

FRANCES BAARD DISTRICT MUNICIPALITY



[These financial statements have not been audited]

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

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The reports and statements set out below comprise the annual financial statements presented to the council:

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FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

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 Municipality includes the following areas: Sol Plaatjie Phokwane Dikgatlong Magareng	
Nature of business	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	
Municipal demarcation code	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 financial officer	Ms O Moseki (Acting)	
Other heads of departments	Director: Administration Director: Planning & Development Director: Infrastructure Services	Ms KG Gaborone Mr F Netshivhoza (Acting) Mr S Suliman (Acting)
Registered office	51 Drakensberg Avenue Carters Glen Kimberley	
Legal representative	Mr K Matlakala	
External auditors	Auditor-General of South Africa Private Bag X5013 Kimberley	
Internal auditors	The Internal Audit section 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 Mr T Mudamburi Mr G Botha	Chairperson Member Member

FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

General information

Principal banker	FNB FNB Kimberley Regional Office Buttfontein Rd, New Park Kimberley 8301	
Relevant legislation	Municipal Finance Management Act Division of Revenue Act The Income Tax Amendment Act Value Added Tax Amendment Act Municipal Structures Act Municipal Systems Act Municipal Planning and Performance Management Regulations Housing Act Skills Development Levies Amendment Act Employment Equity Act Unemployment Insurance Act Basic Conditions of Employment Act Supply Chain Management Regulations	
Executive Mayor	Mr P Marekwa	Proportional
Speaker	Ms U Buda	Proportional
Mayoral Committee	Mr M Mokgatlhanyane Ms J Msibi Mr B Springbok Ms M Motsamai Ms BV Ximba	Proportional Proportional Proportional Proportional Proportional
MPAC Chairperson	Ms ET Matika	Sol Plaatje Municipality
Part Time Councillors	Mr M Mosweu Mr M Kaars Ms D Benjamin Mr P Louw Mr C Mkhonza Ms T Mathe Mr W Harmse Ms D Setholo Ms L Steenkamp Ms KM Sebego Mr F Thulo Ms M Beylefeld Ms D Niemann Mr C Phiri Ms M Molatudi Mr D M Macinga Ms M A Mahutie Ms M Tivane Mr K Zalisa	Proportional Proportional Proportional Proportional Proportional Phokwane Municipality Phokwane Municipality Proportional Proportional Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Sol Plaatje Municipality Dikgatlong Municipality Dikgatlong Municipality Phokwane Municipality Magareng Municipality

FRANCES BAARD DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2021

Approval of Annual Financial Statements

The Municipal Finance Management Act (Act 56 of 2003) requires that I maintain adequate accounting records and remain responsible for the content and integrity of the annual financial statement and related financial information. I am responsible for the preparation of these annual financial statements for the year ended 30 June 2021 which are set out on pages 1 to 81, which I have signed on behalf of the municipality. The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standard Board.

I, as the Accounting Officer, 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 us to meet these responsibilities, I have set standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

In light of this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

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

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Officer Bearers Act 20 of 1998 and the Minister of Co-operative Governance's determination in accordance with this Act.

The annual financial statements set out on pages 1 to 66, which have been prepared on the going concern basis, were approved by the accounting officer and are signed off on 30 August 2021:



