



Frances Baard District Municipality
Annual Financial Statements
for the year ended June 30, 2022

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

General Information

Country of origin and legal form	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)
Jurisdiction	The Frances Baard District Municipality includes the following local municipalities: Sol Plaatje; Phokwane; Dikgatlong; and Magareng.
Nature of business and principal activities	Frances Baard Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)
Capacity of district authority	Medium capacity DC9
Management structure	The municipality's senior management structure consists of the Municipal Manager and heads of the four main departments. The Office of the Municipal Manager includes management functions pertaining to municipal systems improvement and integrated development planning functions.
Municipal Manager	Ms ZM Bogatsu
Chief Finance Officer (CFO)	Ms O Moseki (Acting)
Registered office	51 Drakensberg Avenue Carters Glen Kimberley 8301
Legal representative	Mr K Matlakala
External auditors	Auditor-General of South Africa
Internal auditors	The Internal Audit unit was fully staffed and operational during the financial year. The use of external service providers is limited to cases where internal capacity is insufficient to conduct specialized investigations.
Members of the audit committee	Mr T Mogoli - Chairperson (Term ended 26 June 2022) Mr G Botha - Member Mr T Mudamburi - Member
Principal banker	First National Bank (FNB)
Mayoral committee	
Executive Mayor	Ms U Buda - Executive Mayor
Councillors	Ms KC Mothibi - Speaker Mr M Mokgathanyane - Proportional Ms MD Tawana - (Sol Plaatje Local Municipality) Ms LM Shushu - Proportional Ms OM Ditakgwe - Proportional Mr AK Zalisa - Proportional Mr I Ruiters - (Sol Plaatje Local Municipality) Ms D Harmse - Proportional

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General Information

Ms CC Lewis - Proportional
Ms KJ Botman - Proportional
Ms GV Fish - Proportional
Mr RV Raphoto - Proportional
Mr TE Joubert - Proportional
Ms MK Molatudi - Sol Plaatje Local Municipality
Ms A Gallant - Sol Plaatje Local Municipality
Mr KC Kock - Sol Plaatje Local Municipality
Mr JG Diphahle - Sol Plaatje Local Municipality
Mr TH Bopape - Sol Plaatje Local Municipality
Mr CP Whittaker - Sol Plaatje Local Municipality
Mr HJ van der Berg - Sol Plaatje Local Municipality
Mr WA van Rooyen - Sol Plaatje Local Municipality
Mr E Adams - Sol Plaatje Local Municipality
Ms TG Diloke - Phokwane Local Municipality
Ms E Davies - Phokwane Local Municipality
Mr TM van Wyk - Phokwane Local Municipality
Mr LDK Leeuw - Dikgatlong Local Municipality
Mr WAS Hendricks - Dikgatlong Local Municipality
Ms LO Amose - Magareng Local Municipality

Other heads of departments

Ms K Gaborone - Director: Administration
Mr F Netshivhoza (Acting) - Director: Planning & Development
Mr R Setshoge (Acting) - Director: Infrastructure Services

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Abbreviations used:

MFMA	Municipal Finance Management Act
DoRA	Division of Revenue Act
ITA	The Income Tax Amendment Act
VAT	Value Added Tax Amendment Act
MSA	Municipal Structures Act
MSA	Municipal Systems Act
MPPMR	Municipal Planning & Performance Management Regulations
HA	Housing Act
SDLAA	Skills Development Levies Amendment Act
EEA	Employment Equity Act
UIF	Unemployment Insurance Act

Frances Baard District Municipality

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Accounting Officer's Responsibilities and Approval

As the accounting officer I am required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and am responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is my responsibility to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. They are also based on the appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, there are standards set for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2023 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for the independent review and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 5, which have been prepared on the going concern basis.



Ms ZM Bogatsu
Municipal Manager

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Position as at June 30, 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	2	357,534	375,693
Investments	5	9,750,000	10,200,000
Operating lease receivable	13	12,206	-
Receivables from exchange transactions	3	8,124,310	6,005,257
Statutory Receivables	4	389,000	389,000
VAT receivable	6	2,974,152	1,776,354
Current Portion Long-term Receivables	8	676,000	858,000
Cash and cash equivalents	7	103,179,504	99,935,425
		125,462,706	119,539,729
Non-Current Assets			
Investment property	11	-	543,750
Property, plant and equipment	9	68,082,372	50,855,211
Intangible assets	10	2,695,220	155,968
Heritage assets	12	631,417	631,417
Operating lease receivable	13	38,964	45,817
Long-term receivables	8	6,671,000	8,060,000
		78,118,973	60,292,163
Total Assets		203,581,679	179,831,892
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	6,832,736	6,622,881
Consumer deposits	17	2,990	1,725
Employee benefit obligation	14	13,149,934	12,982,407
Unspent conditional grants and receipts	16	1,360,210	2,162,319
		21,345,870	21,769,332
Non-Current Liabilities			
Employee benefit obligation	14	30,787,173	29,921,773
Total Liabilities		52,133,043	51,691,105
Net Assets		151,448,636	128,140,787
Reserves			
Revaluation reserve	18	44,466,748	26,940,553
Accumulated surplus	19	106,981,888	101,200,234
Total Net Assets		151,448,636	128,140,787

* See Note 54

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	21	218,206	620,676
Other income	22	273,869	268,438
Interest received	23	5,868,867	5,067,423
Total revenue from exchange transactions		6,360,942	5,956,537
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	24	133,164,477	128,873,594
Total revenue	20	139,525,419	134,830,131
Expenditure			
Employee related costs	25	(72,813,172)	(70,649,599)
Remuneration of councillors	26	(6,948,091)	(7,000,238)
Depreciation and amortisation	27	(4,622,291)	(3,388,092)
Inventory consumed	29	(1,045,080)	(1,250,827)
Transfers and Subsidies	30	(25,070,194)	(19,454,158)
Loss on Disposal of Property, Plant and Equipment	31	(83,624)	(72,805)
Actuarial losses	32	(1,566,538)	(3,173,383)
General Expenses	33	(22,844,407)	(22,135,207)
Total expenditure		(134,993,397)	(127,124,309)
Surplus for the year		4,532,022	7,705,822

* See Note 54

Frances Baard District Municipality
Annual Financial Statements for the year ended June 30, 2022

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	27,204,514	93,446,308	120,650,822
Adjustments			
Prior year adjustments 54	-	(203,654)	(203,654)
Balance at June 30, 2020	27,204,514	93,242,654	120,447,168
Changes in net assets			
Surplus for the year	-	7,705,822	7,705,822
Depreciation offsets	(263,961)	263,961	-
Total changes	(263,961)	7,969,783	7,705,822
Opening balance as previously reported	26,940,553	101,212,436	128,152,989
Adjustments			
Prior year adjustments 54	-	(12,202)	(12,202)
Balance at June 30, 2021	26,940,553	101,200,234	128,140,787
Changes in net assets			
Revaluation of Land and Buildings	18,775,827	-	18,775,827
Net income (losses) recognised directly in net assets	18,775,827	-	18,775,827
Surplus for the year	-	4,532,022	4,532,022
Total recognised income and expenses for the year	18,775,827	4,532,022	23,307,849
Depreciation offset	(1,249,632)	1,249,632	-
Total changes	17,526,195	5,781,654	23,307,849
Balance at June 30, 2022	44,466,748	106,981,888	151,448,636
Note(s)	18		

* Details on the movement of the Funds and Reserves are set out in Note 18 and Note 19.

* See Note 54

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Transfers and subsidies		133,402,565	130,956,799
External Interest and Dividends Received		5,868,867	5,067,423
Other receipts		201,110	3,554,433
		<u>139,472,542</u>	<u>139,578,655</u>
Payments			
Employee related costs		(71,805,706)	(65,570,087)
Remuneration of councillors		(6,948,091)	(7,000,237)
Suppliers paid		(25,195,695)	(26,987,192)
Other payments		(28,965,218)	(29,940,378)
		<u>(132,914,710)</u>	<u>(129,497,894)</u>
Net cash flows from operating activities	34	<u>6,557,832</u>	<u>10,080,761</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(2,286,530)	(1,374,713)
Purchase of other intangible assets	10	(2,866,223)	-
Decrease / (Increase) in Current Investments		450,000	(1,900,000)
Decrease / (Increase) in Long-term Receivables		1,389,000	(1,726,270)
Net cash flows from investing activities		<u>(3,313,753)</u>	<u>(5,000,983)</u>
Net increase/(decrease) in cash and cash equivalents		<u>3,244,079</u>	<u>5,079,778</u>
Cash and cash equivalents at the beginning of the year		99,935,425	94,855,647
Cash and cash equivalents at the end of the year	7	<u>103,179,504</u>	<u>99,935,425</u>

The accounting policies on pages 15 to 33 and the notes on pages 34 to 90 form an integral part of the annual financial statements.

* See Note 54

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Net Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance %
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	200,000	-	200,000	218,206	18,206	9.10%
Other income	120,000	-	120,000	273,869	153,869	128.22%
Interest received - investment	7,150,000	-	7,150,000	5,868,867	(1,281,133)	17.92%
Total revenue from exchange transactions	7,470,000	-	7,470,000	6,360,942	(1,109,058)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	137,078,000	311,490	137,389,490	133,164,477	(4,225,013)	3.08%
Total revenue	144,548,000	311,490	144,859,490	139,525,419	(5,334,071)	
Expenditure						
Employee Related Cost	(84,190,340)	5,991,340	(78,199,000)	(72,813,172)	5,385,828	6.88%
Remuneration of councillors	(6,962,390)	-	(6,962,390)	(6,948,091)	14,299	0.21%
Depreciation and amortisation	(3,648,115)	-	(3,648,115)	(4,622,291)	(974,176)	26.70%
Bad debts written off	(10,000)	-	(10,000)	-	10,000	100%
Inventory	(2,190,476)	(70,400)	(2,260,876)	(1,045,080)	1,215,796	53.78%
Transfers and Subsidies	(25,213,001)	(11,698,000)	(36,911,001)	(25,070,194)	11,840,807	32.08%
General Expenses	(38,386,693)	1,726,658	(36,660,035)	(22,844,407)	13,815,628	37.69%
Total expenditure	(160,601,015)	(4,050,402)	(164,651,417)	(133,343,235)	31,308,182	
Operating surplus	(16,053,015)	(3,738,912)	(19,791,927)	6,182,184	25,974,111	
Loss on disposal of assets and liabilities	(1,104,922)	-	(1,104,922)	(83,624)	1,021,298	92.43%
Actuarial gains/losses	-	-	-	(1,566,538)	(1,566,538)	0%
	(1,104,922)	-	(1,104,922)	(1,650,162)	(545,240)	
Surplus before taxation	(17,157,937)	(3,738,912)	(20,896,849)	4,532,022	25,428,871	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(17,157,937)	(3,738,912)	(20,896,849)	4,532,022	25,428,871	

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% between the approved budget and the actual amount on the various items disclosed in the Statement of Financial Performance are explained below:

Other revenue

Other revenue increased due to insurance claims received.

Rental from Fixed Assets:

The rental of facilities and equipment received was less than expected due to the Department of Transport & Liason vacating our building in January 2022. The department has outstanding balance with the municipality.

Frances Baard District Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Net Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance %
Figures in Rand						

Interest, Dividends and Rent on Land Earned:

The income from external investments declined due to the reduced interest rates.

Employee Related Costs

Variance on the employee related costs is due to the vacant positions which have not been filled for the duration of the financial year including Directors - Finance, Infrastructure Services and Planning & Development.

Depreciation and Amortisation:

The depreciation & amortisation on assets is less than expected due to other assets which were anticipated to be disposed off during the financial year.

