue	(2,083,235)	(1,550,172)
	Unspent Portion at Year end	**1,077,953**	**-**

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

5.1.10	**NCPA Firefighting Equipment**		
	Balance unspent at beginning of year	239,206	532,778
	Current year receipts	350,000	320,000
	Gross Funding	**589,206**	**852,778**
	Conditions met – transferred to revenue	(236,842)	(613,572)
	Unspent Portion at Year end	**352,364**	**239,206**

Department of Cooperative Governance, Human Settlement & Traditional Affairs
Objective: To enhance municipalities' capacity to deal with fire hazards.

5.1.11	**NCPA - Eradication of Bucket System**		
	Balance unspent at beginning of year	-	104,182
	Current year receipts	-	-
	Gross Funding	-	**104,182**
	Conditions met – transferred to revenue	-	(104,182)
	Unspent Portion at Year end	**-**	**-**

Department of Cooperative Governance, Human Settlement & Traditional Affairs
Objective: To eliminate the use of bucket sanitation systems in the district by end of September 2008

	2011 R	2010 R
5.1.12 MIG - Projects		
Balance unspent at beginning of year	99,596	-
Current year receipts	5,746,000	7,036,000
Gross Funding	**5,845,596**	**7,036,000**
Conditions met – transferred to revenue	(5,845,596)	(6,936,404)
Unsent portion paid back to donor	-	-
Unspent Portion at Year end	**-**	**99,596**

Department of Cooperative Governance & Traditional Leaders
Objective: To provide service delivery infrastructure to households in poorer residential areas

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

5.1.13 SETA - Skills Grant		
Balance unspent at beginning of year	-	-
Current year receipts	116,877	117,667
Gross Funding	**116,877**	**117,667**
Conditions met – transferred to revenue	(116,877)	(117,667)
Unspent Portion at Year end	**-**	**-**

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

5.1.14 NCPA: Vuna Awards		
Balance unspent at beginning of year	1,500,000	1,500,000
Current year receipts	-	-
Gross Funding	**1,500,000**	**1,500,000**
Written off	(1,500,000)	-
Unspent Portion at Year end	**-**	**1,500,000**

Department of Cooperative Governance, Human Settlement & Traditional Affairs
Objective: To initiate community projects as per approved business plans by the Department of Housing and Local Government.

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

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

	2011 R	2010 R
Balance unspent at beginning of year	-	201,424
Current year receipts	-	-
Gross Funding	**-**	**201,424**
Conditions met – transferred to revenue	-	(201,424)
Unspent Portion at Year end	**-**	**-**

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

5.1.16 NCPA: EPWP: DMA Bush Clearance

	2011 R	2010 R
Balance unspent at beginning of year	316,959	316,959
Current year receipts	-	-
Gross Funding	**316,959**	**316,959**
Conditions met – transferred to revenue	(131,538)	-
Unspent Portion at Year end	**185,421**	**316,959**

Department of Roads & Public Works
Clerance and vegitation control of areas in the DMA

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
5.1.17	**NCPA: Environmental Health Recycling Project**		
	Balance unspent at beginning of year	581,591	-
	Current year receipts	1,000,000	700,000
	Gross Funding	**1,581,591**	**700,000**
	Conditions met – transferred to revenue	(153,845)	(118,409)
	Unspent Portion at Year end	**1,427,746**	**581,591**

Department of Environment & Nature Conservation - Northern Cape Province
Frances Baard Recycling projects

5.2 Other Conditional Receipts

5.2.1	**Koopmansfontein Electricity Self Build Scheme**		
	Balance unspent at beginning of year	-	-
	Current year receipts	80,000	-
	Gross Funding	**80,000**	**-**
	Conditions met – transferred to revenue	-	-
	Unspent Portion at Year end	**80,000**	**-**

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

6 OPERATING LEASE ARRANGEMENTS

6.1 The Municipality as Lessee

Leases not previously recognised	-	-
Balance on 30 June	**-**	**-**

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

	2011 R	2010 R
Up to 1 Year	-	-
2 to 5 Years	-	-
More than 5 Years	-	-
Total Operating Lease Arrangements	**-**	**-**

Reconciliation

Balance 1 July	-	19,432
Amount previously recorded	-	-
Change in accounting policy - Note 30	-	-
Movement during the year	-	(19,432)
Balance on 30 June	**-**	**-**

6.2 The Municipality as Lessor

Up to 1 Year	15,424	14,282
1 to 5 Years	33,150	48,575
More than 5 Years		-
Total Operating Lease Arrangements	**48,575**	**62,856**

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

Reconciliation

Amount previously recorded (Through change in accounting policy)	11,954	12,182
Change in accounting policy - Note 30	-	-
Movement during the year	(2,571)	(228)
Balance on 30 June	**9,383**	**11,954**

FRANCES BAARD DISTRICT MUNICIPALITY

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

	2011 R	2010 R

7 PROPERTY, PLANT & EQUIPMENT

7.1 GRAP 17 - Property, Plant and Equipment

Fully Depreciated assets still in use were as follows:

Cost	-	3,402,869
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	3,402,869
Accumulated depreciation	-	3,402,869
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	3,402,869
Carrying value	-	-

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

	2011 R	2010 R
Assets pledged as security:		
No assets are pedged as security.		
Third party payments received for losses incurred:		
Payments received (Excluding VAT)	16,020	6,253
Carrying value of assets written off/lost		4,951
Surplus/Deficit	**16,020**	**1,302**
Impairment of property plant and equipment		
Impairment charges on Property, plant and equipment recognised in statement of financial performance		
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
	-	-
Cumulative impairment charges included in major balances		
Land and Buildings	-	-
Infrastructure	-	-
Community Assets	-	-
Lease Assets	-	-
Heritage	-	-
Other	-	-
	-	-

	2011 R	2010 R

Effect of changes in accounting estimates

No changes in accounting estimates occurred.

	2011 R	2012 R	2013 R
Effect on Property, plant and equipment			

Details of property plant and equipment carried at fair value

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

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

Cost		
Land & Buildings	42,617,839	34,336,861
Accumulated Depreciation	5,219,989	3,600,540
	37,397,850	**30,736,321**

Reconciliation of revaluation surplus:

Opening balance	6,065,911	6,542,786
Movement for the period	(237,605)	(383,463)
Closing balance	**5,828,305**	**6,159,323**

FRANCES BAARD DISTRICT MUNICIPALITY

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

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

7.2 Analysis of Property, Plant and Equipment

30 June 2011	Cost / Revaluation								Accumulated Depreciation								Carrying Value	Budget Additions 2011
	Balance at 01/07/2010	Transfers to / from other categories	Change in Accounting Policy	Restated balance	Additions	Under Construction	Disposals	Balance at 30/06/2011	Balance at 01/07/2010	Transfers to / from other categories	Change in Accounting Policy - 2010	Restated balance	Change in Accounting Policy - 2011	Additions	Disposals	Balance at 30/06/2011		
COMMUNITY ASSETS																		
Land & Buildings	151,676	-	-	151,676	(45,000)	45,000	-	151,676	42,670			42,670		12,219	-	54,890	96,786	-
Security Measures	539,869	-	-	539,869	2,807	-	-	542,676	102,027			102,027		73,071	-	175,098	367,578	3,200
Total: Community Assets	**691,544**	**-**	**-**	**691,544**	**(42,193)**	**45,000**	**-**	**694,351**	**144,697**	**-**	**-**	**144,697**	**-**	**85,290**	**-**	**229,987**	**464,364**	**3,200**
HERITAGE ASSETS																		
Statues	627,427	-	-	627,427	-	-	-	627,427	-		-	-		-	-	-	627,427	-
Total: Heritage Assets	**627,427**	**-**	**-**	**627,427**	**-**	**-**	**-**	**627,427**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**627,427**	**-**
OTHER ASSETS																	-	
Land & Buildings	41,960,330	3,200	-	41,963,530	601,802	52,507	-	42,617,839	3,884,449	419	-	3,884,868	-	1,335,121	-	5,219,989	37,397,850	810,060
Office Equipment	2,848,421	-	-	2,848,421	331,086	-	30,840	3,148,667	542,294	-	-	542,294	-	385,468	30,840	896,922	2,251,744	6,770
Office Equipment - Finance leases	337,110	-		337,110	-	-	-	337,110	28,092	-	-	28,092	-	48,159	-	76,251	260,859	
Furniture & Fittings	2,957,607	-	-	2,957,607	28,669	-	22,258	2,964,019	683,820	-	-	683,820	-	376,865	22,258	1,038,427	1,925,592	77,300
Plant & Machinery	1,494,669	-	-	1,494,669	491,539	-	2,399	1,983,809	325,384	-	-	325,384	-	207,707	2,399	530,692	1,453,117	703,400
Plant & Machinery - Residual Value	298,000	-	-	298,000	-	-	-	298,000	-	-	-	-	-	-	-	-	298,000	
Emergency Equipment	562,364	-	-	562,364	411,728	-	-	974,092	216,145	-	-	216,145	-	72,880	-	289,025	685,067	120,000
Motor Vehicle	1,964,134	-	-	1,964,134	479,860	-	105,288	2,338,706	779,071	-	-	779,071	-	304,853	105,288	978,636	1,360,069	660,000
Motor Vehicle - Residual Value	1,182,662	-	-	1,182,662	119,965	-	48,246	1,254,382	-	-	-	-	-	-	-	-	1,254,382	
Land Fill Sites	3,200	(3,200)	-	-	-	-	-	-	419	(419)	-	-	-	457	-	457	(457)	
Computer Equipment	4,039,025	-	-	4,039,025	1,657,356	-	637,775	5,058,607	1,492,285	-	-	1,492,285	-	532,491	637,775	1,387,002	3,671,605	2,034,290
Total: Other Assets	**57,647,522**	**-**	**-**	**57,647,522**	**4,122,005**	**52,507**	**846,805**	**60,975,229**	**7,951,961**	**-**	**-**	**7,951,961**	**-**	**3,264,001**	**798,559**	**10,417,402**	**50,557,827**	**4,411,820**
Less transferred to Non - Current Assets Held for Sale	(50,025)			(50,025)					(50,025)			(50,025)					-	
Discontinued operations								(151,676)								(55,347)		
TOTAL ASSETS	**58,916,468**	**-**	**-**	**58,916,468**	**4,079,812**	**97,507**	**846,805**	**62,145,332**	**8,046,632**	**-**	**-**	**8,046,632**	**-**	**3,349,291**	**798,559**	**10,592,043**	**51,649,618**	**4,415,020**