Ms. ZM Bogatsu
Municipal Manager

31-Aug-21
Date

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

	Actual 2021	Restated 2020
Note	R	R
ASSETS		
Current Assets	119 706 050	115 444 551
Inventories	2. 375 696	380 752
Receivables from Exchange Transactions	3. 6 159 910	4 045 813
Receivables from Non-exchange Transactions	4. 389 000	389 000
VAT Receivable	5. 1 782 330	6 600 550
Investments	6. 10 200 000	8 300 000
Cash and Cash Equivalents	7. 99 935 425	94 855 647
Operating Lease Receivables	8. 5 689	-
Current Portion of Long-term Receivables	9. 858 000	872 788
Non-Current Assets	60 241 301	60 582 797
Property, Plant and Equipment	10. 50 837 960	52 750 684
Intangible Assets	11. 155 968	296 948
Investment Property	12. 543 750	557 813
Heritage Assets	13. 631 417	631 417
Operating Lease Receivable	8. 12 206	11 372
Long-term Receivables	14. 8 060 000	6 334 564
Total Assets	<u>179 947 351</u>	<u>176 027 348</u>
LIABILITIES		
Current Liabilities	21 673 992	31 602 871
Consumer Deposits	15. 1 725	3 450
Provisions	16. 12 982 407	11 049 275
Payables from Exchange Transactions	17. 6 527 541	18 889 826
Unspent Conditional Grants and Receipts	18. 2 162 319	1 660 320
Non-Current Liabilities	29 921 774	23 773 655
Employee Benefit Liabilities	19. 29 817 963	23 674 031
Non-current Provisions	20. 103 811	99 624
Total Liabilities	<u>51 595 766</u>	<u>55 376 526</u>
Total Assets and Liabilities	<u>128 351 586</u>	<u>120 650 823</u>
NET ASSETS	128 351 585	120 650 822
Reserves	21. 26 940 553	27 204 514
Accumulated Surplus)	22. 101 411 032	93 446 308

FRANCES BAARD DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Note	Actual 2021 R	Restated 2020 R
REVENUE			
Revenue from Non-exchange Transactions			
Transfers and Subsidies	23.	128 873 595	124 349 644
Revenue from Exchange Transactions			
Other Revenue	24.	268 438	7 853 378
Rental from Fixed Assets	25.	608 649	603 057
Interest, Dividends and Rent on Land Earned	26.	5 067 423	7 399 488
Total Revenue		134 818 105	140 205 566
EXPENDITURE			
Employee Related Costs	27.	73 822 982	63 753 995
Remuneration of Councillors	28.	7 000 237	6 802 016
Depreciation and Amortisation	29.	3 381 127	3 800 809
Bad Debts Written Off	30.	-	2 665
Inventory Consumed	31.	1 250 827	1 113 918
Transfers and Subsidies Paid	32.	19 454 158	21 909 203
Operational Costs	33.	22 135 205	22 739 580
Loss on Disposal of Property, Plant and Equipment	34.	72 805	58 103
Total Expenditure		127 117 342	120 180 288
SURPLUS FOR THE YEAR		7 700 763	20 025 279
Refer to Budget Statement for explanation of budget variances			

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Reserves	Accumulated Surplus	Total Net Assets
	R	R	R
2020			
Balance at 30 June 2019	27 468 475	73 136 387	100 604 862
Change in Accounting Policy	-	-	-
Correction of Error (Note 35.)	-	-	-
Restated Balance	27 468 475	73 136 387	100 604 862
Surplus / (Deficit) for the year	-	20 025 279	20 025 279
Other Transfers to/from Accumulated Surplus	-	20 682,0	20 682
Transfers to/from Accumulated Surplus	(263 961)	-	(263 961)
Transfers to/from Reserves	-	-	-
Depreciation Offsets	-	263 961	263 961
Balance at 30 June 2020	27 204 514	93 446 308	120 650 822
2021			-
Surplus / (Deficit) for the year	-	7 700 763	7 700 763
Other Transfers to/from Accumulated Surplus	-	-	-
Transfers to/from Accumulated Surplus	(263 961)	-	(263 961)
Transfers to/from Reserves	-	-	-
Depreciation Offsets	-	263 961	263 961
Balance at 30 June 2021	26 940 553	101 411 032	128 351 585

Details on the movement of the Funds and Reserves are set out in Note 21. and Note 22.