Impairment Losses:

No debtors were impaired for the year, as debtors are deemed to be able to repay the municipality. An assessment was made of debtors at the end of the year, and a provision was made for write-off.

Contracted Services:

Contracted Services and Repairs and Maintenance actual expenditures are reflected under operational cost in line with mSCOA mapping.

Inventory Consumed:

Savings realised on the consumption of inventory due to the implementation of cost containment measures.

Operational Costs:

Operational cost and Contracted Services expenditures are combined due to mSCOA mapping.

Loss on Disposal of Property, Plant and Equipment:

Loss on Disposal of Property, Plant and Equipment expenditure is for assets which were disposed off and donated to NGOs during the financial year.

Reason for adjustment to original budget

Please refer to the adjustment budget and the special adjustment budget for reasons on variances from the original budget.

Frances Baard District Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Net Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance %
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	380,753	-	380,753	357,534	(23,219)	6.10%
Investments	-	-	-	9,750,000	9,750,000	0%
Operating lease asset	-	-	-	12,206	12,206	0%
Receivables from exchange transactions	14,306,850	75,671	14,382,521	8,124,310	(6,258,211)	-43.51%
Statutory Receivables	-	-	-	389,000	389,000	0%
VAT receivable	-	-	-	2,974,152	2,974,152	0%
Current Portion Long-term Receivables	872,788	-	872,788	676,000	(196,788)	22.55%
Cash and cash equivalents	78,012,625	1,823,584	79,836,209	103,179,504	23,343,295	29.24%
	93,573,016	1,899,255	95,472,271	125,462,706	29,990,435	
Non-Current Assets						
Investment property	529,687	-	529,687	-	(529,687)	93.55%
Property, plant and equipment	56,546,595	(3,778,655)	52,767,940	68,082,372	15,314,432	29.02%
Intangible assets	4,886,996	(1,000,000)	3,886,996	2,695,220	(1,191,776)	30.66%
Heritage assets	631,417	-	631,417	631,417	-	0%
Operating lease asset	-	-	-	38,964	38,964	0%
Long-term receivables	6,334,564	-	6,334,564	6,671,000	336,436	5.31%
	68,929,259	(4,778,655)	64,150,604	78,118,973	13,968,369	
Total Assets	162,502,275	(2,879,400)	159,622,875	203,581,679	43,958,804	
Liabilities						
Current Liabilities						
Payables from exchange transactions	13,978,968	(2,877,621)	11,101,347	6,832,734	(4,268,613)	38.45%
Consumer deposits	3,450	-	3,450	2,990	(460)	13.33%
Employee benefit obligation	-	-	-	13,149,934	13,149,934	
Unspent conditional grants and receipts	-	-	-	1,360,210	1,360,210	0%
Provisions	13,939,618	(1,791,260)	12,148,358	-	(12,148,358)	8.24%
	27,922,036	(4,668,881)	23,253,155	21,345,868	(1,907,287)	
Non-Current Liabilities						
Employee benefit obligation	28,910,646	-	28,910,646	30,787,173	1,876,527	6.18%
Total Liabilities	56,832,682	(4,668,881)	52,163,801	52,133,041	(30,760)	
Net Assets	105,669,593	1,789,481	107,459,074	151,448,638	43,989,564	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	26,676,595	-	26,676,595	44,466,750	17,790,155	66.69%
Accumulated surplus	78,992,998	1,789,481	80,782,479	106,981,888	26,199,409	32.43%

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Net Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance %
Figures in Rand						
Total Net Assets	105,669,593	1,789,481	107,459,074	151,448,638	43,989,564	

Financial Position: Explanation of Variances between Approved Budget and Actual

'Reasons for Variances greater than 5% between the approved budget and the actual amount on the various items disclosed in the Statement of Financial Position are explained below:

Receivables from Exchange Transactions:

The year to date movement comprises of prepaid subscriptions and other services debtors balances for the year.

Cash and Cash Equivalents:

The variance is due to projects which are rolled-over to the 2022/23 financial year and savings on completed projects.

Operating Lease Receivables:

'Operating lease receivables forms part of exchange receivables as the budget template does not make provision for a split in the receivables, which causes a misalignment between the AFS template and the budget template.

Property, Plant and Equipment:

The variance is as a result of additions to PPE of the municipality and increases as a result of revaluation of land and buildings.

Intangible Assets:

The variance is due to additions of the new financial system.

Investment Property

The movement is due to transfer to Property, Plant & Equipment.

Long-term Receivables:

Due to the actuarial valuation performed at the end of the year, the variation in the long-term receivables was more than anticipated.

Consumer Deposits:

The variance is due to the accumulating deposits of the consumers who did not provide the banking accounts for refund during the financial year.

Payables from Exchange Transactions:

The variance is due to the fact that most projects/activities were paid before year end.

Unspent Conditional Grants and Receipts:

The portion for unspent grants is budgeted for under payables from non-exchange transactions, hence the variance. The municipality anticipated that it would spend all its grant allocations, however there is an unspent on the RRAMS and Covid-19 grant.

Employee benefits liabilities:

Due to the actuarial valuation performed at the end of the year, the variation in the employee benefits was more than anticipated.

Reserves:

The variance is due to the implementation of the revaluation of land and buildings.

Accumulated Surplus / (Deficit):

Combination of reasons stated above

Reason for adjustment to original budget

Please refer to the adjustment budget and the special adjustment budget for reasons on variances from the original budget.

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Net Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance %
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	137,078,000	(957,470)	136,120,530	133,402,565	(2,717,965)	1.99%
Interest income	7,150,000	-	7,150,000	5,868,867	(1,281,133)	17.92%
Other receipts	320,000	-	320,000	201,110	(118,890)	37.15%
	144,548,000	(957,470)	143,590,530	139,472,542	(4,117,988)	
Payments						
Suppliers	(152,632,203)	(7,361,446)	(159,993,649)	(132,914,710)	27,078,939	16.93%
Net cash flows from operating activities	(8,084,203)	(8,318,916)	(16,403,119)	6,557,832	22,960,951	
Cash flows from investing activities						
Movement in investments (incl. Controlled entities, JVs & Assoc)	-	-	-	450,000	450,000	0.0%
Decrease / (Increase) in Long-term Receivables	1,258,436	(1,258,436)	-	1,389,000	1,389,000	100%
Purchase of other asset	(12,179,060)	12,179,060	-	(5,152,753)	(5,152,753)	0%
Net cash flows from investing activities	(10,920,624)	10,920,624	-	(3,313,753)	(3,313,753)	
Cash flows from financing activities						
Other cash item	3,100	(3,100)	-	-	-	
Net increase/(decrease) in cash and cash equivalents	(19,004,827)	2,601,708	(16,403,119)	3,244,079	19,647,198	
Cash and cash equivalents at the beginning of the year	100,440,403	(14,070,721)	86,369,682	99,935,425	13,565,743	15.71%
Cash and cash equivalents at the end of the year	81,435,576	(11,469,013)	69,966,563	103,179,504	33,212,941	

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% between the approved budget and the actual amount on the various items disclosed in the Cash Flow Statement are explained below:

Interest income:

Variance is due to lower interest rate received than anticipated during the financial year.

Other Receipts:

VAT is accounted for under other receipts.

VAT Receivable / Payable:

There is a variance in the budget as the adjustment budget includes the VAT receivable as part of Receivables from Exchange Transactions. No provision is made on the budget template to separate VAT receivables.

Suppliers Paid:

The variance is due savings on operational cost and contracted services due to cost containment measures implemented to ensure elimination of none priority spending, as well as projects which are rolled-over to the 2022/23 financial year.

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Net Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance %
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Figures in Rand

Purchase of Property, Plant and Equipment:

The variance is due to purchases of property, plant and equipment and intangible assets.

Reason for adjustment to original budget

Please refer to the adjustment budget and the special adjustment budget for reasons on variances from the original budget.

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Figures in Rand	Note(s)	2022	2021
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1.1 BASIS FOR PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on Standard Chart of Accounts, announced by Government Gazette No 37577 of 22 April 2014, in section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

1.1.1 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2019 and 30 June 2020 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

1.1.3 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.1.4 Revenue Recognition

Accounting Policy 1.10 on Revenue from Exchange Transactions and Accounting Policy 1.10 on Revenue from Non-exchange

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Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the 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). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, 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 is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Accounting Policy 1.8 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

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 is performed per service-identifiable categories across all classes of debtors.

1.1.5 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 1.3, and 1.5, the municipality depreciates its Property, Plant & Equipment and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to 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.

1.1.6 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 1.5 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment and impairment testing of Intangible Assets.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Plant and Equipment, and Intangible Assets are disclosed in Notes 10. and 11. to the Annual Financial Statements, if applicable.

1.1.7 Defined Benefit Plan Liabilities

As described in Accounting Policy 1.12, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

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1.1.8 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.

1.1.9 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.1.5 Going Concern Assumption

The Annual Financial Statements have been prepared on a Going Concern Assumption.

1.1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been amended and/or issued but are not yet effective and have not been early adopted by the municipality:

GRAP 25 Employee Benefits (Effective date to be determined)

GRAP 104 Financial Instruments (Effective 1 April 2025)

GRAP 7 The limit on a define benefit asset, minimum funding requirement and their interaction (Effective date to be determined)

GRAP 21 The effect of past decisions on materiality (Effective 1 April 2023)

1.2 NET ASSETS

1.2.1 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to the Revaluation Reserve. Subsequent adjustments to the Revaluation Reserve are made in accordance with GRAP 17 (Property, Plant and Equipment).

1.2.2 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.

The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.

Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.

If a profit is made on the sale of assets other than land, the profit on these assets is reflected in Surplus or Deficit and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

(continued)

1.3 PROPERTY, PLANT AND EQUIPMENT

1.3.1 Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

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.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

1.3.2 Subsequent Measurement

Plant and Equipment

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Revaluation Model:

Buildings and Land

The municipality opted to adopt the application of the Revaluation Model for its land and buildings based on the conclusion that this is the more prudent approach for the municipality to follow. The assets are revalued every 5 years.

Subsequent to initial recognition land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by experienced valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

1.3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the Straight-line Method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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Accounting Policies

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Assets Class	Years
Land and Buildings	
Land	Indefinite
Buildings	5 - 50
Other	
Computer Equipment	5 - 27
Emergency Equipment	5 - 27
Furniture and Fittings	4 - 30
Motor Vehicles	5 - 15
Office Equipment	5 - 27
Plant and Machinery	5 - 30
Security Assets	10 - 50
Roads and Pavements	5 - 50
Carpots	5 - 50

1.3.4 Land

Land is stated at fair value and is not depreciated as it is deemed to have an indefinite useful life.

1.3.5 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.3.6 Derecognition

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

1.4 HERITAGE ASSETS

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

Frances Baard District Municipality

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(continued)

1.4.1 Initial Recognition

Heritage Assets are initially recognised at cost.

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.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

1.4.2 Subsequent Measurement

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

1.4.3 Derecognition

The gain or loss arising from the derecognition of an item of Heritage Assets is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

1.5 INTANGIBLE ASSETS

1.5.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

For internally generated Intangible Assets, all research expenditure is recognised as an expense as it is incurred and costs incurred on development projects are recognised as Intangible Assets in accordance with GRAP 31 (Intangible Assets). Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually.

Intangible Assets are initially recognised at cost.