FRANCES BAARD DISTRICT MUNICIPALITY

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

Analysis of Property, Plant and Equipment

30 June 2010	Cost / Revaluation								Accumulated Depreciation								Carrying Value	Budget Additions 2010
	Balance at 01/07/2009	Transfers to / from other categories	Change in Accounting Policy	Restated balance	Additions	Under Construction	Disposals	Balance at 30/06/2010	Balance at 01/07/2009	Transfers to / from other categories	Change in Accounting Policy - 2009	Restated balance	Change in Accounting Policy - 2010	Additions	Disposals	Balance at 30/06/2010		
COMMUNITY ASSETS																		
Land & Buildings	106,676	-	-	106,676	-	45,000		151,676	10,677	-	21,326	32,003	7,101	3,567		42,670	109,005	-
Security Measures	366,828	-	3,475	370,303	16,988	152,577		539,869	136,621	-	(80,221)	56,401	(62,059)	107,685		102,027	437,842	-
Total: Community Assets	**473,504**	**-**	**3,475**	**476,979**	**16,988**	**197,577**	**-**	**691,544**	**147,299**	**-**	**(58,895)**	**88,403**		**111,252**	**-**	**144,697**	**546,847**	**-**
HERITAGE ASSETS																		
Statues	591,898	-	-	591,898	35,529			627,427	-	-	-	-		-	-	-	627,427	35,530
Total: Heritage Assets	**591,898**	**-**	**-**	**591,898**	**35,529**	**-**	**-**	**627,427**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**627,427**	**35,530**
OTHER ASSETS																		
Land & Buildings	36,649,912	-	(45,000)	36,604,912	5,256,111	249,308	150,000	41,960,330	4,102,243		(1,134,722)	2,967,520	(86,452)	1,003,380	-	3,884,449	38,075,882	6,965,680
Office Equipment	497,336	(87,662)	143,406	553,080	2,276,665	25,430	6,754	2,848,421	347,376	136,424	(215,888)	267,912	(149,657)	425,842	1,802	542,294	2,306,126	115,300
Office Equipment - Finance leases	-	337,110		337,110				337,110	-	28,092	-	28,092	-	-	-	28,092	309,017	
Furniture & Fittings	1,285,634	35,905	723,788	2,045,327	912,280			2,957,607	209,585	32,052	117,613	359,250	132,862	191,709	-	683,820	2,273,787	301,340
Plant & Machinery	1,680,606	(224,010)	13,283	1,469,879	24,790			1,494,669	289,189	(135,328)	(31,668)	122,193	51,194	151,998	-	325,384	1,169,285	222,010
Plant & Machinery - Residual Value	298,000			298,000				298,000	-	-	-	-	-	-	-	-	298,000	
Emergency Equipment	454,055	-	32,742	486,797	75,567			562,364	332,279		(167,809)	164,470	(8,700)	60,375	-	216,145	346,219	-
Motor Vehicle	1,488,266	(1)	153,533	1,641,798	530,189		207,853	1,964,134	1,932,641	91	(1,139,302)	793,430	(166,430)	359,924	207,852	779,071	1,185,062	680,000
Motor Vehicle - Residual Value	1,034,171	-	-	1,034,171	148,491			1,182,662	-	-	-	-	-	-	-	-	1,182,662	
Land Fill Sites	3,200	-	-	3,200	-			3,200	-			-	312	107	-	419	2,781	-
Computer Equipment	3,362,503	(61,341)	120,254	3,421,416	617,610			4,039,025	2,208,345	(61,331)	(1,088,117)	1,058,896	(218,871)	652,260	-	1,492,285	2,546,740	782,690
Total: Other Assets	**46,753,682**	**-**	**1,142,006**	**47,895,688**	**9,841,703**	**274,738**	**364,607**	**57,647,522**	**9,421,657**	**-**	**(3,659,894)**	**5,761,763**	**(445,742)**	**2,845,594**	**209,654**	**7,951,961**	**49,695,562**	**9,067,020**
Less transferred to Non - Current Assets Held for Sale	(150,000)			(150,000)				(50,025)	-	-	-	-	-	-	-	(50,025)	-	
TOTAL ASSETS	**47,669,084**	**-**	**1,145,481**	**48,814,565**	**9,894,219**	**472,315**	**364,607**	**58,916,468**	**9,568,956**	**-**	**(3,718,789)**	**5,850,167**	**(445,742)**	**2,956,846**	**209,654**	**8,046,632**	**50,869,836**	**9,102,550**

FRANCES BAARD DISTRICT MUNICIPALITY

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

Segmental Analysis of Property, Plant and Equipment

30 June 2011	Cost								ACCUMULATED DEPRECIATION						Carrying Value
	Balance at 01/07/2010	Residual value - Opening balance	Additions	Residual value additions	Under Construction	Disposal residual values	Disposals / Adjustments	Balance at 30/06/2011	Balance at 01/07/2010	Change in acconting policy	Additions	Change in acconting policy	Disposals / Adjustments	Balance at 30/06/2011	
Executive and Council	3,043,424		185,142				103,107	**3,125,459**	877,535		390,451		103,107	**1,164,879**	**1,960,580**
Finance & Admin	6,133,295	1,130,662	2,436,542	46,000	-	48,246	661,996	**9,036,257**	2,349,924		772,062		661,996	**2,459,991**	**6,576,267**
Planning & Development	47,053,529	298,000	659,099		97,507		22,093	**48,086,042**	4,567,997		1,973,828		22,093	**6,519,732**	**41,566,310**
Health	290,871		-		-		11,363	**279,508**	99,996		33,452		11,363	**122,085**	**157,423**
Community & Social Services	-		-		-		-	-	-		-			-	**0**
Housing	314,266	52,000	6,279		-		-	**372,544**	29,459		50,272			**79,730**	**292,814**
Public Safety	605,446		717,785	73,965	-		-	**1,397,196**	171,747		129,225			**300,972**	**1,096,224**
Sport & Recreation	-		-		-		-	-	-		-		-	-	-
Environmental Protection	-		-		-		-	-	-		-		-	-	-
Waste Management	-		-		-		-	-	-		-		-	-	-
Road Transport	-		-		-		-	-	-		-		-	-	-
Water	-		-		-		-	-	-		-		-	-	-
Electricity	-		-		-		-	-	-		-		-	-	-
Other	-		-		-		-	-	-		-		-	-	-
TOTAL PER VOTE	**57,440,831**	**1,480,662**	**4,004,847**	**119,965**	**97,507**	**48,246**	- * **798,559**	**62,297,008**	**8,096,657**	**-**	**3,349,291**	**-**	- * **798,559**	**10,647,389**	**51,649,618**
Less transferred to Non- Current Assets Held for Sale	(50,025)							-	(50,025)					-	-
Total Assets	**57,390,806**	**1,480,662**	**4,004,847**	**119,965**	**97,507**	**48,246**	**798,559**	**62,297,008**	**8,046,632**	**-**	**3,349,291**	**-**	**798,559**	**10,647,389**	**51,649,618**

**** Internal Transfers***

FRANCES BAARD DISTRICT MUNICIPALITY

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

Segmental Analysis of Property, Plant and Equipment

	Cost								ACCUMULATED DEPRECIATION						
30 June 2010	**Balance at 01/07/2009**	**Change in acconting policy**	**Additions**		**Under Construction**		**Disposals / Adjustments**	**Balance at 30/06/2010**	**Balance at 01/07/2009**	**Change in acconting policy**	**Additions**	**Change in acconting policy**	**Disposals / Adjustments**	**Balance at 30/06/2010**	**Carrying Value**
Executive and Council	1,774,100	1,018,221	118,006				*139,850* * 6,753.51	**3,043,424**	273,806	(62,440)	344,109	6,019	*317,844* 1,802.22	**877,535**	**2,165,889**
Finance & Admin	19,270,698	577,917	1,353,906				*(13,730,710)* * 207,853	**7,263,957**	8,264,589	(1,960,217)	913,317	(288,130)	*(4,371,782)* *207,852*	**2,349,924**	**4,914,033**
Planning & Development	25,483,958	(522,614)	8,073,103		319,738		*14,192,344* * 150,000	**47,396,529**	380,727	(1,508,598)	1,560,207	(172,810)	*4,308,470*	**4,567,997**	**42,828,533**
Health	271,711	37,194	12,419				*(30,453)* *	**290,871**	107,054	(42,595)	43,781	(11,376)	*3,132*	**99,996**	**190,875**
Community & Social Services	10,995	59					*(11,054)* *	**0**	3,533	13	7		*(3,552)*	**(0)**	**0**
Housing	26,594	8,981	306,816				*23,875* *	**366,266**	10,195	(10,136)	39,536	(20,074)	*9,938*	**29,459**	**336,807**
Public Safety	981,028	25,722	29,970		152,577		*(583,851)* *	**605,446**	529,053	(134,817)	55,896	(14,336)	*(264,050)*	**171,747**	**433,700**
Sport & Recreation	-		-		-		-	-	-		-		-	-	-
Environmental Protection	-		-		-		-	-	-		-		-	-	-
Waste Management	-		-		-		-	-	-		-		-	-	-
Road Transport	-		-		-		-	-	-		-		-	-	-
Water	-		-		-		-	-	-		-		-	-	-
Electricity	-		-		-		-	-	-		-		-	-	-
Other	-		-		-		-	-	-		-		-	-	-
TOTAL PER VOTE	**47,819,084**	**1,145,481**	**9,894,219**	**-**	**472,315**	**-**	**- * 364,607**	**58,966,493**	**9,568,956**	**(3,718,790)**	**2,956,852**	**(500,707)**	**- * 209,654**	**8,096,657**	**50,869,836**
Less transferred to Non- Current Assets Held for Sale	(150,000)							(50,025)						(50,025)	-
Total Assets	**47,669,084**	**1,145,481**	**9,894,219**	**-**	**472,315**	**-**	**364,607**	**58,916,468**	**9,568,956**	**(3,718,790)**	**2,956,852**	**(500,707)**	**209,654**	**8,046,632**	**50,869,836**