FRANCES BAARD DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	Note	Actual 2021 R	Restated 2020 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Transfers and Subsidies		129 375 593	125 917 650
External Interest and Dividends Received		5 067 423	7 399 488
Other Receipts		3 198 751	8 504 048
Payments			
Employee Related Costs		(65 550 043)	(69 268 475)
Remuneration of Councillors		(7 000 237)	(6 802 016)
Suppliers Paid		(26 975 739)	(4 779 055)
Other Payments		(27 983 201)	(36 253 539)
NET CASH FLOWS FROM OPERATING ACTIVITIES	36	10 132 546	24 718 100
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(1 374 713)	(1 101 264)
Proceeds on Disposal of Property, Plant and Equipment		(67 407)	18 000
Decrease / (Increase) in Current Investments		(1 900 000)	(1 600 000)
Decrease / (Increase) in Long-term Receivables		(1 710 648)	1 253 648
NET CASH FLOWS FROM INVESTING ACTIVITIES		(5 052 768)	(1 429 616)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings		-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		5 079 778	23 288 485
Cash and Cash Equivalents at Beginning of Period		94 855 647	71 567 162
Cash and Cash Equivalents at End of Period		99 935 425	94 855 647

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments variance	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	%	%
FINANCIAL POSITION									
Current Assets									
Inventories	430 700	-	430 700	-	430 700	375 696	(55 004)	87%	87%
Receivables from Exchange Transactions	11 580 889	-	11 580 889	-	11 580 889	6 159 910	(5 420 979)	53%	53%
Receivables from Non-exchange Transactions	-	-	-	-	-	389 000	389 000	0%	0%
VAT Receivable	-	-	-	-	-	1 782 330	1 782 330	0%	0%
Investments	-	-	-	-	-	10 200 000	10 200 000	0%	0%
Cash and Cash Equivalents	199 741 402	3 455 220	203 196 622	-	203 196 622	99 935 425	(103 261 197)	49%	50%
Operating Lease Receivables	-	-	-	-	-	5 689	5 689	0%	0%
Current Portion of Long-term Receivables	868 000	-	868 000	-	868 000	858 000	(10 000)	99%	99%
Non-Current Assets									
Property, Plant and Equipment	58 178 227	1 385 780	59 564 007	-	59 564 007	50 837 960	(8 726 047)	85%	87%
Intangible Assets	3 222 960	2 000 000	5 222 960	-	5 222 960	155 968	(5 066 992)	3%	5%
Investment Property	571 875	-	571 875	-	571 875	543 750	(28 125)	95%	95%
Heritage Assets	631 420	-	631 420	-	631 420	631 417	(3)	100%	100%
Long-term Receivables	7 593 000	-	7 593 000	-	7 593 000	8 060 000	467 000	106%	106%
Total Assets	282 818 473	6 841 000	289 659 473	-	289 659 473	179 947 351	(109 712 122)	62%	64%
Current Liabilities									
Consumer Deposits	350	-	350	-	350	1 725	1 375	493%	493%
Provisions	12 528 938	-	12 528 938	-	12 528 938	12 982 407	453 469	104%	104%
Payables from Exchange Transactions	17 024 694	-	17 024 694	-	17 024 694	6 527 541	(10 497 153)	38%	38%
Unspent Conditional Grants and Receipts	-	-	-	-	-	2 162 319	2 162 319	0%	0%
Current Portion of Long-term Liabilities	-	-	-	-	-	-	-	0%	0%
Non-Current Liabilities									
Long-term Liabilities	-	-	-	-	-	-	-	0%	0%
Employee Benefit Liabilities	-	-	-	-	-	29 817 963	29 817 963	0%	0%
Non-current Provisions	36 663 840	-	36 663 840	-	36 663 840	103 811	(36 560 029)	0%	0%
Total Liabilities	66 217 822	-	66 217 822	-	66 217 822	51 595 766	(14 622 056)	78%	78%
Total Assets and Liabilities	216 600 651	6 841 000	223 441 651	-	223 441 651	128 351 586	(95 090 065)	57%	59%
Net Assets (Equity)									
Reserves	18 200 160	(3 385 780)	14 814 380		14 814 380	26 940 553	12 126 173	182%	148%
Accumulated Surplus / (Deficit)	60 869 020	(245 660)	60 623 360		60 623 360	101 411 032	40 787 672	167%	167%
Total Net Assets	79 069 180	(3 631 440)	75 437 740		75 437 740	128 351 585	52 913 845	170%	162%

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Receivables from Exchange Transactions:

The year to date movement comprises of Subscriptions and other services debtors.