Where an Intangible 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.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

1.5.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Accounting Policies

(continued)

Amortisation is charged on a Straight-line Method over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

The amortisation rates are based on the following estimated useful lives:

Assets Class	Years
Computer Software	3 - 10
Computer Software Licenses	3 - 10

1.5.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

1.6 INVESTMENT PROPERTY

1.6.1 Initial Recognition

At initial recognition, the municipality measures Investment Property at cost. 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.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

1.6.2 Subsequent Measurement

The municipality reviewed its application of the Fair Value Model and concluded that based on a lack of commercial substance for such valuations, the more prudent approach for the municipality would be to carry these assets at their cost prices. The municipality has no intention of selling its land and buildings and thus the Cost Model would represent the value of all land and buildings more fairly. The change has resulted in the municipality's Annual Financial Statements providing reliable and more relevant information about the value of Buildings and Land, based on the intended use of these assets in line with all valuation method of all other assets.

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-line Method over the useful life of the property, which is estimated at 5 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is recognised in Surplus or Deficit.

1.6.3 Derecognition

The gain or loss arising from the derecognition of an item of Investment Property is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

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Accounting Policies

(continued)

1.7 IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets.

All other assets are classified as Non-cash Generating Assets.

1.7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment of assets measured per the revaluation method reduces the Revaluation Surplus for that asset. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

1.7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use.

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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.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

1.8 FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement.

Initial Recognition

Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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1.8.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Investment Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

1.8.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Taxes and Transfers Payable	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost.

1.8.3 Initial and Subsequent Measurement

1.8.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an Effective Yield Basis.

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(continued)

Financial Assets measured at Cost

Financial Assets at Cost are initially measured at the transaction amount and transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at cost less any impairment.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in Surplus or Deficit.

1.8.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in Surplus or Deficit.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

1.8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

1.8.4.1 Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

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1.8.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

1.8.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

1.8.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in Surplus or Deficit.

1.9 INVENTORIES

1.9.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus 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.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

1.9.2 Subsequent Measurement

1.9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores distributed at no charge or for a nominal charge are valued at the lower of cost and current replacement cost. The cost is determined using the weighted average Method.

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(continued)

1.9.2.2 Other Arrangements

Redundant and slow-moving Inventories identified are written down from cost to current replacement cost, if applicable.

1.10 REVENUE RECOGNITION

1.10.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

1.10.2 Revenue from Exchange Transactions

1.10.2.1 Rentals Received

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

1.10.2.2 Finance Income

Interest earned on investments is recognised in Surplus or Deficit on the Time-proportionate Basis that takes into account the effective yield on the investment.

1.10.2.3 Sale of Goods (including Houses)

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

The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;

The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

The amount of revenue can be measured reliably;

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.10.3 Revenue from Non-exchange Transactions

1.10.3.1 Public Contributions

Revenue from public contributions 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 are brought into use.

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1.10.3.2 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Unspent conditional grants are financial liabilities that are separately reflected on the statement of financial position. They represent unspent government grants, subsidies and contributions from government organs.

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

Unspent conditional grants are recognised as a liability when the grant is received.

When grant conditions are met an amount equal to the conditions met are transferred to revenue in the statement of financial performance.

The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the statement of financial performance.

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

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

1.10.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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 as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

1.11 PROVISIONS

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

(continued)

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. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

1.12 EMPLOYEE BENEFIT LIABILITIES

1.12.1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

1.12.2 Provision for Staff Leave

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

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

Accumulated leave is vesting.

1.12.3 Staff Bonuses Accrued

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

1.12.4 Provision for Performance Bonuses

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

1.12.5 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

(continued)

1.12.5.1 Defined Contribution Plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.12.5.2 Defined Benefit Plans

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

(continued)

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the statement of financial performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the statement of financial performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

Provision for Staff Leave

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

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

Accumulated leave is vesting.

1.13 LEASES

1.13.1 The Municipality as Lessor

Rental revenue from Operating Leases is recognised on a Straight-line Basis over the term of the relevant lease.

1.14 GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;

Expect to be repaid in future; or

Expect a financial return, as would be expected from an investment.

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Accounting Policies

(continued)

1.15 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

1.16 UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, 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 the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised

Expenditure is accounted for as an expense in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

1.17 IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

1.18 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

1.19 MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing municipalities and municipal entities.

1.20 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

1.21 STATUTORY RECEIVABLES

The municipality recognised and disclosed its Statutory Receivables in its books at year-end. The transactions relates to all the legislative transactions which were due to the municipality at year end.

Accounting Policies

(continued)

1.22 COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

The municipality discloses capital expenditure budgeted for but not yet committed.

1.23 RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises of the Councillors and Senior Managers.

1.24 EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

1.25 BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2021 to 30 June 2022.

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
2. Inventories		
Consumable stores	357,534	375,693
Reconciliation		
Opening balance	375,696	380,752
Purchases	226,696	259,115
Issues	(244,858)	(264,171)
Closing balance	357,534	375,696

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

Stores issues amounted to R244,858 for the current year (2021: R264,171)

No Inventories have been pledged as collateral for liabilities of the municipality

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
3. Receivables from exchange transactions		
Gross balances		
Service debtors	6,634,931	4,497,580
Prepayments and Advances	1,271,219	1,224,172
Other Debtors	306,281	371,626
	8,212,431	6,093,378
Less: Allowance for impairment		
Trade debtors	(88,121)	(88,121)
Prepayments and Advances	-	-
	(88,121)	(88,121)
Net balance		
Service Debtors	6,546,810	4,409,459
Prepayments and Advances	1,271,219	1,224,172
Other Debtors	306,281	371,626
	8,124,310	6,005,257
Service Debtors Ageing		
Current (0 -30 days)	884,743	318,693
31 - 60 days	253,459	179,493
61 - 90 days	174,548	106,709
90+ days	5,234,060	3,804,564
	6,546,810	4,409,459
Prepayments and Advances Ageing:		
Current (0 -30 days)	1,271,219	1,224,172
31 - 60 days	-	-
61 - 90 days	-	-
90+ days	-	-
	1,271,219	1,224,172
Other Debtors Ageing		
Current (0 -30 days)	306,281	371,626
31 - 60 days	-	-
61 - 90 days	-	-
90+ days	-	-
	306,281	371,626
Services Debtors By Type		
Provincial Departments	5,911,811	4,247,759
Councillors	153,044	107,640
Officials	5,979	5,979
Medical Aid debtor	1,871	2,271
Private business	562,226	133,931
	6,634,931	4,497,580
Summary of debtors by customer classification		
Service debtors		
Current (0 -30 days)	884,743	318,693
31 - 60 days	253,459	179,493
61 - 90 days	174,548	106,709

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
3. Receivables from exchange transactions (continued)		
90+ days	5,322,181	3,892,685
	6,634,931	4,497,578
Less: Allowance for impairment	(88,121)	(88,121)
	6,546,810	4,409,457
Prepayments and Advances:		
Current (0 -30 days)	1,271,219	1,224,172
31 - 60 days	-	-
61 - 90 days	-	-
90+ days	-	-
	1,271,219	1,224,172
Less: Allowance for impairment	-	-
	1,271,219	1,224,172
Other Debtors		
Current (0 -30 days)	306,281	371,626
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
	306,281	371,626
Less: Allowance for impairment	-	-
	306,281	371,626
Total Debtors		
Current (0 -30 days)	2,476,545	1,914,489
31 - 60 days	253,459	179,495
61 - 90 days	174,548	106,709
90+ days	5,307,879	3,892,685
	8,212,431	6,093,378
Less: Allowance for impairment	(88,121)	(88,121)
	8,124,310	6,005,257
As at 30 June 2022 Receivables of R5,647,167 (30 June 2021 - R4,090,768) were past due on accounts older than 90 days, R88,121 (30 June 2021 - R88,121) was assessed to be impaired in accordance with the municipal policy. The age analysis of these Receivables are as follows:		
The amount of R4,245,422 for 2020/21 is restated to R4,090,768 due to restatement on service debtors.		
t		
Total debtor past due but not impaired		
Current (0 -30 days)	-	-
31 - 60 days	238,559	179,493
61 - 90 days	174,548	106,709
90+ days	5,234,060	3,804,566
	5,647,167	4,090,768
Reconciliation of allowance for impairment		
Balance at beginning of the year	88,121	88,121
Contributions to allowance	-	-
Debt impairment written off against allowance	-	-
Reversal of allowance	-	-
	88,121	88,121

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Statutory Receivables		
Recovery of disaster grant DORA	389,000	389,000
Reconciliation		
Gross Balances	389,000	389,000
Provision for impairment	-	-
	389,000	389,000
Total Statutory Receivables	389,000	389,000

An amount of R389 000 was gazetted in the 2019/20 Northern Cape Provincial Gazette. The Disaster Grant was due from Department of Co-operative Governance, Human Settlements and Traditional Affairs and has not yet being received. The Northern Cape Provincial Government has not issued any gazettee reversing the allocation. Such amount has been recognised as a debtor, and management has considered the amount not be impaired.

None of the statutory receivables is pledged as security.

5. Investments

At amortised cost

Fixed term deposit	9,750,000	10,200,000
Fixed deposit at Nedbank until 30 June 2022		
Reconciliation		
Opening Balance	10,200,000	8,300,000
Invested	(450,000)	1,900,000
Withdrawn	-	-
	9,750,000	10,200,000

2022	Cashbook	Bank statement	Difference
Nedbank	9,750,000	9,750,000	-
2021	Cashbook	Bank statement	Difference
Nedbank	10,200,000	10,200,000	-

None of the investments is pledged as security.

6. VAT receivable

VAT	2,974,152	1,776,354
Reconciliation		
VAT Payable Control	(18,971,490)	(14,652,807)
VAT Credit Output	14,050	(14,855)
Output VAT	(4,631,004)	(4,615,367)
VAT Payable	(23,588,441)	(19,277,052)
VAT Receivable	26,562,593	21,059,383
	2,974,152	1,776,354

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

6. VAT receivable (continued)

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

None of the VAT receivable is pledged as security.

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3,300	3,300
Bank balances	13,199,195	6,432,376
Current Investments - Short-term deposits	89,977,009	93,499,749
	103,179,504	99,935,425

The list of municipal bank accounts

Bank accounts	Bank statement balances		Cash book balances	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
FNB - Kimberley Regional Office - Primary Account:	13,207,195	6,432,376	13,199,195	6,432,376

7.1 Current Investment Deposits

Call accounts	89,977,009	93,499,749
Total Current Investment Deposits	89,977,009	93,499,749

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.05 % to 4.0% (2021: 2.20 % to 3.75 %) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 4.97% to 5.60 % (2021: 3.52 % to 6.67 %) per annum.

7.2 Notice Deposits

Deposits attributable to Unspent Conditional Grants	1,360,210	2,162,319
Deposits attributable to Capital Replacement Reserve	7,957,082	7,957,082
Deposits attributable to Payables	6,832,738	6,622,884
Deposits attributable to Current Provisions	13,149,934	12,982,407
Deposits attributable to Consumer Deposits	2,990	1,725
Deposits available for Operations	60,674,055	63,773,332
Total Deposits attributable to Commitments of the Municipality	89,977,009	93,499,749

Deposits attributable to Payables amount changed due to the restatement of the 2020/21 creditors balance.

Deposits available for Operations changed due to the restatement of the 2020/21 creditors balance.