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011	2010
8	**NON-CURRENT ASSETS HELD FOR SALE**		
	Non-current assets held for sale at beginning of year - at book value	-	150,000
	Additions for the year at cost	-	50,025
	Less: Accummulate Depreciation	-	(50,025)
		-	**150,000**
	Non-current assets sold / written off during the year	-	(150,000)
	Non-current assets held for sale at end of year - at book value	-	-

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

9 DISCONTINIUED OPERATIONS

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

Assets

Property, Plant & Equipment	99,110
Trade Receivable from Exchange Transactions	1,674
Property Rates	232,464
Total Assets	**333,248**

The Municipality hold no Liabilities relating to this service

10 INVESTMENT PROPERTY

Net Carrying amount at 1 July	-	-
Balance previously reported	-	-
Correction of error. Refer to note	-	-

	2011	2010
Fair Value Adjustments		
Acquisitions	-	-
Disposals	-	-
Impairment	-	-
Transfers from Inventory	-	-
Transfers from Property, Plant and equipment	-	-
Net Carrying amount at 30 June	-	-

GRAP 16 - Investment Properties

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

Land with undetermined use;	-	-
Land;	-	-
Buildings; and	-	-
Land and Buildings.	-	-
Total not previously recognised now restated retrospectively	-	-
Revenue derived from the rental of investment property	-	-
Operating expenditure incurred on properties generating revenue	-	-

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

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

11 INTANGIBLE ASSETS

Net Carrying amount at 1 July		
Change in Accounting Policy / Opening Balance	**614,106**	**98,880**
Cost	1,026,487	428,574
Accumulated Amortisation	(412,381)	(329,694)

FRANCES BAARD DISTRICT MUNICIPALITY

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

	2011	2010
Acquisitions	158,375	597,913
Amortisation	(161,329)	(82,687)
Disposals	-	-
Amortisation written back on disposal	-	-
Net Carrying amount at year end	**611,151**	**614,106**
Cost	1,184,862	1,026,487
Accumulated Amortisation	(573,711)	(412,381)

No intangible asset were assed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

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

12 INVESTMENTS

Unlisted		
Preference shares currently trading at R1.80 - Held at Fair Value Through Profit and Loss	-	6,179
Preference shares currently trading at R2.34 each - Held at Fair Value Through Profit and Loss	-	5,356
TOTAL UNLISTED INVESTMENTS	**-**	**11,536**

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

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

Listed		
Sanlam shares currently trading at R22.86 - Held at fair value trough profit & loss	6,218	6,218
TOTAL LISTED INVESTMENTS	**6,218**	**6,218**
TOTAL INVESTMENTS	**6,218**	**17,754**

FRANCES BAARD DISTRICT MUNICIPALITY

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

	2011	2010
13 LONG-TERM RECEIVABLES		
	-	-
No Long Term Debt at Reporting Date	-	-
No Long Term Debt at Reporting Date	-	-
Long Term Portion of Long Term Debt	-	-
Short Term Portion of Long Term Debt	-	-
Long Term Debt at Reporting Date	**-**	**-**
14 TAXES		
VAT Receivable	**1,489,296**	**2,226,349**

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.

15 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

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

	Gross Balance	Provision for Bad Debt	Net Balance
As at 30 June 2011			
Water	523	-	523
Sewerage	353	-	353
Refuse	798	-	798
TOTAL TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS	**1,674**	**-**	**1,674**
As at 30 June 2010			
Water	491	-	491
TOTAL TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS	**491**	**-**	**491**

FRANCES BAARD DISTRICT MUNICIPALITY

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

	2011	2010
Water Ageing	**523**	**491**
Current (0 – 30 days)	169	331
31 – 60 Days	76	12
61 – 90 Days	11	22
91 – 120 Days	266	126
Sewerage Ageing	**353**	**-**
Current (0 – 30 days)	153	-
31 – 60 Days	58	-
61 – 90 Days	23	-
91 – 120 Days	120	-
Refuse Ageing	**798**	**-**
Current (0 – 30 days)	300	-
31 – 60 Days	99	-
61 – 90 Days	68	-
91 – 120 Days	332	-

Summary of Debtors by Customer Classification

30 June 2011	**Consumers**	**Industrial / Commercial**	**National & Provincial Government**
Current (0 – 30 days)	622	-	-
31 – 60 Days	233	-	-
61 – 90 Days	101	-	-
91 – 120 Days	718	-	-
Sub-total	**1,674**	**-**	**-**
Less: Provision for bad debts	-	-	-
TOTAL CONSUMER DEBTORS	**1,674**	**-**	**-**

FRANCES BAARD DISTRICT MUNICIPALITY

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

Summary of Debtors by Customer Classification

30 June 2010	**Consumers**	**2011** Industrial / Commercial	**2010** National & Provincial Government
Current (0 – 30 days)	331	-	-
31 – 60 Days	12	-	-
61 – 90 Days	22	-	-
91 – 120 Days	126	-	-
Sub-total	**491**	**-**	**-**
Less: Provision for bad debts	-	-	-
TOTAL CONSUMER DEBTORS	**491**	**-**	**-**

Reconciliation of the Total doubtful debt provision

Balance at beginning of the year	-	654
Contributions to provision	-	**(654)**
Doubtful debts written off against provision	-	-
Balance at end of year	**-**	**-**

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

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011	2010
16	**TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**		
		2,173,924	**3,985,873**
16.1	Sundry Debtors - Other	2,173,924	3,429,011
	Property Rates	-	109,828
16.2	Recoverable Expenditure - Fraudulant Transactions	-	447,034
16.1	**Sundry Debtors - Other**		
	Sundry Services	352,622	2,271,827
	Payments Made in Advance	377,566	454,559
	Interest on investment	215,118	243,827
	NCPA Roads Agency Services - Loan Account	912,109	457,150
	Interest	9,080	1,649
	Insurance Control	868	-
	Salary Control	306,562	-
	Total Other Debtors	**2,173,924**	**3,429,011**
	Less: Provision for Bad Debt	-	-
	Total Other Debtors	**2,173,924**	**3,429,011**

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

16.2	**Recoverable Expenditure - Fraudulent Transactions**		
	Recoverable unauthorised expenditure	447,034	447,034
	Less: Amounts recovered	(447,034)	-
	Less: Written off by Council Resolution	-	-
	Total Recoverable Expenditure - Fraudulent Transactions	-	**447,034**

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

FRANCES BAARD DISTRICT MUNICIPALITY

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

	2011 R	2010 R

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

17 Property Rates

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

17.3.1 Property Rates: Ageing

Current (0 – 30 days)	22,837	13,288
31 – 60 Days	19,539	27,770
61 – 90 Days	14,294	8,778
91 – 120 Days	175,793	59,991

17.3.2 Summary of Debtors by Property Rates Classification

30 June 2011	**Residential**	**Government**	**Business**	**Agricultural**
Current (0 – 30 days)	-	-	-	-
31 – 60 Days	-	-	-	-
61 – 90 Days	-	-	-	-
91 – 120 and more	-	-	-	-
Sub-total	-	-	-	-
Less: Provision for bad debts	-	-	-	-
TOTAL PROPERTY RATES DEBTORS	-	-	-	-

FRANCES BAARD DISTRICT MUNICIPALITY

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

			2011 R	2010 R
30 June 2010	**Residential**	**Government**	**Business**	**Agricultural**
Current (0 – 30 days)	-	173	845	12,270
31 – 60 Days	-	90	6,637	21,043
61 – 90 Days	-	96	52	8,630
91 – 120 and more	-	819	348	58,824
Sub-total	**-**	**1,178**	**7,882**	**100,767**
Less: Provision for bad debts	-	-	-	-
TOTAL PROPERTY RATES DEBTORS	**-**	**1,178**	**7,882**	**100,767**

17.4 Reconciliation of the Total doubtful debt provision

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

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

18 INVENTORY	**370,274**	**273,545**
Consumable Stores - Stationery and materials - At cost	370,274	273,545
Maintenance Materials - At cost	-	-
Water – at cost	-	-
Spare Parts - At cost	-	-
Total Inventory	**370,274**	**273,545**

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
19	**CASH AND CASH EQUIVALENTS**		
	Assets		
19.1	Call Investment Deposits	73,400,000	65,300,000
19.2	Primary Bank Account	2,624,852	564,008
19.3	Cash	3,300	3,300
	Total Cash and Cash Equivalents - Assets	**76,028,152**	**65,867,308**
19.1	**Call Investment Deposits**	**73,400,000**	**65,300,000**
	Short Term Investments	**70,500,000**	**62,500,000**
	Absa Bank	17,000,000	33,000,000
	First Rand	15,000,000	-
	Nedcor	11,000,000	24,500,000
	Standard Bank	27,500,000	5,000,000
	Term Deposits	**2,900,000**	**2,800,000**
	Absa Bank [Collateral]	500,000	500,000
	Standard Bank [Leave Provision]	2,400,000	2,300,000