Cash and Cash Equivalents:

The variance is due to a decrease in the investments and rental income.

Operating Lease Receivables:

template.

Property, Plant and Equipment:

The variance is as a result of additions to PPE of the municipality.

Intangible Assets:

The variance is due to non procurement of the financial system which is rolled over to the 2021/22 financial year.

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 material variance is due to the easing of the lockdown regulations during the financial year which led to more bookings of lecture rooms than anticipated.

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, therefore 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.

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
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Transfers and Subsidies	130 702 000	2 069 000	132 771 000	-	132 771 000	128 873 595	(3 897 405)	97%	99%
Revenue from Exchange Transactions									
Other revenue	400 000	-	400 000	-	400 000	268 438	(131 562)	67%	67%
Rental from Fixed Assets	1 000 110	-	1 000 110	-	1 000 110	608 649	(391 461)	61%	61%
Interest, Dividends and Rent on Land Earned	5 750 000	-	5 750 000	-	5 750 000	5 067 423	(682 577)	88%	88%
Total Revenue	137 852 110	2 069 000	139 921 110	-	139 921 110	134 818 105	(5 103 005)	96%	98%
Expenditure									
Employee Related Costs	80 665 280	(2 138 030)	78 527 250	-	78 527 250	73 822 982	(4 704 268)	94%	92%
Remuneration of Councillors	8 755 900	-	8 755 900	-	8 755 900	7 000 237	(1 755 663)	80%	80%
Depreciation and Amortisation	3 706 280	-	3 706 280	-	3 706 280	3 381 127	(325 153)	91%	91%
Impairment Losses	50 000	-	50 000	-	50 000	-	(50 000)	0%	0%
Contracted Services	23 155 760	484 810	23 640 570	-	23 640 570	-	(23 640 570)	0%	0%
Inventory Consumed	1 618 690	927 620	2 546 310	-	2 546 310	1 250 827	(1 295 483)	49%	77%
Transfers and Subsidies Paid	13 443 400	6 669 200	20 112 600	-	20 112 600	19 454 158	(658 442)	97%	145%
Operational Costs	15 658 218	(243 160)	15 415 058	-	15 415 058	22 135 205	6 720 147	144%	141%
Loss on Disposal of Property, Plant and Equipment	300 000	-	300 000	-	300 000	72 805	(227 195)	24%	24%
Total Expenditure	147 353 528	5 700 440	153 053 968	-	153 053 968	127 117 342	(25 936 626)	83%	86%
Surplus/(Deficit for the Year)	(9 501 418)	(3 631 440)	(13 132 858)	-	(13 132 858)	7 700 762	20 833 620	-	-

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.

Other revenue

Other revenue declined due to loss on employee benefits realised.

Rental from Fixed Assets:

The rental of facilities and equipment was less than expected due to the low demand for the services and restrictions during the National Lockdown.

Interest, Dividends and Rent on Land Earned:

The income from external investments declined due to the drop in the interest rates received.

Employee Related Costs:

The 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 and Planning & Development.

Remuneration of Councillors:

The variance is due to the change in the remuneration as gazetted and the change in the portfolio of Councillors. During the year there were vacancies due to the resignation of Councillors.

Depreciation and Amortisation:

The depreciation & amortisation on assets was more than expected as assets could not be disposed as planned due to the National Lockdown and the delay in the completion of the Disaster Management Center.

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 and National Lockdown.