7.3 Bank Accounts

Cash in bank	13,199,195	6,432,376
Bank overdraft	-	-
Total bank accounts	13,199,195	6,432,376

Primary Bank Account

FNB - Kimberley Regional Office - Primary Account:

Cash book balance at end of year	13,199,195	6,432,376
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FNB - Kimberley Regional Office - Primary Account:

Bank statement balance at end of year	13,207,195	6,432,376
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The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

2022

2021

7. Cash and cash equivalents (continued)

2022

	Cashbook	Bank statement
ABSA	24,001,920	24,001,920
FNB	30,975,089	30,975,089
Nedbank	17,500,000	17,500,000
Standard Bank	17,500,000	17,567,864
	89,977,009	90,044,873

2021

	Cashbook	Bank statement
ABSA	15,001,000	15,001,000
FNB	18,998,749	18,998,749
Nedbank	29,000,000	29,000,000
Standard Bank	30,500,000	30,500,000
	93,499,749	93,499,749

Cash on hand

Cash Floats and Advances

Total Cash on hand in Cash Floats, Advances and Equivalents

3,300

3,300

3,300

3,300

Total cash and cash equivalents

103,179,504

99,935,425

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

8. Long-term receivables

8.1 Employee Benefits

Opening Balance	8,918,000	7,207,352
Interest cost	807,000	746,160
Payments made	(732,502)	(869,694)
Actuarial loss/(gain)	(1,645,498)	1,834,182
Total Long Term Receivables	7,347,000	8,918,000
Less: Current Portion transferred to Current Receivables:-Employee Benefits	(676,000)	(858,000)
Non-Current Portion of Long Term Receivables	6,671,000	8,060,000

Employee benefits receivables

The municipality managed an agency service on behalf of the Department of Roads and Public Works until 30 June 2011. The service has been transferred back to the department from 01 July 2011. As per the agreement, the municipality will continue payment of the post-service medical aid premiums of the retired employees to the service provider. The department will refund the employees portion of the instalment and the members will be responsible for the employee portion. Outstanding amounts are treated as receivables from non-exchange transactions. The receivables is valued by actuaries on a yearly basis which forms part of the analysis as per the employee benefits, refer to note 14.

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3,120,700	-	3,120,700	7,943,000	-	7,943,000
Buildings and Ancillary Assets	56,730,097	(2,009,632)	54,720,465	53,713,374	(21,116,878)	32,596,496
Plant and machinery	10,492,064	(7,424,629)	3,067,435	9,972,522	(6,456,602)	3,515,920
Furniture and fixtures	8,609,404	(7,237,353)	1,372,051	8,581,326	(6,787,486)	1,793,840
Motor vehicles	9,454,459	(8,324,664)	1,129,795	8,814,224	(8,040,400)	773,824
IT equipment	7,480,029	(5,260,127)	2,219,902	6,555,572	(4,640,856)	1,914,716
Work In Progress - Building	2,452,024	-	2,452,024	2,317,415	-	2,317,415
Total	98,338,777	(30,256,405)	68,082,372	97,897,433	(47,042,222)	50,855,211

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers from Investment Property	Other Movement	Revaluations Increase	Revaluations Decrease	Depreciation	Impairment loss	Total
Land	7,943,000	-	-	150,000	-	-	(4,972,300)	-	-	3,120,700
Buildings and Ancillary Assets	32,596,496	-	-	385,475	21,116,877	2,631,248	-	(2,009,631)	-	54,720,465
Plant and machinery	3,515,920	519,542	(1,870)	-	-	-	-	(966,157)	-	3,067,435
Furniture and fixtures	1,793,840	28,078	(182)	-	-	-	-	(449,685)	-	1,372,051
Motor vehicles	773,824	679,844	(39,609)	-	-	-	-	(284,264)	-	1,129,795
IT equipment	1,914,716	924,457	(31,989)	-	-	-	-	(587,282)	-	2,219,902
Work In Progress - Building	2,317,415	134,609	-	-	-	-	-	-	-	2,452,024
	50,855,211	2,286,530	(73,650)	535,475	21,116,877	2,631,248	(4,972,300)	(4,297,019)	-	68,082,372

Frances Baard District Municipality

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	7,955,000	-	-	-	-	-	-	(12,000)	7,943,000
Buildings and Ancillary Assets	22,399,496	-	-	11,276,645	(283,150)	108,724	(905,219)	-	32,596,496
Plant and machinery	4,121,985	306,965	(105)	-	-	4,806	(917,731)	-	3,515,920
Furniture and fixtures	1,606,289	380,718	(4,668)	-	-	216,360	(404,859)	-	1,793,840
Motor vehicles	1,314,519	-	-	-	-	-	(540,695)	-	773,824
IT equipment	1,725,462	687,031	(624)	-	-	23,347	(520,500)	-	1,914,716
Work In Progress - Building	13,594,060	-	-	(11,276,645)	-	-	-	-	2,317,415
	52,716,811	1,374,714	(5,397)	-	(283,150)	353,237	(3,289,004)	(12,000)	50,855,211

9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

9.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation

No Property, Plant and Equipment were retired from active use and not classified as a Discontinued Operation during the financial year.

9.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

9.4 Impairment of Property, Plant and Equipment

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

There are changes in the estimated useful life of various assets during the financial year due to the reassessment of useful live. The changes resulted in the decrease in current year depreciation by R276 921.

9.6 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the fair value model. Revaluation is done every five years, the last revaluation was done in 2016/17 financial year. For the year under review the municipality's land and buildings were revalued and therefore the fair value adjustments for those assets will be taken into consideration.

9.7 Transfer of Investment Property

Investment property was transferred to PPE during the financial year at carrying value. The building will be accounted for at carrying value until the next revaluation is done.

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9. Property, plant and equipment (continued)

Revaluations

The effective date of the revaluations was Thursday, July 1, 2021. Revaluations were performed by an independent valuer, Mr Daniel Benjamin Grobler registered as a Professional Valuer, with the SACPV (South African Council of the Professional Valuers Profession) in terms of Section 20(2) (a) of the Act on Valuers, and is not connected to the municipality.

The valuation was performed using the depreciated replacement approach.
Discount rate

Other information

9.7 Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment
Buildings

2,452,024	2,317,415
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Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected
Project 1: Disaster Management Centre - Delayed
Project experienced some delays and went beyond the projected completion date. These delays are beyond the control of the municipality, as the municipality was experiencing difficulty to remove the Department of Transport, Safety and Liaison from the building in order to complete the project. The department moved out of the building at the end of January 2022. The amount has been assessed for impairment.

2,452,024	2,317,415
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9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	-	-	2 317,415	2,317,415
Additions/capital expenditure	-	-	134,609	134,609
	-	-	2,452,024	2,452,024

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	-	-	13,594,060	13,594,060
Additions/capital expenditure	-	-	-	-
Transferred to completed items	-	-	(11,276,645)	(11,276,645)
	-	-	2,317,415	2,317,415

9.8 Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance under Contracted services and General expenses

Information and Communication Infrastructure	15,926	15,255
Computer Equipment	48,906	9,829
Furniture and Office Equipment	432,952	686,886
Machinery and Equipment	224,693	294,855
Other Assets - Buildings	548,880	442,094
Transport Assets	169,083	107,424
	1,440,440	1,556,343

Frances Baard District Municipality
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10. Intangible assets

	2022		2021			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,049,620	(1,354,400)	2,695,220	1,551,883	(1,395,915)	155,968

10.1 Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	155,968	2,866,223	(9,975)	(316,996)	2,695,220

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10. Intangible assets (continued)

10.2 Reconciliation of intangible assets - 2021

	Opening balance	Disposals	Amortisation	Total
Computer software	296,948	(55,955)	(85,025)	155,968

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 28).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

10.3 Significant Intangible Assets

There are no significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 31.

10.4 Intangible Assets with Indefinite Useful Lives and change in accounting estimates

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

There are changes in the estimated useful life of some intangible assets during the financial year due to the reassessment of useful live. The changes resulted in the decrease in current year depreciation by R10 959.

10.5 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

10.6 Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

10.7 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

Frances Baard District Municipality

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10. Intangible assets (continued)

10.7 Expenditure incurred to repair and maintain intangible assets

Expenditure incurred to repair and maintain intangible assets included in Statement of Financial Performance under Contracted services and General expenses

Licenses fees	3,505,880	1,889,546
Website Maintenance	129,253	123,814
	3,635,133	2,013,360

11. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	-	-	-	600,000	(56,250)	543,750

11.1 Reconciliation of investment property - 2022

	Opening balance	Additions	Transfers	Fair value adjustments	Depreciation	Total
Investment property	543,750	-	(535,474)	-	(8,276)	-

11.2 Reconciliation of investment property - 2021

	Opening balance	Additions	Fair value adjustments	Depreciation	Total
Investment property	600,000	-	-	(56,250)	543,750

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

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

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

11.3 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

11.4 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

11.5 Work-in-Progress

The municipality had no capital projects for Investment Property which were not completed at year-end.

11.6 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

Frances Baard District Municipality

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11. Investment property (continued)

11.7 Maintenance of investment property

The municipality did not repair any of its investment property in the 2021/22 financial year.

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental revenue from Investment property	217,216	222,626
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Frances Baard District Municipality Annual Financial Statements for the year ended June 30, 2022 **Notes to the Annual Financial Statements**

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12. Heritage assets

	2022		2021	
	Cost / Valuation	Accumulated Impairment losses	Cost / Valuation	Accumulated Impairment losses
Art Collections, antiquities and exhibits	631,417	-	631,417	-
				631,417

12.1 Reconciliation of heritage assets 2022

	Opening balance	Additions	Disposals	Transfers	Impairment losses recognised	Total
Art Collections, antiquities and exhibits	631,417	-	-	-	-	631,417

12.2 Reconciliation of heritage assets 2021

	Opening balance	Additions	Disposals	Transfers	Impairment losses recognised	Total
Art Collections, antiquities and exhibits	631,417	-	-	-	-	631,417

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

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12. Heritage assets (continued)

12.3 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

12.4 Heritage Assets measured after recognition using the Cost Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

12.5 Work-in-Progress

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

12.6 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

Expenditure incurred to repair and maintain heritage assets

12.7 Expenditure incurred to repair and maintain heritage assets included in
Statement of Financial Performance
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Frances Baard District Municipality

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13. Operating lease asset (receivable)

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Non-current assets	38,964	45,817
Current assets	12,206	-
	51,170	45,817

Reconciliation of Operating Lease Receivables

Balance at beginning of year	45,817	24,485
Operating Lease Installment reversal/adjustment	-	14,809
Operating Lease Revenue effected	5,353	6,523
	51,170	45,817

The following amounts are due as shown below:

Up to 1 year	12,206	-
2 to 5 years	38,964	45,817
	51,170	45,817

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R5,353 (2021: increase of R21,331) in current year income.

13.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of 60 months (2019/20: 60 months), the new lease came into term on the 1 October 2019.

The operating lease contract contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The amounts under heading the following amounts are due as shown below for 2021 financial year was incorrectly disclosed, the below is the details:

2021 Previously Stated	Error	2021 Restated
Up to 1 year R5,689	R-5,689	R0
2 to 5 years R12,206	R33,611	R45,817.

Amounts receivable under Operating Leases

13.2 At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	223,238	206,962
2 to 5 years	500,535	723,773
	723,773	930,735

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.