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

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

The Municipality has the following bank accounts: -

19.2 Current Account (Primary Bank Account)

ABSA Bank Kimberley (Central Business District) Account Number 940 000 327 Cash book balance at end of year	**2,624,852**	**564,008**

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
19.3	**Petty Cash & Floats**	**3,300**	**3,300**

20 DISCONTINIUED OPERATIONS

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

Assets

Property, Plant & Equipment	-
Trade Receivable from Exchange Transactions	1,674
Property Rates	232,464
Total Assets	**234,138**

The Municipality hold no Liabilities relating to this service

21 PROPERTY RATES

21.1	**Actual**		
21.2	Residential	3,684	1,842
21.3	Agriculture	354,881	177,489
21.4	Commercial	16,432	7,803
21.5	Government	1,984	1,359
21.6	Industrial	18,720	9,360
	Total Assesment Rates	**395,701**	**197,853**

FRANCES BAARD DISTRICT MUNICIPALITY

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

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

FRANCES BAARD DISTRICT MUNICIPALITY

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

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

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

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

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

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
	The first R 15 000.00 of all properties are exempted from payment of property rates.		
22	**SERVICE CHARGES**		
	Sale of water	12,789	12,550
	Refuse removal	6,840	-
	Sewerage	3,360	-
	Total Service Charges	**22,989**	**12,550**

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

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

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
23.3	**Public Contributions**	-	-
	Koopmansfontein self build scheme	-	-
	Total Tranfer Revenue	**90,264,456**	**83,345,642**

The unspent portions of the conditional grants are treated as current liabilities and disclosed per Note 5 above.
Only the actual expenditure amounts are transferred to the relevant operating statement to cover the expenditure incurred in terms of the grant conditions.

24	**OTHER INCOME**		
	Commission: Insurance Payments	8,546	7,306
	Salary allocation to Roads Agency (30%) - Director Technical Services	253,276	236,750
	Cost Recovery - Private usage of Pool Vehicles (IEC)	6,190	661
	Adjustment of Bad Debts	-	654
	Cemetery Fees	175	100
	Private telephone calls / photo copies	44,295	267
	Recoverable cost - Salaries	-	53,924
	Clearance Certificate	2,084	-
	Rentals	25,812	-
	Sanlam Shares	-	6,218
	Workmens Compensation	99,560	5,814
	Dividents Received	942	283
	Insurance Claims	16,020	-
	Other	298,985	59,906
	Total Other Income	**755,884**	**371,883**

25	**EMPLOYEE RELATED COSTS**		
	Employee related costs – Salaries and Wages	23,488,596	20,757,404
	Employee related costs – Contributions for UIF, pensions and medical aids	4,703,930	3,924,398
	Motor car and other allowances	1,929,971	1,881,156
	Housing benefits and allowances	542,960	535,618
	Compulsory cost:- Skills Levy; Workmens Compensation; Industrial Council Contributions	503,024	525,499
	Group Insurance	209,343	167,600
	Performance bonus	405,240	484,512
	Total Employee Related Costs	**31,783,065**	**28,276,188**

FRANCES BAARD DISTRICT MUNICIPALITY

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

	2011 R	2010 R
Social contributions:		
Council makes defined contributions to several pension funds in the following proportions:	Employer %	Employee %
Cape Joint Pension Fund	18,00	9,00
Cape Joint Retirement Fund	18,00	9,00
SAMWU National Pension Fund	18,00	9,00
Pension Fund for Municipal Councillors	15,00	13,75
Remuneration of the Municipal Manager		
Annual Remuneration (Total cost to Employer)	427,589	941,206
Performance Bonuses	117,651	184,876
Total	**545,239**	**1,126,082**
Deviation due to vacancy of position since December 2010		
Remuneration of the Chief Finance Officer		
Annual Remuneration (Total cost to Employer)	844,252	775,526
Performance Bonuses	101,642	131,424
Total	**945,894**	**906,950**
Remuneration of Executive Director: Administration		
Annual Remuneration (Total cost to Employer)	844,252	798,168
Performance Bonuses (Average cost)	90,754	120,645
Total	**935,006**	**918,813**
Remuneration of Executive Director: Infrastructure Services		
Annual Remuneration (Total cost to Employer)	844,252	798,168
Performance Bonuses (Average cost)	90,754	127,734
Total	**935,006**	**925,902**

FRANCES BAARD DISTRICT MUNICIPALITY

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

	2011 R	2010 R
Remuneration of Executive Director: Planning & Development		
Annual Remuneration (Total cost to Employer)	939,131	798,168
Performance Bonuses (Average cost)	90,754	92,151
Total	**1,029,886**	**890,319**

Acting in the position of the Municipal manager since December 2010

26 REMUNERATION OF COUNCILLORS

Executive Mayor	536,911	576,275
Speaker	311,994	288,143
Mayoral Committee Members	1,609,773	1,746,817
Councillors	1,494,840	1,474,006
Councillors' pension contribution	319,480	99,245
Other Obligatory Contributions (Skills Levy,etc.)	42,777	59,981
Total Councillors' Remuneration	**4,315,775**	**4,244,467**

In-kind Benefits

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

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

27 FINANCE CHARGES

External Loans	1,607,683	1,084,027
Finance Leases	33,317	35,007
Bank Overdrafts	-	-
Total Interest on External Borrowings	**1,641,000**	**1,119,034**

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
28	**BULK PURCHASES**		
	Water	11,535	10,367
	Total Bulk Purchases	**11,535**	**10,367**

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

29	**GRANTS AND SUBSIDIES PAID TO OTHER MUNICIPALITIES**		
29.1	**Dikgatlong Municipality**	**4,588,884**	**8,356,414**
	Streets & Storm Water	789,474	1,317,065
	Water	1,299,279	5,175,589
	Maintenance Projects	2,500,131	1,863,760
29.2	**Magareng Municipality**	**5,360,262**	**2,328,241**
	Water	2,492,653	321,232
	Maintenance Projects	2,867,609	2,007,009
29.3	**Phokwane Municipality**	**7,105,912**	**7,036,369**
	Sanitation	4,290,111	4,860,056
	Other Infrastructure Projects	-	175,874
	Maintenance Projects	2,815,801	2,000,439
29.4	**Sol Plaatje Municipality**	**500,000**	**5,011,525**
	Water	-	3,498,492
	Maintenance Projects	500,000	1,513,033
29.5	**District Management Areas**	**4,176,637**	**2,872,752**
	Cemeteries	12,511	99,750
	Other Infrastructure Projects	-	124,290
	Housing	-	472,664
	Water	828,133	43,912
	Sanitation	261,700	210,713
	Streets & Storm water	283,529	1,923
	Fencing	216,827	999,749
	Electricity	2,055,502	
	Maintenance Projects	518,435	919,751

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
	Summary of infrastructure grants paid to other municipalities	**21,731,695**	**25,605,302**
	Dikgatlong Municipality	4,588,884	8,356,414
	Magareng Municipality	5,360,262	2,328,241
	Phokwane Municipality	7,105,912	7,036,369
	Sol Plaatje Municipality	500,000	5,011,525
	District Management Areas	4,176,637	2,872,752

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

30	**OTHER GRANTS PAID & SPECIAL PROJECTS**		
30.1	**Grants paid to other organs of state**	**135,000**	**135,000**
	Northern Cape Tourism Authority	135,000	135,000
30.2	**Other special projects**	**6,528,434**	**16,050,465**
	Council - Special Projects in the Office of the Mayor and Speaker	118,045	930,995
	Municipal Manager - Support to Magareng	-	3,311,363
	Youth unit / Manager in office of Municipal Manager	59,109	-
	Communications - Communication Projects	52,152	629,111
	Financial System Support / Operation clean audit	1,271,094	5,201,757
	FMG Development	490,719	496,219
	Employee wellness programmes	353,450	24,799
	Tourism Projects	806,989	1,521,144
	IDP Development	-	16,972
	Planning & Development projects	1,393,348	2,167,462
	Local Economic Development	1,243,929	714,281
	Environmental Health Projects	272,927	240,882
	Community Development	148,445	50,269
	Disaster Management	167,565	736,737
	Housing Awareness	150,662	8,475
	Summary of Grants and Subsidies Paid		
	Grants and subsidies paid to other municipalities (Note 26)	21,731,695	25,605,302
	Grants paid to other organs of state (Note 27)	135,000	135,000
	Other special projects (Note 27)	6,528,434	16,050,465
	Total Grants and Subsidies	**28,395,130**	**41,790,767**

FRANCES BAARD DISTRICT MUNICIPALITY

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

31 GENERAL EXPENDITURE

	2011 R	2010 R
Accommodation	744,178	585,790
Audit Fees	1,070,507	1,028,497
Bank Charges	55,538	53,387
Books, Printing & Stationery	488,692	374,729
Cellphones	61,031	28,825
Cleaning Materials	51,485	27,871
Cleaning Motor Vehicles	3,605	-
Conferences and Seminars	116,153	160,831
Council meets the People	128,719	109,671
Entertainment / Refreshments	259,259	186,302
Free Basic Services	-	10,962
General Expenses	181,694	129,525
General Notices	879,458	441,080
Gifts	2,025	2,879
Insurance	241,865	190,986
Motor vehicle operating cost	429,558	414,755
Motor Vehicle Usage	(32,627)	(14,875)
Municipal Services & Taxes	500,802	279,566
Office Requirements	17,085	49,299
Pauper Burials	2,000	11,200
Postage	10,382	9,977
Protective Clothing	11,928	8,472
Relocation Costs	236,505	56,068
Rental of Buildings & Equipment	251,471	379,229
SALGA Membership Fees	253,768	202,939
Security Services	344,641	172,889
Study Bursaries	81,442	58,631
Training	564,928	589,738
Telephone / Data Lines	416,567	386,064
Transportation	480,813	593,669
Dumping Sites	-	15,789
Total: General Expenditure	**7,853,470**	**6,544,747**