Operational Costs:

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

Loss on Disposal of Property, Plant and Equipment:

The loss on disposal of PPE was lower than anticipated due to the write-off of assets being lower than budgeted during the 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
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	500 000	-	500 000	-	500 000	333 344	(166 656)	67%	67%
Finance and Administration	5 502 100	2 212 280	7 714 380	-	7 714 380	737 268	(6 977 112)	10%	13%
Community and Social Services	2 477 790	700 000	3 177 790	-	3 177 790	8 702	(3 169 088)	0%	0%
Environmental Protection	250 000	469 000	719 000	-	719 000	282 655	(436 345)	39%	113%
Planning and Development	10 500	4 500	15 000	-	15 000	12 745	(2 255)	85%	121%
Total Capital Expenditure	8 740 390	3 385 780	12 126 170	-	12 126 170	1 374 713	(10 751 457)	11%	16%
Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual									
Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:									
<p style="text-align: center;">Proper procedures to budget for Financial Position have not been developed and implemented. Furthermore, the system utilised does not carry budget for Financial Position and no budgetary control can be performed.</p>									
Executive and Council:									
Savings realised on capital items budgeted for and none procurement of budgeted capital items for the year.									
Finance and Administration:									
Savings is due to the roll over of the financial system and IT projects.									
Community and Social Services:									
Savings realised due to roll over of the Jan Kemp dorp building project to the 2021/22.									
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.									
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
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

30 June 2021

Description	Original Budget	Budget Adjustments	Adjustment Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Transfers and Subsidies		-	-	-	-	129 375 593	129 375 593	0%	0%
External Interest and Dividends Received		-	-	-	-	5 067 423	5 067 423	0%	0%
Other Receipts	134 535 903	-	134 535 903	-	134 535 903	3 198 751	(131 337 152)	2%	2%
Employee Related Costs	(1 031 660)	-	(1 031 660)	-	(1 031 660)	(65 550 043)	(64 518 383)	0%	0%
Remuneration of Councillors	-	-	-	-	-	(7 000 237)	(7 000 237)	0%	0%
External Interest and Dividends Paid	-	-	-	-	-	-	-	0%	0%
Suppliers Paid	-	-	-	-	-	(26 975 739)	(26 975 739)	0%	0%
Other Payments	-	-	-	-	-	(27 983 201)	(27 983 201)	0%	0%
VAT Receivable / Payable	-	-	-	-	-	-	-	0%	0%
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(8 740 390)	-	(8 740 390)	-	(8 740 390)	(1 374 713)	7 365 677	0%	0%
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	(67 407)	(67 407)	0%	0%
Decrease / (Increase) in Long-term Receivables	2	7 593 000	7 592 998	-	7 592 998	(1 710 648)	(9 303 646)	0%	0%
Cash Flows from/(used in) Financing Activities									
Proceeds from Borrowings	-	-	-	-	-	-	-	0%	0%
Repayment of Borrowings	-	-	-	-	-	-	-	0%	0%
Increase / (Decrease) in Short-term Loans	-	-	-	-	-	-	-	0%	0%
Cash and Cash Equivalents at End of the Year	124 763 855	7 593 000	132 356 851	-	132 356 851	6 979 778	(125 377 073)	5%	6%

FRANCES BAARD DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 5% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.

External Interest and Dividends Received:

Interest on external investments was budgeted for under other revenue.

Other Receipts:

Transfers and subsidies, interest received are all budgeted 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.

Employee Related Costs:

Variance is due to employee related cost are budgeted for under suppliers and employees.

Remuneration of Councillors:

Variance is due to remuneration of councillors budgeted for under suppliers and employees.

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 and the restriction on the National Lockdown.

Other Payments:

The variance is due to cost containment measures implemented to ensure elimination of none priority spending and the restriction on national lockdown.

Purchase of Property, Plant and Equipment:

The variance is due to roll overs of projects.

Decrease / (Increase) in Long-term Receivables:

Due to the actuarial valuation performed at the end of the year a variation occurred between the actual and budgeted figure for long-term receivables.