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13. Operating lease asset (receivable) (continued)

(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement

(iv) The amounts receivable under Operating Leases for 2021 financial year was incorrectly disclosed the below is the details:

<u>2021</u>	<u>Error</u>	<u>2021</u>
<u>Previously Stated</u>		<u>Restated</u>
Up to 1 year R164,851	R42,111	R206,962
2 to 5 years R370,322	R353,451	R723,773

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14. Employee benefit obligations

Defined benefit plan

14.1 Employee Benefit Liabilities

Post-retirement Health Care Benefits Liability	29,999,999	28,967,999
Long Service Awards Liability	3,431,963	3,102,963
Total Employee Benefit Liabilities	33,431,962	32,070,962
Less: Current Portion of Employee Benefit Liabilities	-	-
Current - Post-retirement Health Care Benefits Liability	(2,161,000)	(2,094,000)
Current - Long Service Awards Liability	(575,000)	(159,000)
	30,695,962	29,817,962
 Non-current liabilities	 30,787,173	 29,921,773
Current liabilities	13,149,934	12,982,407
	43,937,107	42,904,180

14.2 Post-retirement Health Care Benefits Liability

Liability

Opening balance	28,967,999	23,729,969
Interest cost	2,652,000	2,506,711
Current service cost	589,000	587,370
Actual employer benefit payments	(2,068,464)	(2,087,086)
Actuarial loss/ (gain) recognised in the year	(140,536)	4,231,035
Balance at end of Year	29,999,999	28,967,999
Less: Current Portion of Liability	(2,161,000)	(2,094,000)
Non-Current Portion of Liability	27,838,999	26,873,999

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying 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 Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by Mr. Chanan Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	75	76
In-service Non-members (Employees)	16	20
Continuation Members (Retirees, widowers and orphans)	36	38
Total Members	127	134

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

In-service Members	6,453,000	7,259,999
In-service Non-members	267,000	305,000
Continuation Members	23,280,000	21,403,000
Total Liability	30,000,000	28,967,999

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14. Employee benefit obligations (continued)

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Hosmed
- Samwumed

The Interest Cost for the year ending 30 June 2022 is estimated to be R2,652,000 whereas the cost for the ensuing year is estimated to be R3,329,000 (30 June 2021: R2,506,711 and R2,652,000 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	1	Yield Curve	Yield Curve
Health Care Cost Inflation Rate	1	Equal to CPI + 1	Equal to CPI + 1
Net Effective Discount Rate	1	Yield Curve Based	Yield Curve Based
Expected Rate of Salary Increase		4.90%	6.50%
Expected Retirement Age - Females		63	63
Expected Retirement Age - Males		63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Opening balance	28,967,990	23,729,960
Interest cost	2,652,000	2,506,711
Current service cost	589,000	587,370
Actual employer benefit payments	(2,068,464)	(2,087,086)
Actuarial loss/ gain recognised in the year	(140,536)	4,231,035
Total Recognised Benefit Liability	29,999,990	28,967,990

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

Present value of fund obligations	27,657,102	28,967,999
Unfunded Accrued Liability	27,657,102	28,967,999
Total Benefit Liability	27,657,102	28,967,999

The history of fair values are as follows:

	2022	2021	2020	2019	2018
Present Value of Defined Benefit Obligation	29,999,990	28,967,999	23,729,970	31,091,999	28,513,999
Experienced adjustments on Plan Liabilities	1,031,991	5,238,030	(7,362,030)	2,578,000	(1,919,000)

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

Increase:		
Effect on the aggregate of the current service cost and the interest cost	1	3,731,000
Effect on the defined benefit obligation	1	33,640,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(1)	(2,845,000)
Effect on the defined benefit obligation	(1)	(26,959,000)

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14. Employee benefit obligations (continued)

The effect of a 15% movement in the withdrawal rate is as follows:

The municipality expects to make a contribution of R2,161,000 (2021: R2,094,000) to the Defined Benefit Plans during the next financial year.

Refer to Note 47, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

14.3 Long Service Awards Liability

Opening Balance	3,102,963	2,206,054
Increases	674,386	1,139,952
Other Reductions	(345,386)	(243,043)
Balance at end of year	3,431,963	3,102,963
Less: Current Portion of Liability	(575,000)	(159,000)
Total Non-Current - Long Service Awards Liability	2,856,963	2,943,963

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022 by Chanan Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 91 (2021: 96) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2022 is estimated to be R335,000 whereas the cost for the ensuing year is estimated to be R342,000 (30 June 2021: R215,813 whereas the cost for the ensuing year is estimated to be R335,000).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Cost Inflation Rate	CPI+1	CPI+1
Expected Rate of Salary Increase	4.90%	5.91%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Opening balance	3,102,963	2,206,054
Increases	674,386	1,139,952
Payments Made	-	-
Other reductions	(345,386)	(243,043)
Reversals	-	-
	3,431,963	3,102,963

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

Present value of fund obligations	3,431,963	3,102,963
Unfunded Accrued Liability	3,431,963	3,102,963
Total Benefit Liability	3,431,963	3,102,963

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14. Employee benefit obligations (continued)

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

Current service cost	335,000	215,813
Interest cost	291,000	175,971
Expected return on reimbursement rights	-	-
Actuarial losses / (gains)	48,386	748,168
Total Post-retirement Benefit included in Employee Related Costs	674,386	1,139,952

The history of experienced adjustments is as follows:	2022	2021	2020	2019	2018
	3,431,963	3,102,963	2,206,054	2,110,964	1,990,899

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

Increase		
Effect on the aggregate of the current service cost and the interest cost	676,000	421,169
Effect on the defined benefit obligation	3,648,000	3,315,000
Decrease		
Effect on the aggregate of the current service cost and the interest cost	(581,000)	(365,164)
Effect on the defined benefit obligation	(3,237,000)	(2,912,000)

The municipality expects to make a contribution of R575,000 (2021: R159,000) to the defined benefit plans during the next financial year.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(30,787,173)	(29,921,773)
Present value of the defined benefit obligation- current	(13,149,934)	(12,982,407)
	(43,937,107)	(42,904,180)
 Non-current liabilities	 (30,787,173)	 (29,921,773)
Current liabilities	(13,149,934)	(12,982,407)
	(43,937,107)	(42,904,180)

The major categories of plan assets as a percentage of total plan assets are as follows:

Current Liabilities: Employee benefit obligation

Reconciliation - 2022	Opening Balance	Additions	Payments made	Reversed/ Reductions during the year	Total
Ex-gratia Pensions	31,400	-	-	(300)	31,100
Leave provision	10,231,680	8,215,145	(8,705,754)	-	9,741,071
Performance bonus provision	466,327	320,974	(145,538)	-	641,763
Employee benefit cost	2,094,000	67,000	-	-	2,161,000
Long service award	159,000	416,000	-	-	575,000
	12,982,407	9,019,119	(8,851,292)	(300)	13,149,934

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14. Employee benefit obligations (continued)

Reconciliation - 2021	Opening Balance	Additions	Payments made	Reversed/ Reductions during the year	Total
Ex-gratia Pensions	34,000	-	-	(2,600)	31,400
Leave provision	8,266,911	6,920,422	(4,955,653)	-	10,231,680
Performance bonus provision	486,371	200,000	(220,044)	-	466,327
Employee benefit cost	1,966,096	127,904	-	-	2,094,000
Long service award	295,897	-	-	(136,897)	159,000
	11,049,275	7,248,326	(5,175,697)	(139,497)	12,982,407

The movement in Non-current Employee benefit obligations are reconciled as follows:

Staff Benefit:

Ex-Gratia Pension

Opening balance	103,811	99,624
Increases	21,190	35,677
Payments made	(34,090)	(34,090)
Other reductions	-	-
Reversals	300	2,600
	91,211	103,811

Ex-gratia Pensions

Ex-gratia Pensions 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

Leave Provision

Leave Provision Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Performance Bonus

Performanceaccrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

15. Payables from exchange transactions

Trade payables	4,758,038	3,960,304
Bonus	2,070,513	2,095,974
Retentions	-	566,603
Third Party Payments	4,185	-
	6,832,736	6,622,881

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

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16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Rural Road Asset Management System Grant (RRAMS)	252,138	1,040,197
National Revenue Fund - Fuel Levy & Equitable Share	1,031,708	1,031,708
Provincial Government	76,364	90,414
	1,360,210	2,162,319

Movement during the year

Balance at the beginning of the year	2,162,319	1,660,320
Additions during the year	5,326,565	6,657,799
Income recognition during the year	(5,088,477)	(4,574,595)
Repayment of unspent grant	(1,040,197)	(1,581,205)
	1,360,210	2,162,319

The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

17. Consumer deposits

Rental Properties	2,990	1,725
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Consumer deposits comprise deposits for properties rented out by the municipality.

No interest is paid on Consumer Deposits held.

18. Reserves

Opening balance	26,940,553	27,204,514
Transfers to/from Accumulated Surplus	(1,249,632)	(263,961)
Current year Revaluation	18,775,827	-
	44,466,748	26,940,553

Reserves

Revaluation Reserve	18,983,471	18,983,471
Capital Replacement Reserve	7,957,082	7,957,082
	26,940,553	26,940,553

18.1 Reconciliation of the Capital Replacement Reserve

Revaluation surplus beginning of period	7,957,082	7,957,082
Movements in the reserve for the year	-	-
	7,957,082	7,957,082

The Capital Replacement Reserve arises from cash backed accumulated surplus for the replacement of capital infrastructure/equipment.

Frances Baard District Municipality

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18. Reserves (continued)

18.2 Reconciliation of Revaluation Reserve

Revaluation surplus beginning of period	18,983,471	19,247,432
Transfers to/from Accumulated Surplus	(1,249,630)	(263,961)
Current year Revaluation	18,775,825	-
	36,509,666	18,983,471

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Land and Buildings were revalued in 2020/21 financial year and the decrease/increases were recognised in the 2021/22 financial year.

19. Accumulated surplus

Reconciliation of Accumulated Surplus:

Opening Balance	101,200,235	93,444,499
Correction of Prior Period Error	-	(214,046)
Depreciation Offsets	1,249,630	263,960
Accumulated Surplus As Per Financial Performance	4,532,022	7,705,822
	106,981,887	101,200,235

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

20. Revenue

Rental of facilities and equipment	218,206	620,676
Other Income	273,869	268,438
Interest received - investment	5,868,867	5,067,423
Government grants & subsidies	133,164,477	128,873,594
	139,525,419	134,830,131

20.1 The amount included in revenue arising from exchanges of goods or services are as follows:

Rental of facilities and equipment	218,206	620,676
Other income	273,869	268,438
Interest received - investment	5,868,867	5,067,423
	6,360,942	5,956,537

20.2 The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue

Government grants & subsidies	133,164,477	128,873,594
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21. Rental of facilities and equipment

Premises

Rental of facilities and equipment	218,206	620,676
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Frances Baard District Municipality

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Figures in Rand	2022	2021
21. Rental of facilities and equipment (continued)		
Rental income generated are at market related premiums.		
22. Other revenue		
Other income	273,869	268,438
23. Investment revenue		
Interest revenue		
Bank - Investment account	5,847,285	5,056,660
Bank - Operating account	21,582	10,763
	5,868,867	5,067,423

Frances Baard District Municipality

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24. Government grants & subsidies

Operating grants

National Revenue Fund: Equitable share	128,076,000	124,736,292
National Government: Rural Road Asset Management System Grant (RRAMS)	2,323,862	1,502,803
National Governments: Extended Public Works Programme (EPWP)	1,077,000	1,101,000
National Governments: Financial Management Grant (FMG)	1,000,000	1,000,000
Departmental Agencies and Accounts: SETA	173,565	44,799
Provincial Government	514,050	488,700
	133,164,477	128,873,594

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	5,088,477	4,574,595
Unconditional grants received	128,076,000	124,299,000
	133,164,477	128,873,595

24.1 National Revenue Fund - Fuel Levy & Equitable Share

Balance unspent at beginning of year	1,031,708	-
Current year receipts	128,076,000	125,768,000
Conditions met - transferred to Revenue	(128,076,000)	(124,736,292)
	1,031,708	1,031,708

This grant has been used to fund operational expenses within the municipality. Included in the Equitable share allocation is the Covid-19 share allocation of R1 469 000 which was received during the 2020/21 FY. The unspent amount is of Covid-19.

24.2 Rural Road Asset Management System Grant (RRAMS)

Balance unspent at beginning of year	1,040,197	1,329,138
Current-year receipts	2,576,000	2,543,000
Conditions met - transferred to revenue	(2,323,862)	(1,502,803)
Repayment of unspent grant	(1,040,197)	(1,329,138)
	252,138	1,040,197

Conditions still to be met - remain liabilities (see note 16).