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
32	**DISCONTINUED OPERATIONS**		
	Income		
	Property Rates	395,701	197,853
	Service Charges	22,989	12,564
	Total Income	**418,691**	**210,418**
	Expenditure		
	Bulk Purchases	11,535	10,367
	General Expenses	37,284	21,352
	Total Expenditure	**48,819**	**31,719**
33	**CORRECTION OF ERROR**		
33.1	Expenditure was accrued in the 2010 / 11 financial year instead of the 2009 / 10 financial year.		
	The comparative amount has been restated as follows		
	Effect on Trade Payables on 30 June 2010	264,683	-
	Effect on surplus / (deficit) for the year	**(264,683)**	**-**
33.2	The provision for performance bonuses at 30 June 2010 was understated.		
	The comparative amount has been restated as follows		
	Correction of Provision for Performance Bonus	77,084	-
	Effect on surplus / (deficit) for the year	**(77,084)**	**-**
	Net effect of Correction of Errors on the surplus / deficit for the year	**(341,767)**	**-**

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
34	**CHANGE IN ACCOUNTING POLICY**		
	Property Plant & Equipment: Cost Price	**2010**	**2009**
34.1	**Balance previously reported**	**57,770,987**	**47,669,084**
	Implementation of GRAP		
	Changes in useful lives of assets restatement of asset values according to asset conditions: 1 July 2009	1,145,481	1,145,481
	Total	**58,916,468**	**48,814,565**
34.2	**Intangeble Assets**	**2010**	**2009**
	Balance previously reported		-
	Implementation of GRAP		
	First Time recognition of Intangeble Assets	428,574	428,574
	Additions for 2010	597,913	
	Total	**1,026,487**	**428,574**
34.3	**Property Plant & Equipment: Accumulated Depreciation**	**2010**	**2009**
	Balance previously reported	**12,266,121**	**9,568,956**
	Implementation of GRAP		
	Accumulated depreciation with regards to other lose assets restated & changes in useful lives recalculated: 1 July 2009	(3,718,789)	(3,718,789)
	Accumulated depreciation with regards to other lose assets restated & changes in useful lives recalculated: 30 June2010	(445,742)	
	Total	**8,101,590**	**5,850,167**
34.4	**Intangeble Assets: Accumulated Amortisation**	**2010**	**2009**
	Balance previously reported		-
	Implementation of GRAP		

	2011 R	2010 R
First Time recognition of Intangeble Assets	329,694	329,694
Additions for 2010	82,687	
Total	**412,381**	**329,694**

34.5 Revaluation Reserve

	2010	2009
Balance previously reported	**6,542,786**	**6,396,928**
Implementation of GRAP		
Changes depersciation of revaluated properties	-	145,858
Toatal Changes	**6,542,786**	**6,542,786**
Movements in Statement in Change In Net Assets	*(383,463)*	
Total of Reserve	**6,159,323**	**6,542,786**

34.6 Accumulated Surplus

	2010	2009
Balance previously reported	**56,582,199**	**45,320,288**
Implementation of GRAP		
Previously corrected	**4,817,293**	
Changes in useful lives of assets restatement of asset values according to asset conditions: 1 July 2009		1,145,481
Accumulated depreciation with regards to other lose assets restated & changes in useful lives recalculated: 1 July 2009		3,718,789
Changes in useful lives of assets restatement of asset values according to asset conditions - revaluation: 1 July 2009		(145,858)
Changes in useful lives of assets restatement of asset values according to asset conditions - revaluation: 1 July 2010	93,412	
First time recognition of intangeble assets - cost		428,574

	2011 R	2010 R
First time recognition of intangeble assets - amortisation		(329,694)
Inangeble assets purchased 2010	597,913	
Total changes in accounting polocies charged to Statement Of Changes in Net Assets	**691,325**	**4,817,293**
Accumulated depreciation with regards to other lose assets restated & changes in useful lives recalculated: 1 July 2009	500,700	-
Amortisation 2010	(82,687)	-
Changes in Net Assets effecting Statement of Financial Performance	**418,013**	**-**
Total	**62,508,830**	**50,137,581**

35 CASH GENERATED BY OPERATIONS

Surplus for the year	13,570,833	3,587,388
Adjustment for:-		
Depreciation	3,510,620	2,956,846
Gain on disposal of property, plant and equipment	-	(372,000)
Contribution to provisions – current	2,248,776	304,333
Bad debt written off	(580,000)	
Actuarial Losses	655,877	
Finance Charges - Employee benefits	1,786,691	
Contribution to bad debt provision	-	-
Investment income	(5,337,922)	(5,880,677)
Other non-cash activities	492,333	(25,770)
Interest paid	1,641,000	1,119,034
Operating surplus before working capital changes:	***17,988,208***	***1,689,154***
(Increase) / Decrease in Inventories	(96,729)	(273,545)
(Increase) / Decrease in Receivables	(491)	609
(Increase) / Decrease in Other Receivables	(1,811,949)	682,557
(Decrease) / Increase in Conditional Grants and Receipts	(1,816,968)	(1,407,104)
(Decrease) / Increase in Payables	(3,451,341)	31,535
(Decrease) / Increase in Provisions	1,561,313	(724,858)
(Decrease)Increase in Taxes	(737,054)	683,818
Cash generated by operations	***11,634,991***	***682,167***

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
36	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 19.1	73,400,000	65,300,000
	Cash Floats - Note 19.3	3,300	3,300
	Bank - Note 19.2	2,624,852	564,008
	Total cash and cash equivalents	**76,028,152**	**65,867,308**
37	**RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**		
	Cash and Cash Equivalents - Note 36	76,028,152	65,867,308
		76,028,152	**65,867,308**
	Less:	**4,727,383**	**6,544,350**
	Unspent Committed Conditional Grants - Note 5	**4,727,383**	**6,544,350**
	Secured Investments	-	-
	Net cash resources available for internal distribution	**71,300,769**	**59,322,958**
	Allocated to:		
	Capital Replacement Reserve	4,411,867	3,652,491
	Employee Benefits	20,098,679	18,937,790
	Social Contribution Reserve	-	-
	Non-Current Provisions Reserve	-	-
	Valuation Roll Reserve	-	-
	Resources available for woking capital requirements	**46,790,223**	**36,732,677**
38	**UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**		
	Long-term Liabilities - Note 1	12,814,927	14,136,733
	Used to finance property, plant and equipment - at cost	(12,814,927)	(14,136,733)
		-	-
	Cash set aside for the repayment of long-term liabilities	-	-
	Cash invested for repayment of long-term liabilities	-	-

FRANCES BAARD DISTRICT MUNICIPALITY

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

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

39 BUDGET COMPARISONS

39.1 OPERATIONAL

30 June 2011

	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus Budget
Revenue by source					
Property Rates - DMA	395,701	384,740	10,961	3%	Deviation not significant
Property rates - penalties imposed and collection charges	9,686	2,000	7,686	100%	Deviation not significant
Regional Service Levy Replacement Grant	62,056,000	62,056,000	0	0%	None
Government grants and subsidies	28,208,456	42,865,200	(14,656,744)	-34%	EPWP funds to the amount of R10,2m did not realised. All DWA funds not spended.
Actuarial Gains	242,288	-	242,288	100%	Under budget
Service charges	22,989	14,450	8,539	59%	Under budget
Rental of facilities and equipment	254,499	50,000	204,499	409%	Rental of grader nor correctly provided in budget
Interest earned - external investments	5,337,922	5,580,000	(242,078)	-4%	Decrease in interest rates to lower levels than expected
Income for agency services	685,046	590,000	95,046	16%	Deviation not significant
Other income	755,884	1,102,320	(346,436)	-31%	Under budget
Gains on disposal of property, plant and equipment	302,302	-	302,302	0%	None
Total Revenue	**98,270,773**	**112,644,710**	**(14,373,937)**	**-15%**	
Expenditure by nature					
Employee related costs	31,783,065	37,744,320	(5,961,255)	-16%	Due to vacancies budget for full year and not filled accordingly
Remuneration of Councilors	4,315,775	4,550,380	(234,605)	-5%	Deviation not significant
Bad debts	580,000	115,500	464,500	402%	Written off of grants withheld not budgeted for - council resolution
Depreciation	3,349,291	3,357,600	(8,309)	0%	None
Amortisation	161,329	-	161,329	100%	Not budgeted
Actuarial Losses	655,877	-	655,877	100%	Under Budget due to uncerten amounts
Repairs and maintenance	2,676,063	2,648,300	27,763	1%	Deviation not significant
Finance Charges - Employee Benefits	1,786,691	-	1,786,691	100%	Under Budget due to uncerten amounts
Finance Charges	1,641,000	1,637,430	3,570	0%	Deviation not significant
Bulk purchases	11,535	13,750	(2,215)	-16%	Amount not significant
Contracted services	1,405,100	5,567,760	(4,162,660)	-75%	Over budget
Grants and subsidies paid	28,395,130	51,444,689	(23,049,559)	-45%	EWP expenditure of R10,2m did not realise. Special projets of R4m rolled over.
General expenses	7,890,839	12,161,855	(4,271,016)	-35%	Under budget
Loss on disposal of Property, Plant & Equipment	48,246	-	48,246	100%	Under Budget
Total Expenditure	**84,699,940**	**119,241,584**	**(34,541,644)**	**-41%**	
Expenditure by vote					
Executive and Council	12,757,657	17,524,876	(4,767,219)	-27%	Expenditure on Special Projects less than expected and vacant posts not filled
Finance & Admin	29,066,052	30,447,660	(1,381,608)	-5%	Deviation not significant
Planning & Development	36,293,005	59,374,592	(23,081,587)	-39%	Under spending on LED projects, roll overs on allocations to category B municipalities and EPWP not realised
Health	1,670,463	3,590,730	(1,920,267)	-53%	Recycling projects not finalised
Community & Social Services	101,742	1,025,820	(924,078)	-90%	Position of Community Development Officer vacant resulted in slow expenditure
Housing	2,148,223	3,234,970	(1,086,747)	-34%	Expenditure limited to revenue received and number of vacant posts
Public Safety	2,613,894	3,935,006	(1,321,112)	-34%	Under spending due to underspending on special projects
Water	-	51,610	(51,610)	-100%	Amount not significant
Electricity	-	17,100	(17,100)	-100%	Amount not significant
Refuse removal	-	13,000	(13,000)	-100%	Under Budget
Sanitation Services	-	26,220	(26,220)	-100%	Under Budget
Total Expenditure	**84,651,037**	**119,241,584**	**(34,590,547)**	**-29%**	