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
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2020/21	2019/20
	R	R
Net surplus/(deficit) per the statement of financial performance	7 700 763	20 025 279
Revenue from Non-exchange Transactions		
Transfers and Subsidies	1 828 405	4 592 356
Revenue from Exchange Transactions		
Sales of Goods and Rendering of Services	131 562	(7 053 378)
Rental from Fixed Assets	391 461	549 953
Interest, Dividends and Rent on Land Earned	682 577	(2 049 488)
Gains on Disposal of Property, Plant and Equipment	-	-
Expenditure		
Employee Related Costs	(6 842 298)	(12 420 491)
Remuneration of Councillors	(1 755 663)	(509 404)
Depreciation and Amortisation	(325 153)	171 935
Impairment Losses	(50 000)	(335)
Finance Costs	-	-
Contracted Services	(23 155 760)	(24 091 740)
Inventory Consumed	(367 863)	(557 552)
Grants and Subsidies Paid	6 010 758	1 498 483
Operational Costs	6 476 987	7 060 170
Statutory Payments other than Taxes	-	-
Loss on Disposal of Property, Plant and Equipment	(227 195)	(241 897)
Net surplus/deficit per approved budget	(9 501 418)	(13 026 110)

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. ACCOUNTING POLICIES

1.1 BASIS OF 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 Utilisation of Transitional Provisions

GRAP 108 Statutory Receivables

GRAP 108 Statutory Receivables became effective on 1 April 2019 and, in accordance with the transitional provisions for the Standard provided in Directive 3, entities are not required to change their accounting policies in respect of the classification and measurement of statutory receivables for reporting periods beginning on a date within three years following the date of first adoption of GRAP 108. Entities shall comply with the disclosure requirements of GRAP 108 as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.

The municipality is taking advantage of the transitional provisions by not classifying or measuring its Statutory Receivables in accordance with GRAP 108, and, therefore, no disclosures required by GRAP 108 has been made.

The estimate Statutory Receivables that exists in the municipality's books at year-end are those relating to VAT.

The municipality intends to fully apply the requirements of GRAP 108 by 30 June 2022.

1.1.2 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.

1.1.3 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.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.1.4 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:

1.1.4.1 Revenue Recognition

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

1.1.4.2 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.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.1.4.3 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.

1.1.4.4 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.

1.1.4.5 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.

1.1.4.6 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
- GRAP 104 Financial Instruments

1.2 NET ASSETS

1.2.6.1 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).

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.2.6.2 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.

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 buildings and land 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 Buildings and Land 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.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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:

	Asset Class	Years
	Community	
	Security Measures	5 - 10
	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	4 - 17

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.

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).

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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, it's 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.

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:

	Asset Class	Years
	Computer Software	10
	Computer Software Licences	10

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

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.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

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.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

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.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

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.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

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.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

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.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) 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.

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.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

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.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

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.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

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.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) 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.

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).

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

1.1 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.

1.17 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.

1.18 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.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the First-In-First-Out Method as defined by GRAP 12 (Inventories).

1.19 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

1.20 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.

FRANCES BAARD DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.21 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.

1.22 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.

1.23 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 2020 to 30 June 2021.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	R	R
2. INVENTORIES		
Consumables	375 696	380 752
Total Inventories	375 696	380 752

Reconciliation:

Opening balance	380 752	362 518
Purchases	259 115	364 162
Issues	(264 171)	(345 929)
Closing Balance	375 696	380 752

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 R264 171 for the current year (2020: R345 929)

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2021			
Service Debtors:	4 652 233	88 121	4 564 112
Other Service Charges	4 652 233	88 121	4 564 112
Provincial Departments	4 402 412		
Councillors	107 640		
Officials	5 979		
Medical Aid Debtor	2 271		
Private Business	133 931	-	-
Prepayments and Advances	1 224 172	-	1 224 172
Rent	-	-	-
Subscriptions	1 224 172	-	1 224 172
Other Debtors	371 626	-	371 626
Total Receivables from Exchange Transactions	6 248 030	88 121	6 159 910

Other service charges is made up of monthly charge for Dikgatlong refund on medical aid, post medical aid recovered from public works, billing recovered from government departments for using land which has not been transferred over to these government departments and debt recovered from employees, i.e. failed courses.