The purpose of the grant is to assist the municipality in monitoring the conditions of the municipal roads within the district.

24.3 Provincial Government

Balance unspent at beginning of year	90,414	79,114
Current-year receipts	500,000	500,000
Conditions met - transferred to revenue	(514,050)	(488,700)
	76,364	90,414

Conditions still to be met - remain liabilities (see note 16).

The grants were used for operation and maintenance of clean up amenities, HIV/AIDS awareness (AIDS Grant) from provincial government.

Frances Baard District Municipality

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24. Government grants & subsidies (continued)

24.4 Financial Management Grant (FMG)

Balance unspent at beginning of year		252,000
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
Other	-	(252,000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 16).

The purpose of the grant is to assist the municipality in building in house capacity, promote and support reform to financial management and implementation of the Municipal Financial Management Act (MFMA) 56 of 2003.

24.5 Extended Public Works Programme (EPWP)

Current-year receipts	1,077,000	1,101,000
Conditions met - transferred to revenue	(1,077,000)	(1,101,000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 16).

The purpose of the grant is to expand job creation programs in the Frances Baard District.

24.6 SETA: Skills grant

Current-year receipts	173,565	44,799
Conditions met - transferred to revenue	(173,565)	(44,799)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 16).

This grant has been used to fund training within the municipality No funds have been withheld.

Frances Baard District Municipality

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25. Employee related costs

Basic	50,831,782	47,964,856
Bonus	3,768,213	3,589,777
Medical aid - company contributions	2,628,932	2,524,881
UIF	255,864	221,881
Other payroll levies	16,418	15,682
Leave pay provision charge	1,002,260	2,599,313
Pension	6,288,555	6,092,370
Overtime payments	188,634	202,006
Long-service awards	335,000	215,813
Car allowance	3,103,098	3,103,310
Housing benefits and allowances	490,687	472,610
Cellular and Telephone	351,803	520,324
Group life insurance	818,926	595,545
Post retirement benefits movement - Current Service Cost	589,000	587,394
Post retirement benefits movement - Interest cost	2,144,000	1,943,837
	72,813,172	70,649,599

No advances were made to employees.

25.1 Remuneration of municipal manager - Ms ZM Bogatsu

Annual Remuneration	1,186,548	1,242,193
Car Allowance	192,592	230,631
Performance Bonuses	115,497	120,000
Contributions to UIF, Medical and Pension Funds	2,249	1,813
	1,496,886	1,594,637

25.2 Remuneration of chief finance officer - Ms. O Moseki (Acting)

Annual Remuneration	1,383,453	1,155,324
Car Allowance	149,040	87,904
Performance Bonuses	66,816	-
Contributions to UIF, Medical and Pension Funds	210,282	1,664
	1,809,591	1,244,892

25.3 Remuneration of Executive Director: Administration - Mr K.G Gaborone

Annual Remuneration	888,764	1,160,710
Car Allowance	-	18,119
Performance Bonuses	-	80,000
Contributions to UIF, Medical and Pension Funds	1,996	1,813
	890,760	1,260,642

25.4 Remuneration of Executive Director: Planning & Development - Mr F Netshivhodza (Acting)

Annual Remuneration	1,175,965	1,030,415
Car Allowance	149,040	72,867
Performance Bonuses	61,227	-
Contributions to UIF, Medical and Pension Funds	182,386	1,338
	1,568,618	1,104,620

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25. Employee related costs (continued)

25.5 Remuneration of Executive Director: Infrastructure Services- Mr S Suliman (Acting)

Annual Remuneration	-	841,325
Car Allowance	-	49,729
Contributions to UIF, Medical and Pension Funds	-	1,487
	-	892,541

25.7 Remuneration of Executive Director: Infrastructure Services- Mr R.R Setshogoe (Acting)

Annual Remuneration	937,573	57,272
Car Allowance	120,000	7,917
Performance Bonuses	77,434	-
Contributions to UIF, Medical and Pension Funds	160,859	10
	1,295,866	65,199

Total Remuneration of Section 56 Employees

Annual Remuneration	7,061,721	6,162,531
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Frances Baard District Municipality

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26. Remuneration of councillors

Executive Mayor	730,522	938,250
Mayoral Committee Members	3,315,428	3,386,996
Speaker	712,793	759,478
Other Councillors	2,189,348	1,915,514
	6,948,091	7,000,238

26.1 Remuneration Councillors: Reconciliation 2022

	Basic salary	Cellphone allowance	Travel allowance	Other allowances	Total
Executive Mayor	704,129	26,393	-	-	730,522
Speaker	670,983	41,810	-	-	712,793
Mayoral Committee Members	2,683,952	190,323	195,530	-	3,069,805
MPAC Chairperson	245,623	-	-	-	245,623
Other Councillors	1,913,244	252,531	23,573	-	2,189,348
	6,217,931	511,057	219,103	-	6,948,091

26.2 Remuneration Councillors: Reconciliation 2021

	Basic salary	Cellphone allowance	Travel allowance	Other allowance	Total
Executive Mayor	893,850	44,400	-	-	938,250
Speaker	715,078	44,400	-	-	759,478
Mayoral Committee Members	2,499,148	177,600	502,790	-	3,179,538
MPAC Chairperson	176,628	-	30,830	-	207,458
Other Councillors	1,619,096	225,700	70,718	-	1,915,514
	5,903,800	492,100	604,338	-	7,000,238

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

27. Depreciation and amortisation

Property, plant and equipment	4,297,019	3,289,004
Investment property	8,276	14,063
Intangible assets	316,996	85,025
	4,622,291	3,388,092

27.1 Depreciation: Property, Plant and Equipment Reconciliation

Community Assets	-	141,294
Buildings	2,009,631	756,961
Other Assets	2,612,660	2,383,785
	4,622,291	3,282,040

28. Contracted services

Outsourced Services	3,994,124	4,877,490
Consultants and Professional Services	3,873,543	3,803,487
Contractors	5,675,639	4,515,064
Total Contracted Services	13,543,306	13,196,041

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29. Inventory consumed

Consumables	64,664	374,203
Materials and Supplies	980,416	876,624
	<u>1,045,080</u>	<u>1,250,827</u>

30. Transfer and subsidies paid

Capital Grants

Local Municipalities	8,017,256	-
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Operational Grants

Local Municipalities	16,243,854	18,530,078
Households	809,084	924,080
	<u>17,052,938</u>	<u>19,454,158</u>
	<u>25,070,194</u>	<u>19,454,158</u>

Capital Grants

Local Municipalities	8,017,256	-
Non-profit Institutions	-	-
	<u>8,017,256</u>	<u>-</u>

Operational Grants

Departmental Agencies and Accounts	-	-
Local Municipalities	16,243,853	18,530,078
Households	809,085	924,080
Non-profit Institutions	-	-
	<u>17,052,938</u>	<u>19,454,158</u>

The allocations made non-profit institutions consist of equipment given to schools during the tourism business competition held on a yearly basis.

31. Gains and losses on disposal of assets

Property, Plant and Equipment	(83,624)	(61,352)
Disposal of inventory	-	(11,453)
	<u>(83,624)</u>	<u>(72,805)</u>

The loss on disposal of PPE and inventory is assets/goods which were no longer in use for the municipality and were donated to either local municipalities or NGO's.

32. Actuarial gains and losses

Actuarial gains/losses	<u>(1,566,538)</u>	<u>(3,173,383)</u>
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The actuarial gains and losses relate to the employee benefit obligations. Refer to employee benefit obligations note 14.

Frances Baard District Municipality

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33. General expenses		
Advertising, Publicity and Marketing	654,983	545,369
External Audit Fees	2,189,390	1,930,241
Bank Charges, Facility and Card Fees	82,727	70,477
Cleaning Services	11,957	5,980
Infrastructure and Development	-	90,000
Legal costs	393,083	4,238
Entertainment	153,039	41,521
Honoraria (Voluntarily Workers)	-	2,400
Insurance Underwriting	630,330	598,068
Registration Fees	30,042	1,152
External computer service	522,758	411,284
Licences	21,000	28,910
Wet Fuel	1,477	1,645
Printing, Publications and Books	22,346	6,165
Event Promoters	193,759	72,332
Uniform and Protective Clothing	26,732	65,320
Maintenance of equipment	1,007,227	835,464
Maintenance of buildings and facilities	550,635	442,094
Business and Advisory	6,257,359	7,305,443
Security services	1,029,787	963,672
Maintenance of computer software	3,635,133	2,324,804
Employee Wellness	5,151	48,102
Professional Bodies, Membership and Subscription	869,416	920,005
Communication	38,700	36,364
Transport and freight	89	43
Disability Training	-	268,300
Travel and Subsistence	394,915	126,265
Municipal Services	2,069,021	2,785,590
Catering Services	183,572	337,291
Exhibit installations	-	105,128
Bursaries (employees)	287,308	300,000
Resettlement costs	69,575	155,858
Transport provided as part of Departmental activities	206,039	170,328
Burial Services	12,600	2,400
Stage and sound crew	48,160	73,064
Graphic designers	226,840	26,209
Skills training	-	297,500
Skills Development Levy	638,478	419,196
Workmen's Compensation Fund	380,779	316,985
	22,844,407	22,135,207

Calculation of Cash Flow:

Expenditure for Operational Costs	22,844,407	22,135,207
Travel and subsistence		
Accommodation	227,454	72,465
Daily allowance	42,437	5,413
Food and beverage (served)	32,601	6,303
Transport without operator	92,423	42,084
Transport with operator	-	-
	394,915	126,265

No other extra-ordinary expenses were incurred.

Calculation of Cash Flow

The line for transfer and subsidies of an amount of R19 454 158 for 2020/21 financial year is removed.

Frances Baard District Municipality

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34. Cash generated from operations

Surplus	4,532,022	7,705,822
Adjustments for:		
Depreciation and amortisation	4,622,291	3,388,092
Loss on disposal of assets	83,624	72,805
Movements in operating lease assets and accruals	(5,353)	(35,142)
Contribution to Employee Benefits	5,836,464	7,197,212
Expenditure incurred from Post-retirement Employee Benefits	(2,068,464)	(2,087,086)
Contribution to Long Service Awards Liability	329,000	1,033,806
Contribution to Provisions - Current	(8,385,079)	(4,767,246)
Contribution to Provisions - Non-Current	21,490	38,277
Expenditure incurred from Employee Benefits - Current	5,333,610	6,700,378
Expenditure incurred from Provisions - Non-current	(34,090)	(34,090)
Changes in working capital (Decrease/Increase):		
Inventories	18,159	5,057
Receivables from exchange transactions	(2,119,053)	(2,114,097)
Current Portion Long-term Receivables	182,000	14,788
Payables from exchange transactions	209,853	(12,362,285)
Decrease/(Increase) in VAT Receivable	(1,197,798)	4,824,196
Unspent conditional grants and receipts	(802,109)	501,999
Increase/(Decrease) in Consumer deposits	1,265	(1,725)
	6,557,832	10,080,761

35. Auditors' remuneration

Fees	2,189,390	1,930,241
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36. Commitments

Authorised capital expenditure

Approved and Contracted for

• Land and Buildings	154,800	309,600
• Other	-	-
	154,800	309,600

Approved but Not Yet Contracted for

• Land and Buildings	4,000,000	3,065,290
• Other	3,984,000	9,113,770
	7,984,000	12,179,060

Total capital commitments

Already contracted for	154,800	309,600
Not yet contracted for and authorised by accounting officer	7,984,000	12,179,060
	8,138,800	12,488,660

Total commitments

Total commitments

Authorised capital expenditure	8,138,800	12,488,660
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This committed expenditure relates to property, plant and equipment and will be financed by internally generated funds.