FRANCES BAARD DISTRICT MUNICIPALITY

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

30 June 2010

	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus Budget
Revenue by source					
Property Rates - DMA	197,853	108,400	89,453	83%	Under budget
Property rates - penalties imposed and collection charges	2,061	-	2,061	100%	Deviation not significant
Regional Service Levy Replacement Grant	56,927,000	56,927,000	0	0%	Deviation not significant
Government grants and subsidies	26,418,642	37,913,070	(11,494,428)	-30%	R 2, 512,000.00 was bugeted for Expanded Works Program that was not paid out. R6 122 000 rolled over to 2010 / 11
Actuarial Gains	2,867,566	-	2,867,566	100%	Phase in of personnel benefits according to GRAP standards
Service charges	12,550	14,000	(1,450)	-10%	Deviation not significant
Rental of facilities and equipment	42,701	36,000	6,701	19%	Under Budget
Interest earned - external investments	5,880,677	7,780,000	(1,899,323)	-24%	Decrease in interest rates to lower levels than expected
Income for agency services	742,358	715,000	27,358	4%	Deviation not significant
Other income	371,883	725,540	(353,657)	-49%	Over Budget
Gains on disposal of property, plant and equipment	372,000	372,000	0	0%	Deviation not significant
Total Revenue	**93,835,290**	**104,591,010**	**(10,755,720)**	**-11%**	
Expenditure by nature					
Employee related costs	28,276,188	29,394,810	(1,118,622)	-4%	
Remuneration of Councilors	4,244,467	4,344,290	(99,823)	-2%	
Bad debts	21,558	2,000	19,558	978%	Amount Insignificant and unforeseen circumstances
Depreciation	2,956,846	2,879,720	77,126	3%	Deviation not significant
Actuarial Losses	176,834	-	176,834	100%	Phase in of personnel benefits according to GRAP standards
Repairs and maintenance	1,172,759	2,264,170	(1,091,411)	-48%	Actual expenditure less than expected due to proper mantanance of assets. Roll over of R185 000 by technical sevices
Finance Charges - Employee Benefits	2,295,803	-	2,295,803	100%	Phase in of personnel benefits according to GRAP standards
Finance Charges	1,119,034	1,652,600	(533,566)	-32%	Building of Council Chambers completed later than expected. R550 972 interest capitalised
Bulk purchases	10,367	18,580	(8,213)	-44%	Amount not significant
Contracted services	1,483,581	4,329,430	(2,845,849)	-66%	Reduction in Legal Fees and over budget for services
Grants and subsidies paid	41,790,767	63,838,570	(22,047,803)	-35%	EWP expenditure of R2,5m did not realise. Special projets of 6,5m rolled over. Project for water & sanitation at schools withdrawn.
General expenses	6,544,747	7,365,705	(820,958)	-11%	Deviation not significant
Loss on disposal of Property, Plant & Equipment	154,952	-	154,952	100%	Under Budget
Total Expenditure	**90,247,902**	**116,089,875**	**(23,805,634)**	**-26%**	
Expenditure by vote					
Executive and Council	17,576,669	20,416,085	(2,839,416)	-14%	Expenditure on Special Projects and Legal Fees less than expected
Finance & Admin	27,296,512	27,301,820	(5,308)	0%	Deviation not significant
Planning & Development	38,429,553	59,930,814	(21,501,261)	-36%	Under spending on LED projects, roll overs on allocations to category B municipalities and projects withdrawn
Health	2,203,681	2,367,810	(164,129)	-7%	Deviation not significant
Community & Social Services	399,477	522,780	(123,303)	-24%	Position of Community Development Officer vacant resulted in slow expenditure
Housing	1,875,153	1,925,780	(50,627)	-3%	Expenditure limited to revenue received
Public Safety	2,435,139	3,543,156	(1,108,017)	-31%	Under spending due to vacancies and underspending of emergency funds
Water	22,836	44,870	(22,034)	-49%	Amount not significant
Electricity	8,741	12,780	(4,039)	-32%	Amount not significant
Refuse removal	142	12,470	(12,328)	-99%	Service not implemented
Sanitation Services	-	11,510	(11,510)	-100%	Service not implemented
Total Expenditure	**90,247,902**	**116,089,875**	**-25,841,973**	**-22%**	

FRANCES BAARD DISTRICT MUNICIPALITY

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

39.2 CAPITAL

30 June 2011

	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus budget
COMMUNITY ASSETS					
Land & Buildings	45,000		45,000.00	0%	Still under construction - paid last year
Security Measures	2,807	3,200	(393)	-14%	Budgeted under other assets and additional approvals by council
Total: Community Assets	**47,807**	**3,200**	**44607**	**100%**	
HERITAGE ASSETS					
Statues	-	-	-	0%	None
	-	-	-	**0%**	
OTHER ASSETS					
Land & Buildings	42,617,839	810,060	41,807,779	5161%	Upgrading of sewer did not realised
Office Equipment	331,086	6,770	324,316	4790%	Wrong allocation of equipment in budget between office equipment & computer equipmenyt
Furniture & Fittings	28,669	77,300	(48,631)	-63%	Over budget
Plant & Machinery	491,539	703,400	(211,861)	-30%	Over budget
Emergency Equipment	411,728	120,000	291,728	100%	Expenditure on tents as per council resoulution
Motor Vehicle	2,443,993	660,000	1,783,993	270%	Deviation not significant
Land Fill Sites	-	-	-	0%	Deviation not significant
Computer Equipment	1,657,356	2,034,290	(376,934)	-19%	Wrong allocation of equipment in budget between office equipment & computer equipmenyt
Total Other Assets	**47,982,211**	**4,411,820**	**43,570,391**	**91%**	
TOTAL ASSETS	**48,030,018**	**4,415,020**	**43614998**	**91%**	

FRANCES BAARD DISTRICT MUNICIPALITY

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

30 June 2010

	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus budget
COMMUNITY ASSETS					
Land & Buildings	45,000		45,000.00	0.00%	As approved by council
Security Measures	169,565	-	169,565	100.00%	Budgeted under other assets and additional approvals by council
Total: Community Assets	**214,565**	-	**214565**	100.00%	
HERITAGE ASSETS					
Statues	35,529	35,530	(1)	0.00%	Deviation not significant
	35,529	35,530	(1)	0.00%	
OTHER ASSETS					
Land & Buildings	5,505,419	6,965,680	(1,460,261)	-20.96%	Expenditure as approved by council and wrong classification in budget
Office Equipment	2,302,095	115,300	2,186,795	1896.61%	Wrong classification in budget and expenditure as per council resolution
Furniture & Fittings	912,280	301,340	610,940	202.74%	Wrong classification in budget and expenditure as per council resolution
Plant & Machinery	24,790	222,010	(197,220)	-88.83%	Wrong classification in budget
Emergency Equipment	75,567	-	75,567	100.00%	Expenditure under community asset
Motor Vehicle	678,680	680,000	-1,319.68	-0.00	Deviation not significant
Land Fill Sites	-	-	0	0.00%	Deviation not significant
Computer Equipment	617,610	782,690	(165,080)	-21.09%	Over budget for IT Equipment. Acquisitions not realised due to vacancies
Total Other Assets	**10,116,441**	**9,067,020**	**1,049,421**	**10.37%**	
TOTAL ASSETS	**10,366,535**	**9,102,550**	**1263986**	**12.19%**	

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R
40	**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**		
40.1	**Unauthorised expenditure**		
	Reconciliation of unauthorized expenditure		
	Opening balance	447,035	447,035
	Unauthorised expenditure current year	-	10,116
	Recovered amounts	(447,035)	-
	Approved by Council or condoned	-	(10,116)
	Transfer to receivables for recovery (Note 8.2)	-	-
	Unauthorised expenditure awaiting authorisation	-	***447,035***

The Accountant Expenditure involved was found guilty in terms of an internal disciplinary hearing and dismissed on 6 December 2006.
The outstanding amount of R447 035 will be recovered from the pension fund as soon as all income tax requirements are met.