Prepayments and advances consist of SALGA subscription and advance insurance premiums for the 2020/21 financial year.

Other debtors consist of accrued interest from investment accounts and disaster grant (COGHSTA) gazetted but not paid over to the municipality.

	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2020			
Service Debtors:	2 732 509	88 121	2 644 389
Other Service Charges	2 732 509	88 121	2 644 389
Prepayments and Advances	1 203 969	-	1 203 969
Rent	-	-	-
Subscriptions	1 203 969	-	1 203 969
Other Debtors	197 455	-	197 455
Total Receivables from Exchange Transactions	4 133 934	88 121	4 045 813

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The impairment on debtors of R88,121 is based on long outstanding debtors, who owe the municipality for more than 120 days. Refer to Note 30. for detail on impairment provision.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2021

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Other Service Charges:					
Gross Balances	318 691	179 493	106 709	4 047 340	4 652 233
Less: Provision for Impairment		-	-	88 121	88 121
Net Balances	318 691	179 493	106 709	3 959 219	4 564 112
Prepayments and Advances:					
Gross Balances	1 224 172	-	-	-	1 224 172
Net Balances	1 224 172	-	-	-	1 224 172
Other Debtors					
Gross Balances	371 626	-	-	-	371 626
Net Balances	371 626	-	-	-	371 626
Total	1 914 488	179 493	106 709	3 959 219	6 159 910

As at 30 June 2021 Receivables of R4 245 422 were past due on accounts older than 90 days, R88 121 was assessed to be impaired in accordance with the municipal policy. The age analysis of these Receivables are as follows:

	Past Due			Total Past Due
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	179 493	106 709	4 047 340	4 333 542
Less: Provision for Impairment	-	-	88 121	88 121
Net Balances	179 493	106 709	3 959 219	4 245 422

As at 30 June 2020

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Other Service Charges:					
Gross Balances	414 410	287 303	72 803	1 957 993	2 732 509
Less: Provision for Impairment	-	-	-	88 121	88 121
Net Balances	414 410	287 303	72 803	1 869 872	2 644 389
Prepayments and Advances:					
Gross Balances	1 203 969	-	-	-	1 203 969
Net Balances	1 203 969	-	-	-	1 203 969
Other Debtors					
Gross Balances	197 455	-	-	-	197 455
Net Balances	197 455	-	-	-	197 455
Total	1 815 835	287 303	72 803	1 869 872	4 045 813

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

As at 30 June 2020 Receivables of R2 229 979 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total Past Due
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	287 303	72 803	1 957 993	2 318 099
Less: Provision for Impairment	-	-	88 121	88 121
Net Balances	287 303	72 803	1 869 872	2 229 979

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2021			
Recovery of disaster grant DoRA	389 000	-	389 000
Total Receivables from Non-exchange Transactions	389 000	-	389 000
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2020			
Recovery of disaster grant DoRA	389 000	-	389 000
Total Receivables from Non-exchange Transactions	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.

5. VAT RECEIVABLE

VAT Receivable is the Net Receivable from all VAT Control Accounts and must agree to the VAT201 Return.

Vat Payable.	(19 277 052)	(10 003 571)
VAT Payable Control	(14 652 807)	(5 412 719)
VAT Credit Output	(8 879)	1 106
Output VAT	(4 615 367)	(4 591 958)
Vat Receivable.	21 059 383	16 604 121
Total Vat Receivable	1 782 330	6 600 550

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

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.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

6. INVESTMENTS

	2021	2020
	R	R
Total Bank deposits	10 200 000	8 300 000
	<u>10 200 000</u>	<u>8 300 000</u>
Current Investments Movement during year:		
Opening Balance	8 300 000	6 700 000
Invested	1 900 000	1 600 000
Redeemed/withdrawn	-	-
Closing Balance	<u>10 200 000</u>	<u>8 300 000</u>