Frances Baard District Municipality

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37. Contingencies

Contingent liabilities

Case 1 – State Attorney

100,000

100,000

Case 2 – Opinion – Appointed Adv C. Towell

77,533

177,533

100,000

The municipality was engaged in the following transaction / event during the year under review involving Contingent Liabilities:

2022 Litigation and Claims

Case 1

State Attorney

Damages to infrastructure. filed plea:

MTN claims that they suffered damages as a result of employees of A-Municipality that were working in a project which led to the damage of their fibre cables.

Case 2

(i) Opinion. Appointed Adv.C.Towell:

In this matter the former senior manager for administration filed a High Court application requesting the court to review the decision of council that resolved that she be granted leave without pay for being absent from work without authorization. We awaiting matter to be set down for hearing.

Public Protector case was removed from the contingent liabilities as it was incorrectly disclosed as a contingent liability.

2021 Litigation and Claims

Case 1

State Attorney

Damages to infrastructure. filed plea:

(i) MTN claims that they suffered damages as a result of employees of A-Municipality that were working in a project which led to the damage of their fibre cables.

Contingent assets

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

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Relationships

Accounting Officer

Refer to accounting officers' report note

Accounting Councillors

Refer to general information

Members of key management

Refer to employee costs

All Related Party Transactions are conducted at arm's length, unless stated

The municipality did not render any services during the year to anyone that can be considered as a related party.

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans were granted to Councillors, Management, Staff and Public by Frances Baard District Municipality, during the financial year under review.

Compensation of Key Management Personnel and Councillors is set out in Note 25 and 26, to the Annual Financial Statements.

No transactions were entered into with businesses in which councillors, management and/or those charged with governance have an interest for the 2021/22 financial year

We draw attention to the fact that at June 30, 2022, the municipality had an accumulated surplus (deficit) of R 106,981,888 and that the municipality's total assets exceed its liabilities by R 151,448,636.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The municipality's cash flow forecast for the year to 30 June 2023 has been reviewed and management is satisfied that the municipality can continue in operational existence for the foreseeable future. The accumulated surplus and cash & cash equivalents as at 30 June 2022 was taken into consideration during the review.

No events having financial implications requiring disclosure occurred subsequent to 30 June 2022.

Opening balance as previously reported

Add: Unauthorised expenditure - current

Add: Unauthorised expenditure - prior period

Less: Amount recovered - current

Less: Amount recovered - prior period

Less: Amount authorised - current

Less: Amount authorised - prior period

Closing balance**Disciplinary steps taken/criminal proceedings**

Frances Baard District Municipality

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42. Fruitless and wasteful expenditure

Opening balance as previously reported	1,207	1,207
Add: Fruitless and wasteful expenditure identified - current	-	-
Add: Fruitless and wasteful expenditure identified - prior period	-	-
Less: Amount recovered - current	-	-
Less: Amount recovered - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	1,207	1,207

Fruitless and wasteful expenditure is presented exclusive of VAT

Fruitless and Wasteful Expenditure awaiting condonement.

43. Irregular expenditure

Opening balance as previously reported	127,449	-
Opening balance as restated	127,449	-
Add: Irregular Expenditure - current period	-	67,518
Add: Irregular Expenditure - prior period	-	111,279
Less: Amount recoverable - current period	-	-
Less: Amount recoverable - prior period	-	-
Less: Amount condoned/ written off - current period	(127,449)	(51,348)
Less: Amount condoned/ written off - prior period	-	-
Closing balance	-	127,449

Irregular expenditure is presented exclusive of VAT

Frances Baard District Municipality Annual Financial Statements for the year ended June 30, 2022

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43. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
Three written quotations not sourced	Kenosi Solutions is under investigation. To be submitted to council for condonement.	69,200
Deviation from the functionality criteria	ABSA Bank is under investigation. To be submitted to council for condonement.	16,170
Three written quotations not sourced	Rennies is under investigation. To be submitted to council for condonement.	42,079
		127,449

Amount written-off

The irregular expenditure relating to 2020/21 financial year was written off by council in the 2021/22 financial year.

Mile Plumbing Construction	-	51,348
Kenosi Solutions	69,200	-
ABSA Bank	16,170	-
Rennies	42,079	-
	127,449	51,348

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44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he/she records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Service	Supplier	Nature		
Repairs to 5 RDP Houses damaged by Gail Force Wind in Dikgatlong Local Municipality	Frances S Construction Trading Enterprise	Emergency/Im practical	161,750	-
Legal Assistance	Mjila and Partners		201,844	-
Annual maintenance charge of the of the Teammate software licence.	Wolters Kluwer	Sole supplier	18,513	17,543
Renovation of houses in Pampierstad	Sam and Alice investment	Emergency	-	377,000
			382,107	394,543

45. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	Total
Long-term Receivables -Employee Benefits	-	6,671,000	6,671,000
Receivables from Exchange Transactions - Other Service Charges	-	6,635,150	6,635,150
Receivables from Exchange Transactions - Control, Clearing and Interface Accounts	-	306,281	306,281
Current Portion of Long-term Receivables - Employee benefits	-	676,000	676,000
Investments	-	9,750,000	9,750,000
Cash and cash equivalents - Call Deposits	-	89,977,009	89,977,009
Cash and cash equivalents - Bank Balances	-	13,199,195	13,199,195
Cash and cash equivalents - Cash Floats and Advances	3,300	-	3,300
	3,300	127,214,635	127,217,935

Financial liabilities

	At amortised cost	Total
Payables from Exchange Transactions - Bonus	2,070,513	2,070,513
Payables from Exchange Transactions - Trade Creditors	4,758,040	4,758,040
Third Party Payments	4,185	4,185
	6,832,738	6,832,738

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45. Financial instruments disclosure (continued)

2021

Financial assets

	At fair value	At amortised cost	Total
Long-term Receivables -Employee Benefits	-	8,060,000	8,060,000
Receivables from Exchange Transactions - Other Service Charges	-	4,497,580	4,497,580
Receivables from Exchange Transactions - Control, Clearing and Interface Accounts	-	371,626	371,626
Current Portion of Long-term Receivables - Employee benefits	-	858,000	858,000
Investments	-	10,200,000	10,200,000
Cash and cash equivalents - Call Deposits	-	93,499,749	93,499,749
Cash and cash equivalents - Bank Balances	-	6,432,376	6,432,376
Cash and cash equivalents - Cash Floats and Advances	3,300	-	3,300
	3,300	123,919,331	123,922,631

Financial liabilities

	At amortised cost	Total
Payables from Exchange Transactions - Bonus	2,095,974	2,095,974
Payables from Exchange Transactions - Retentions	566,603	566,603
Payables from Exchange Transactions - Trade Creditors	3,960,307	3,960,307
	6,622,884	6,622,884

2020/21 financial assets balance included an amount of R 1,224,171 for Receivables from Exchange Transactions - Prepayments and Advances, is removed.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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45. Financial instruments disclosure (continued)

Financial Instruments at Fair Value: 30 June 2022

	Level 1	Level 2	level 3	Total
Cash and Cash Equivalents	-	3,300	-	3,300
Total Financial Assets	-	3,300	-	3,300
Total Financial Instruments	-	3,300	-	3,300

Financial Instruments at Fair Value: 30 June 2021

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	-	3,300	-	3,300
Subtotal	-	3,300	-	3,300
Total Financial Instruments	-	3,300	-	3,300

The naming under the heading Financial Instruments at Fair Value: 30 June 2021 was incorrectly typed as short-term portion of Investments whereas it should have been Receivables from Non Exchange Transactions.

The municipality have implemented GRAP 108, therefore Receivables from Non-Exchange Transactions are recognised and disclosed as Statutory Receivables.

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46. Risk management

46.1 Capital Risk Management

Gearing Ratio

The gearing ratio is not applicable because the municipality does not have long-term debt.

46.2 Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal Audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

46.3 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Liquidity Risk;
- Credit Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

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46. Risk management (continued)

46.3.1 Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 47.3.4 to the Annual Financial Statements.

46.3.2 Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

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

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Councillors and Department of Roads and Public Works for which there is uncertainty about the collectivity. Councillors have been included in the Provision for Impairment of Consumer Debtors.

Counterparty and Location	Credit Limit 30 June 2022	Carrying Amount 2022	Credit Limit 30 June 2021	Carrying Amount 2021
Department of Safety & Liaison	55,234	-	-	64,039

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46. Risk management (continued)			
Department of Roads and Public Works	223,916	-	218,040
Department of Transport	5,632,880	-	3,965,678
Councillors	153,044	-	107,640
Officials	5,979	-	5,979
Venue Hire Customer	2,875	-	-
Medical Aid	1,871	-	2,271
Railx	30,000	-	56,140
MTN	5,705	-	77,791
Sedibeng Water	499,986	-	-
Kopantsha budhle trading and construction	23,660	-	-
	6,635,150	-	4,497,578

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Maximum Credit and Interest Risk Exposure

Long term Receivables	7,347,000	8,918,000
Receivables from Exchange Transactions	8,124,310	6,005,257
Investments	9,750,000	10,200,000
Bank, Cash and Cash Equivalents	103,179,504	99,935,425
Maximum Credit and Interest Risk Exposure	128,400,814	125,058,682

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Long-term Receivables

Roads – Post Retirement Medical Aid	7,347,000	8,918,000
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Capital Risk Management

46.3.3 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Interest rate risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

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46. Risk management (continued)

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

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 46.3.4 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2022 would have increased / decreased by R2,031,083 (30 June 2021: R973,922).

This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

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46. Risk management (continued)

46.3.4 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 46.3.4 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Reconciliation	Average effective interest rate	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years
Non-interest Bearing	0.00%	8,192,948	8,192,948	-	-	-	-
- Payables from Exchange transactions		8,192,948	8,192,948	-	-	-	-
30 June 2021		8,192,948	8,192,948	-	-	-	-
Non-interest Bearing	0.00%	8,785,203	8,785,203	-	-	-	-
- Payables from Exchange transactions		8,785,203	8,785,203	-	-	-	-
		8,785,203	8,785,203	-	-	-	-

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Average effective interest rate	Total	6 months or less	6-12 months	1 - 2 years	2 - 5 years	over 5 years
30 June 2022		-	-	-	-	-	-
Non-interest Bearing	0.00%	15,474,632	12,139,132	3,335,500	-	-	-
- Long-term Receivables		6,671,000	3,335,500	3,335,500	-	-	-
- Trade Receivables from Exchange Transactions		8,124,310	8,124,310	-	-	-	-
- Cash and Cash Equivalents		3,300	3,300	-	-	-	-
- Current Portion of Long Term Receivables		676,000	676,000	-	-	-	-
Variable Interest Rate Instruments	3.75%	103,176,204	103,176,204	-	-	-	-
- Call Deposits		89,977,009	89,977,009	-	-	-	-
- Bank Account		13,199,195	13,199,195	-	-	-	-
Fixed Interest Rate Instruments		9,750,000	-	9,750,000	-	-	-
- Fixed Deposits	6.67%	9,750,000	-	9,750,000	-	-	-

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46. Risk management (continued)

		128,400,836	115,315,336	13,085,500	-	-	-
30 June 2021							
Non-interest Bearing	0.00%	14,926,557	10,896,557	4,030,000	-	-	-
- Long-term Receivables		8,060,000	4,030,000	4,030,000	-	-	-
- Trade Receivables from		6,005,257	6,005,257	-	-	-	-
Exchange Transactions							
- Cash and Cash		3,300	3,300	-	-	-	-
Equivalents							
- Current Portion of Long		858,000	858,000	-	-	-	-
Term Receivables							
Variable Interest Rate	3.75%	99,932,125	99,932,125	-	-	-	-
Instruments							
- Call Deposits		93,499,749	93,499,749	-	-	-	-
- Bank Account		6,432,376	6,432,376	-	-	-	-
Fixed Interest Rate		10,200,000	-	10,200,000	-	-	-
Instruments							
- Fixed Deposits	6.67%	10,200,000	-	10,200,000	-	-	-
		125,058,682	110,828,682	14,230,000	-	-	-

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47. Additional disclosure in terms of Municipal Finance Management Act

47.1 Contributions to organised local government

Current year subscription / fee	856,553	906,695
Amount paid - current year	(856,553)	(906,695)
	-	-

The municipality made the above contributions to SALGA.