40.2	**Fruitless and wasteful expenditure**		
	Reconciliation of fruitless and wasteful expenditure		
	Opening balance	3,966	-
	Fruitless and wasteful expenditure current year	61,224	26,716
	Condoned or written off by Council	(61,224)	(22,750)
	Recovered	(3,966)	-
	To be recovered – contingent asset	-	-
			-
	Fruitless and wasteful expenditure awaiting condonement	**-**	***3,966***

40.3	**Irregular expenditure**		
	Reconciliation of irregular expenditure		
	Opening balance	-	-
	Unauthorised expenditure current year	-	208,315
	Approved by Council or condoned	-	(208,315)
	Transfer to receivables for recovery	-	-
	Irregular expenditure awaiting authorisation	-	-

FRANCES BAARD DISTRICT MUNICIPALITY

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

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

FRANCES BAARD DISTRICT MUNICIPALITY

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

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

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

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

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

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

		2011 R	2010 R
MHP Geospace	Land Audit	99,864	
Business Connexion	Consulting services	442,456	
ITEC Northern Cape	Maintenance contract on Lexmark Printer	1.30 Per Copy	
Kimberley Bakkie Centre	Trade in Redundant Vehicles (Receipt)	55,000	
Total		**2,646,728**	
2010			
Business Connection	E Venus Server	537,353	
Opton Geomatics	GPS for GIS project	45,600	
Bed Shop	Displaced persons at Dikgatlong Municipality	16,150	
Etarnalcity	Displaced persons at Dikgatlong Municipality	710	
Valudata	Valuation Roll for Magareng Municipality 2009 - 2010	124,283	
Business Connection	ICT investigation & evaluation project	47,880	
Mubesco Africa	Preparation of action plans - operation clean audit	207,138	
Arch Actaial Consulting CC	Actuarial services for FBDM	34,428	
Blasting Quality	Provision of blasting services for Koopmansfontein graves	113,715	
Tourism Blueprint CC	Re-design & printing of 15000 FBDM travel guides	107,274	
Trolley Scan (PTY) LTD	Notebook Management System	157,548	
Total		**1,392,079**	

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

No matters to report

42 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure		
Approved and contracted for	**97,507**	**-**
Other Assets	52,507	-
Community	45,000	-
Heritage	-	-

FRANCES BAARD DISTRICT MUNICIPALITY

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

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

43 CONTINGENT LIABILITIES

43.1 ***Implementation of Task***

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

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

Should the appeal not succeed, the status quo remains.

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

44 FINANCIAL RISK MANAGEMENT

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

44.1 Foreign Exchange Currency Risk:

The District Municipality does not engage in foreign currency transactions.

44.2 Price Risk

The municipality is not exposed to price risk.

44.3 Interest Rate Risk:

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continous basis. Different scenarious are simulated which include refinancing, renewal of current positions,

	2011 R	2010 R

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

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

0.5% (2011 - 0.5%) Increase in interest rates	*309,617*	*253,076*
0.5% (2011 - 0.5%) Decrease in interest rates	*(309,617)*	*(253,076)*

44.4 Credit Risk:

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

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

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and

All rates and services are payable within 30 days from invoice date. Refer to note for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note for balances included in receivables that were re-negotiated for the period under review.

No trade and other receivables are pledged as security for financial liabilities.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2011 %	2011 R	2010 %	2010 R
Water	-	-	-	-
Rates	-	-	-	-
	-	-	0%	-

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on

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

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to

	2011 R	2010 R
Financial assets exposed to credit risk at year end are as follows:		
Investments	*6,218*	*17,754*
Borrowings	*14,107,697*	*15,266,597*
Current Portion of Borrowings	*1,292,770*	*1,129,864*
Long Term Receivables	-	-
Trade receivables from exchange transactions	-	*491*
Other receivables from non-exchange transactions	*2,173,924*	*3,985,873*
Current Portion of Long-term Receivables	-	-
Short-term Investment Deposits	*73,400,000*	*65,300,000*
Bank and Cash Balances	*2,628,152*	*567,308*
Maximum Credit and Interest Risk Exposures	***93,608,761***	***86,267,887***

44.5 Liquidity Risk:

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts

	Less than 1 year	***Between 1 and 5 years***	***Between 5 and 10 years***	***Over 10 Years***
2011				
Long Term liabilities	***2,799,899***	***14,148,780***	***5,318,414***	-
Capital repayments	*1,292,770*	*8,153,548*	*4,661,379*	-
Interest	*1,507,129*	*5,995,232*	*657,036*	-
Trade and Other Payables	*2,269,980*	-	-	-
Unspent conditional government grants and receipts	*4,727,383*	-	-	-
	9,797,262	***14,148,780***	***5,318,414***	-

			2011 R	2010 R
2010				
Long Term liabilities	*2,799,899*	*13,471,901*	*7,977,622*	-
Capital repayments	*1,158,900*	*7,460,900*	*6,646,797*	-
Interest	*1,641,000*	*6,011,002*	*1,330,824*	-
Trade and Other Payables	*5,721,321*	-	-	-
Unspent conditional government grants and receipts	*6,544,350*	-	-	-
	15,065,570	*13,471,901*	*7,977,622*	-

45 FINANCIAL INSTRUMENTS

The financial sets of the municipality are classified as follows:

Financial Assets	**Classification**		
Investments			
Fixed Deposits	Financial instruments at amortised cost	-	-
Shares	Financial instruments at amortised cost		
Long-term Receivables			
Staff Loans	Financial instruments at amortised cost	-	-
Consumer Debtors			
Trade receivables from exchange transactions	Financial instruments at amortised cost	-	491
Other receivables from non-exchange transactions	Financial instruments at amortised cost	2,173,924	3,985,873
Other Debtors			

		2011 R	2010 R
Payments made in Advance	Financial instruments at amortised cost	-	-
Current Portion of Long-term Receivables			
Staff Loans	Financial instruments at amortised cost	-	-
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	73,400,000	65,300,000
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	2,624,852	564,008
Cash Floats and Advances	Financial instruments at amortised cost	3,300	3,300

SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost

Investments	Fixed Deposits	-	-
Short-term Investment Deposits	Call Deposits	73,400,000	65,300,000
Bank Balances		2,624,852	564,008
Cash Floats and Advances		3,300	3,300
Long-term Receivables	Staff Loans	-	-
Taxation Revenue	Non-Exchange Transactions	-	-
Consumer Debtors	Exchange transactions	-	491
Consumer Debtors	Non-exchange transactions	2,173,924	3,985,873
Other Debtors	Payments made in advance	-	-
Current Portion of Long-term Receivables	Staff Loans	-	-
		78,202,076	**69,853,672**

FINANCIAL LIABILITIES

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

		2011 R	2010 R
Financial liabilities	**Classification**		
Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	12,780,628	13,977,511
Capitalised Lease Liability	Financial instruments at amortised cost	34,299	159,221
Provisions		25,327,263	23,765,951
Creditors			
Trade creditors	Financial instruments at amortised cost	78,822	1,538,577
Payments received in advance	Financial instruments at amortised cost	37,252	19,444
Retentions	Financial instruments at amortised cost	432,923	689,086
Other creditors	Financial instruments at amortised cost	1,720,982	3,474,214
Unspent Conditional Grants and Receipts			
Other Spheres of Government	Financial instruments at amortised cost	4,727,383	6,544,350
Operating Lease Liability			
Operating Lease Liability	Financial instruments at amortised cost	-	-
Current Portion of Long-term Liabilities			
Annuity Loans	Financial instruments at amortised cost	1,292,770	1,129,864
Total Financial Liabilities		**46,432,323**	**51,298,219**

46 EVENTS AFTER THE REPORTING DATE

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

47 PRIVATE PUBLIC PARTNERSHIPS

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

48 COMPARISON WITH THE BUDGET

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

FRANCES BAARD DISTRICT MUNICIPALITY

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

		2011 R	2010 R

49 RELATED PARTY TRANSACTIONS

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

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

49.2 Related Party Loans

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

49.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 22 to the Annual Financial Statements.

49.4 Other related party transactions

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

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

APPENDIX A

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

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

APPENDIX B

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

	Cost / Revaluation								Accumulated Depreciation									
30 June 2011	**Balance at 01/07/2010**	**Transfers to / from other categories**	**Change in Accounting Policy**	**Restated balance**	**Additions**	**Under Construction**	**Disposals**	**Balance at 30/06/2011**	**Balance at 01/07/2010**	**Transfers to / from other categories**	**Change in Accounting Policy - 2010**	**Restated balance**	**Change in Accounting Policy - 2011**	**Additions**	**Disposals**	**Balance at 30/06/2011**	**Carrying Value**	**Budget Additions 2011**
COMMUNITY ASSETS																		
Land & Buildings	151,676	-	-	151,676	(45,000)	45,000	-	151,676	42,670			42,670		12,219	-	54,890	96,786	-
Security Measures	539,869	-	-	539,869	2,807	-	-	542,676	102,027			102,027		73,071	-	175,098	367,578	3,200
Total: Community Assets	**691,544**	**-**	**-**	**691,544**	**(42,193)**	**45,000**	**-**	**694,351**	**144,697**	**-**	**-**	**144,697**	**-**	**85,290**	**-**	**229,987**	**464,364**	**3,200**
HERITAGE ASSETS																		
Statues	627,427	-	-	627,427	-	-	-	627,427	-		-	-		-	-	-	627,427	-
Total: Heritage Assets	**627,427**	**-**	**-**	**627,427**	**-**	**-**	**-**	**627,427**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**627,427**	**-**
OTHER ASSETS																		
																	-	
Land & Buildings	41,960,330	-	-	41,960,330	601,802	52,507	-	42,614,639	3,884,449	-	-	3,884,449	-	1,335,121	-	5,219,569	37,395,069	810,060
Office Equipment	2,848,421	-	-	2,848,421	331,086	-	30,840	3,148,667	542,294	-	-	542,294	-	385,468	30,840	896,922	2,251,744	6,770
Office Equipment - Finance leases	337,110	-		337,110	-	-	-	337,110	28,092	-	-	28,092	-	48,159	-	76,251	260,859	
Furniture & Fittings	2,957,607	-	-	2,957,607	28,669	-	22,258	2,964,019	683,820	-	-	683,820	-	376,865	22,258	1,038,427	1,925,592	77,300
Plant & Machinery	1,494,669	-	-	1,494,669	491,539	-	2,399	1,983,809	325,384	-	-	325,384	-	207,707	2,399	530,692	1,453,117	703,400
Plant & Machinery - Residual Value	298,000	-	-	298,000	-	-	-	298,000	-	-	-	-	-	-	-	-	298,000	
Emergency Equipment	562,364	-	-	562,364	411,728	-	-	974,092	216,145	-	-	216,145	-	72,880	-	289,025	685,067	120,000
Motor Vehicle	1,964,134	-	-	1,964,134	479,860	-	105,288	2,338,706	779,071	-	-	779,071	-	304,853	105,288	978,636	1,360,069	
Motor Vehicle - Residual Value	1,182,662	-	-	1,182,662	119,965	-	48,246	1,254,382	-	-	-	-	-	-	-	-	1,254,382	
Land Fill Sites	3,200	-	-	3,200	-	-	-	3,200	419	-	-	419	-	457	-	876	2,324	
Computer Equipment	4,039,025	-	-	4,039,025	1,657,356	-	637,775	5,058,607	1,492,285	-	-	1,492,285	-	532,491	637,775	1,387,002	3,671,605	2,034,290
Total: Other Assets	**57,647,522**	**-**	**-**	**57,647,522**	**4,122,005**	**52,507**	**846,805**	**60,975,229**	**7,951,961**	**-**	**-**	**7,951,961**	**-**	**3,264,001**	**798,559**	**10,417,402**	**50,557,827**	**3,751,820**
Less transferred to Non - Current Assets Held for Sale	(50,025)			(50,025)				(154,876)	(50,025)			(50,025)				(55,766)	(99,110)	
TOTAL ASSETS	**58,916,468**	**-**	**-**	**58,916,468**	**4,079,812**	**97,507**	**846,805**	**62,142,132**	**8,046,632**	**-**	**-**	**8,046,632**	**-**	**3,349,291**	**798,559**	**10,591,624**	**51,550,508**	**3,755,020**

R45 000 under community assets still under consruction

APPENDIX C

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

	Cost					ACCUMULATED DEPRECIATION				
	Balance at 01/07/2009	**Additions**	**Under Construction**	**Disposals / Adjustments**	**Balance at 30/06/2010**	**Balance at 01/07/2009**	**Additions**	**Disposals / Adjustments**	**Balance at 30/06/2010**	**Carrying Value**
Executive and Council	3,043,424	185,142	-	- * 103,107.07	**3,125,459**	877,535	390,451	*0* 103,107.07	**1,164,879**	**1,960,580**
Finance & Admin	7,263,957	2,482,542	-	*0* * 710,242	**9,036,257**	2,349,924	772,062	*0* *661,996*	**2,459,991**	**6,576,267**
Planning & Development	47,351,529	659,099	97,507	***0*** * 22,093	**48,086,042**	4,567,997	1,973,828	*0* 22,092.84	**6,519,732**	**41,566,310**
Health	290,871	-	-	***0*** * 11,362.95	**279,508**	99,996	33,452	*0* 11,363	**122,085**	**157,423**
Community & Social Services	-	-	-	***0*** * -	**-**	-	-	*0* -	**0**	**0**
Housing	366,266	6,279	-	***0*** * -	**372,544**	29,459	50,272	*0* -	**79,730**	**292,814**
Public Safety	605,446	791,750	-	***0*** * -	**1,397,196**	171,747	129,225	*0* -	**300,972**	**1,096,224**
Sport & Recreation	-	-	-	-	**-**	-	-	-	**-**	**-**
Environmental Protection	-	-	-	-	**-**	-	-	-	**-**	**-**
Waste Management	-	-	-	-	**-**	-	-	-	**-**	**-**
Road Transport	-	-	-	-	**-**	-	-	-	**-**	**-**
Water	-	-	-	-	**-**	-	-	-	**-**	**-**
Electricity	-	-	-	-	**-**	-	-	-	**-**	**-**
Other	-	-	-	-	**-**	-	-	-	**-**	**-**
TOTAL PER VOTE	**58,921,493**	**4,124,812**	**97,507**	- * **846,805**	**62,297,008**	**8,096,657**	**3,349,291**	- * **798,559**	**10,647,389**	**51,649,618**
Less transferred to Non- Current Assets Held for Sale	(50,025)				0				0	**0**
Total Assets	**58,871,468**	**4,124,812**	**97,507**	**846,805**	**62,297,008**	**8,096,657**	**3,349,291**	**798,559**	**10,647,389**	**51,649,618**

**** Internal Transfers***

APPENDIX D

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

Actual Income 2010 R	Actual Expenditure 2010 R	Surplus / (Deficit) 2010 R		Actual Income 2011 R	Actual Expenditure 2011 R	Surplus / (Deficit) 2011 R
1,408,596	(17,524,876)	(16,116,280)	Executive and Council	1,393,914	(12,757,657)	(11,363,743)
70,311,740	(30,447,660)	39,864,080	Finance & Admin	70,552,459	(29,066,052)	41,486,408
35,192,238	(59,374,592)	(24,182,354)	Planning & Development	22,706,787	(36,293,005)	(13,586,218)
1,700,000	(3,590,730)	(1,890,730)	Health	153,845	(1,670,463)	(1,516,618)
-	(1,025,820)	(1,025,820.00)	Community & Social Services	-	(101,742)	(101,742)
2,700,000	(3,234,970)	(534,970)	Housing	2,083,235	(2,148,223)	(64,988)
1,314,206	(3,935,006)	(2,620,800)	Public Safety	961,842	(2,613,894)	(1,652,052)
		-	Sport & Recreation	-	-	-
		-	Environmental Protection	-	-	-
		-	Waste Management	-	-	-
		-	Road Transport	-	-	-
		-	Water	-	-	-
		-	Electricity	-	-	-
		-	Other	-	-	-
112,626,780	**(119,133,654)**	**(6,506,874)**	**SUB TOTAL**	**97,852,083**	**(84,651,037)**	**13,201,046**
210,403	(31,719)	178,684	Discontinued Operations	418,691	(48,903)	369,787
112,837,183	**(119,165,373)**	**(6,328,190)**	**TOTAL**	**98,270,774**	**(84,699,940)**	**13,570,833**

APPENDIX E1

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

	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus Budget
REVENUE					
Property Rates - DMA	395,701	384,740	10,961	2.85%	Deviation not significant
Property rates - penalties imposed and collection charges	9,686	2,000	7,686	100.00%	Deviation not significant
Regional Service Levy Replacement Grant	62,056,000	62,056,000	-	0.00%	None
Government grants and subsidies	28,208,456	42,865,200	(14,656,744)	-34.19%	EPWP funds to the amount of R10,2m did not realised. All DWA funds not spended.
Actuarial Gains	242,288	-	242,288	100.00%	Under budget
Service charges	22,989	14,450	8,539	59.09%	Under budget
Rental of facilities and equipment	254,499	50,000	204,499	409.00%	Rental of grader nor correctly provided in budget
Interest earned - external investments	5,337,922	5,580,000	(242,078)	-4.34%	Decrease in interest rates to lower levels than expected
Income for agency services	685,046	590,000	95,046	16.11%	Deviation not significant
Other income	755,884	1,102,320	(346,436)	-31.43%	Under budget
Gains on disposal of property, plant and equipment	302,302	-	302,302	0.00%	None
Total Revenue	**98,270,773**	**112,644,710**	**(14,373,937)**	**-14.63%**	
EXPENDITURE					
Executive and Council	12,757,657	17,524,876	(4,767,219)	-27.20%	Expenditure on Special Projects less than expected and vacant posts not filled
Finance & Admin	29,066,052	30,447,660	(1,381,608)	-4.54%	Deviation not significant
Planning & Development	36,293,005	59,374,592	(23,081,587)	-38.87%	Under spending on LED projects, roll overs on allocations to category B municipalities and EPWP not realised
Health	1,670,463	3,590,730	(1,920,267)	-53.48%	Recycling projects not finalised
Community & Social Services	101,742	1,025,820	(924,078)	-90.08%	Position of Community Development Officer vacant resulted in slow expenditure
Housing	2,148,223	3,234,970	(1,086,747)	-33.59%	Expenditure limited to revenue received and number of vacant posts
Public Safety	2,613,894	3,935,006	(1,321,112)	-33.57%	Under spending due to underspending on special projects
Water	-	51,610	(51,610)	-100.00%	Amount not significant
Electricity	-	17,100	(17,100)	-100.00%	Amount not significant
Refuse removal	-	13,000			Under budget
Sanitation Services		26,220			Under budget
Total Expenditure	**84,651,037**	**119,241,584**	**(34,551,327)**	**-40.82%**	

APPENDIX E2

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

Revenue	Actual R	Budget R	Variance R	Variance %	Explanation of Significant variances greater than 10 % versus budget
COMMUNITY ASSETS					
Land & Buildings	45,000	-	45,000	-100.00%	Still under construction - paid last year
Security Measures	2,807	3,200	(393)	-14.00%	Budgeted under other assets and additional approvals by council
Total: Community Assets	**47,807**	**3,200**	**44607**	100.00%	
HERITAGE ASSETS					
Statues	-	-	0	#DIV/0!	None
	-	-	0	#DIV/0!	
OTHER ASSETS					
Land & Buildings	42,617,839	810,060	41,807,779	5161.07%	Upgrading of sewer did not realised
Office Equipment	331,086	6,770	324,316	97.96%	Wrong allocation of equipment in budget between office equipment & computer equipmenyt
Furniture & Fittings	28,669	77,300	(48,631)	-169.63%	Over budget
Plant & Machinery	491,539	703,400	(211,861)	-43.10%	Over budget
Emergency Equipment	411,728	120,000	291,728	70.85%	Expenditure on tents as per council resoulution
Motor Vehicle	2,443,993	660,000	1,783,993.47	0.00%	Deviation not significant
Land Fill Sites	-	-	-	0.00%	Deviation not significant
Computer Equipment	1,657,356	2,034,290	(376,934)	-22.74%	Wrong allocation of equipment in budget between office equipment & computer equipmenyt
Total Other Assets	**47,982,211**	**4,411,820**	0 **43,570,391**	**90.81%**	
TOTAL ASSETS	**48,030,018**	**4,415,020**	**43614998**	**90.81%**	