47.2 Audit fees

Current year subscription / fee	2,189,390	1,930,241
Amount paid - current year	(2,189,390)	(1,930,241)
	-	-

Any unpaid balances are included as part of creditors.

47.3 PAYE, Skills Development Levy and UIF

Opening balance	5,555	92,935
Current year subscription / fee	14,626,897	13,379,410
Amount paid - current year	(14,626,897)	(13,466,790)
	5,555	5,555

Any unpaid balances are included as part of creditors.

47.4 Pension and Medical Aid Deductions

Current year subscription / fee	16,456,510	17,372,493
Amount paid - current year	(16,450,582)	(17,372,493)
	5,928	-

Any unpaid balances are included as part of creditors.

47.5 VAT

VAT receivable	2,974,152	1,776,354
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Refer to note 6

47.6 Non-compliance with the Municipal Finance Management Act

None

48. Multi-employer retirement benefit information

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

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48. Multi-employer retirement benefit information (continued)

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R2,087,086 (2021: R1,892,808) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

48.1 Defined Contribution schemes

Council contribute to the Municipal Council Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

48.2 Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2018.

The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R23 318 184, R70 111 and R651 455 (30 June 2017: R21 359,334 in total) million, with funding levels of 100.4%, 100% and 128% (2017: 100.3%, 100% and 127.3%) for the Share Account, Preservation Account and the Pensions Account respectively. The contribution rate paid by the members (7.50%) and the municipalities (19.50%) is sufficient to fund the benefits accruing from the fund in the future.

48.3 Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and Council (15.00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147.3%.

The statutory valuation performed as at 30 June 2012 revealed that the net assets of the fund were R1 183.5 (30 June 2009: R1 123.7) million, with a funding level of 99.5% (30 June 2009: 102.0%). The contribution rate paid by the members (13.75%) and Council (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

The deficit of R6.4 (2009: surplus R22.5) million is regarded as relatively insignificant in the context of the fund. There is a strong possibility that SARS may reverse penalties and interest in the order of R10.3 million which will result in a fully funded position.

The next statutory valuation was due at 30 June 2009, but an extension has been granted until 31 December 2010.

As reported by the Actuaries, the Fund was following an appropriate investment strategy during the valuation period.

No further information could be obtained.

None of the above mentioned plans are State Plans.

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49. Assessment on impact of Covid 19

The assessment conducted on the impact of COVID-19 confirms that there was no effect on the operations and the financial position of the municipality.

50. In-kind donations and assistance

Mr. G Botha served on the audit committee for the 2021/22 financial year, he is a government employee and therefore is not entitled to receive any compensation for duties performed as a member of the audit committee.

51. Private Public Partnerships

The municipality was not a party to any Private Public Partnerships during the year under review.

52. Declaration of suppliers

Supplier	Capacity		
Puleng Juliet Pelembe	Worked with Seta, Sadtu and Inseta	-	297,500
Gary Jacobs	Spouse employed at Sol Plaatje Local Municipality	-	78,192
Tumelo Naomi-Faith Masire	Organising Training of government officials		536,000
Lucem Group	Free State Dept. Of Education - Wife is a teacher	379,046	-
Tshepo Zikhali Engineers	Wife, K.P. Zikhali Works for Dept. of Health as a Pharmaceutical Assistant	93,720	-
Mosima IT Solutions	DR. T.C. Motaung - Spouse Department of Health Medical Officer	700,000	-
Steve Lawrence Productions	CSIR Video Production	173,043	-
		1,345,809	911,692

53. Segment information

General information

Identification of segments

For management purposes the municipality is broadly organised into business units based on the nature of operations and the services they provide. The municipality has seven primary reportable segments:

The municipality operates within the following geographical areas:

Local Municipal Areas

Dikgatong Local Municipality
Magareng Local Municipality
Phokwane municipality
Sol Plaatje Municipality

The municipality does however not monitor operating results for these geographical segments, and operational results are only monitored within the business units as previously disclosed.

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53. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Executive and Council	Finance and Administration	Internal Audit	Community and Social Services	Housing	Environmental Protection	Planning and Development	Total
Revenue								
Revenue from non-exchange transactions	514,050	129,249,565	-	-	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	3,400,862	133,164,477
venue from exchange transactions								
Sales of Goods and Rendering of Services	-	273,869	-	-	-	-	-	273,869
Rental from Fixed Assets	-	218,206	-	-	-	-	-	218,206
Interest, Dividends and Rent on Land Earned	-	5,868,867	-	-	-	-	-	5,868,867
Total segment revenue	514,050	135,610,507	-	-	-	-	3,400,862	139,525,419
Entity's revenue								139,525,419

Expenditure

Employee related costs	12,797,153	27,266,488	2,618,284	5,051,526	3,037,327	5,679,520	16,362,874	72,813,172
Remuneration of councillors	6,948,091	-	-	-	-	-	-	6,948,091
Depreciation and amortisation	119,217	3,042,383	9,521	800,517	23,242	70,600	556,811	4,622,291
- Bad debts written off	-	-	-	-	-	-	-	-
Interest, Dividends and Rent on Land	-	-	-	-	-	-	-	-
Contracted services	1,040,350	5,479,323	101,808	1,289,474	456,890	546,237	4,629,224	13,543,306
Inventory consumed	139,044	749,138	-	5,442	28,892	74,081	48,483	1,045,080
Transfers and subsidies paid	-	-	-	432,660	-	3,257,746	21,379,787	25,070,193
Operational costs	2,163,234	6,200,175	46,602	91,524	43,823	104,385	651,359	9,301,102
Loss on disposal of Property, Plant and Equipment	3,697	221,281	232	(151,172)	7	798	8,781	83,624
Actuarial Losses	-	1,566,538	-	-	-	-	-	1,566,538
Total segment expenditure	23,210,786	44,525,326	2,776,447	7,519,971	3,590,181	9,733,367	43,637,319	134,993,397
Total segmental surplus/(deficit)	(22 696 736)	91 085 181	(2 776 447)	(7 519 971)	(3 590 181)	(9 733 367)	(40 236 457)	4,532,022

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53. Segment information (continued)

Capital Expenditure Per Function

	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance of Actual Outcome against Final Budget	Actual Outcome as % of Final Budget
Executive and Council	48,170	-	48,170	19,775	-	28,395	58.95%
Finance and Administration	8,287,800	(2,975,000)	5,312,800	3,726,985	-	1,585,815	29.85%
Community and Social Services	3,764,490	(2,362,290)	1,402,200	624,609	-	777,591	55.46%
Environmental Services	60,600	-	60,600	22,661	-	37,939	62.61%
Planning and Development	18,000	750,420	768,420	758,723	-	9,697	1.26%
Total Capital Expenditure	12,179,060	(4,586,870)	7,592,190	5,152,753	-	2,439,437	-

Executive and Council

Savings realised on capital items budgeted due to implementation of cost containment.

Finance and Administration:

Savings is due to implementation of the cost containment.

Community and Social Services

Savings realised due to roll over of the Jan Kemp dorp building project to the 2022/23.

Planning and Development:

Savings realised on capital items budgeted for and none procurement of budgeted capital items for the year.

Environmental Protection:

Savings realised on capital items budgeted for and none procurement of budgeted capital items for the year.

54. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments. The prior period error was mainly necessitated by unadjusted prior period errors identified by management and the auditors during the audit.

Frances Baard District Municipality
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54. Prior-year adjustments (continued)

Statement of financial position

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Current Assets					
Operating Lease (Current Asset)		5,689	(5,689)	-	-
Vat Receivable (Current Asset)		1,782,330	(5,976)	-	1,776,354
Payables from Exchange Transactions		6,527,541	95,343	-	6,622,884
Receivable from Non-exchange Transactions		389,000	-	(389,000)	-
Statutory Receivables		-	-	389,000	389,000
Receivables from Exchange Transaction		6,159,910	(154,653)	-	6,005,257
Non-Current Asset					
Operating Lease (Non-Current Asset)		12,206	33,611	-	45,817
Property Plant and Equipment		50,837,960	17,251	-	50,855,211
Statement of Net Assets					
Accumulated Surplus		101,411,032	(210,798)	-	101,200,234
		167,125,668	(230,911)	-	166,894,757

Statement of financial performance

2021

	Note	As previously reported	Correction of error	Re-classification	Restated
Rental of Facilities		608,649	12,027	-	620,676
Employee Related Cost		73,822,982	-	(3,173,383)	70,649,599
Actuarial Losses		-	-	3,173,383	3,173,383
Depreciation		3,381,127	6,965	-	3,388,092
Surplus for the year		77,812,758	18,992	-	77,831,750

Frances Baard District Municipality

Annual Financial Statements for the year ended June 30, 2022

Notes to the Annual Financial Statements

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54. Prior-year adjustments (continued)

Cash flow statement

2021

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Receipts				
Other Receipts		3,198,751	355,682	3,554,433
Transfers and Subsidies		129,375,593	1,581,206	130,956,799
Payments				
Employee Related Costs		65,550,043	20,044	65,570,087
Other payments		27,983,201	1,957,177	29,940,378
		226,107,588	3,914,109	230,021,697
Cash flow from investing activities				
Proceeds on Disposal of Property, Plant and Equipment		67,407	(67,407)	-
Decrease / (Increase) in Long-term Receivables		1,710,648	15,622	1,726,270
		1,778,055	(51,785)	1,726,270

Risk Management

The gearing ratio has been removed as the municipality did not have any long-term debt.

55. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus per the statement of financial performance	4,532,022	7,705,822
Revenue from Non-exchange Transactions		
Transfers and Subsidies	4,225,013	1,828,405
Revenue from Exchange Transactions		
Other Income	(153,937)	131,562
Rental from Fixed Assets	(18,206)	391,461
Interest, Dividends and Rent on Land Earned	1,281,133	682,577
Gains on Disposal of Property, Plant and Equipment	-	-
Expenditure		
Employee Related Costs	(5,463,208)	(6,842,298)
Remuneration of Councillors	(14,299)	(1,755,663)
Depreciation and Amortisation	844,675	(325,153)
Impairment Losses	(10,000)	(50,000)
Contracted Services	-	(23,155,760)
Inventory Consumed	(1,215,796)	(367,863)
Grants and Subsidies Paid	(11,840,808)	6,010,758
Operational Costs	(13,815,628)	6,476,987
Loss on Disposal of Property, Plant and Equipment	(1,021,298)	(227,195)
Actuarial Losses	1,566,538	-
	(25,635,821)	(17,202,182)

56. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Frances Baard District Municipality

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Notes to the Annual Financial Statements

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56. Operating surplus (continued)		
Loss on sale/ disposal of property, plant and equipment	(83,624)	(61,352)
Loss on disposal of inventory	-	(11,453)
Amortisation on intangible assets	316,996	85,025
Depreciation on property, plant and equipment	4,297,019	3,289,004
Depreciation on investment property	8,276	14,063
Employee costs	79,761,263	77,649,837