Fixed deposit at Absa until 24 June 2021

Difference Between Cashbook and Bankstatements
ABSA

2020/21		
Cashbook	Bankstatement	Difference
10 200 000	10 200 000	-

Difference Between Cashbook and Bankstatements
NEDBANK

2019/20		
Cashbook	Bankstatement	Difference
8 300 000	8 300 000	-

7. CASH AND CASH EQUIVALENTS

Current Investments	93 499 749	78 066 381
Bank Accounts	6 432 376	16 785 966
Cash and Cash Equivalents	3 300	3 300
Total Bank, Cash and Cash Equivalents	<u>99 935 425</u>	<u>94 855 647</u>
Net Bank, Cash and Cash Equivalents	<u>99 935 425</u>	<u>94 855 647</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

Call Accounts	93 499 749	78 066 381
Total Current Investment Deposits	<u>93 499 749</u>	<u>78 066 381</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 2.20 % to 3.75 % (2020: 3.20 % to 7.10 %) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 3.52 % to 6.67 % (2020: 3.20 % to 7.10 %) per annum.

Deposits attributable to Unspent Conditional Grants	2 162 319	1 660 320
Deposits attributable to Capital Replacement Reserve.	7 957 082	7 957 082
Deposits attributable to Payables	6 527 541	18 889 826
Deposits attributable to Current Provisions	12 982 407	11 049 275
Deposits attributable to Consumer Deposits	1 725	3 450
Deposits available for Operations	63 868 675	38 506 428
Total Deposits attributable to Commitments of the Municipality	<u>93 499 749</u>	<u>78 066 381</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

7.2 Bank Accounts

	2021	2020
	R	R
Cash in Bank	6 432 376	16 785 966
Bank Overdraft	-	-
Total Bank Accounts	6 432 376	16 785 966

The Municipality has the following bank accounts:

Primary Bank Account

ABSA - Northern Cape Provincial BNKG - Primary Account:

Cash book balance at beginning of year	16 785 966	5 062 861,91
Cash book balance at end of year	-	16 785 966

FNB - Kimberley Regional Office - Primary Account:

Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	6 432 376	-

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.

Difference Between Cashbook and Bankstatements

	2020/21		
	Cashbook	Bankstatement	Difference
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	-
Total Investments	93 499 749	93 499 749	-

Difference Between Cashbook and Bankstatements

	2019/20		
	Cashbook	Bankstatement	Difference
ABSA	14 301 000	14 301 000	-
FNB	25 065 381	25 065 381	-
NEDBANK	35 000 000	35 000 000	-
Standard Bank	12 000 000	12 000 000	-
Total Investments	86 366 381	86 366 381	-

7.3 Cash and Cash Equivalents

Cash Floats and Advances	3 300	3 300
Total Cash on hand in Cash Floats, Advances and Equivalents	3 300	3 300
Total cash and cash equivalents	99 935 425	94 855 647

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. OPERATING LEASE RECEIVABLES

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:

Balance at beginning of year	11 372	909
Operating Lease Installment reversal/adjustment	-	(909)
Operating Lease Revenue effected	6 523	11 372
Total Operating Lease Receivables	17 895	11 372

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

The following amounts are due as shown below:

	2021	2020
	R	R
Up to 1 year	5 689,00	-
2 to 5 years	12 206,00	11 372,00
Total Operating Lease Arrangements	17 895,00	11 372,00

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 R6,523 (2020: increase of R11,372) in current year income.

8.1 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.

8.2 Amounts receivable under Operating Leases

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	164 851	152 640
2 to 5 years	370 322	353 173
Total Operating Lease Arrangements	535 173	505 813

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

9. CURRENT PORTION OF LONG-TERM RECEIVABLES

Employee Benefits - Roads Members	858 000	872 788
Total Current Portion of Long-term Receivables	858 000	872 788

Current portion of long-term receivables relate to post medical aid payments which the municipality made on behalf of retired Roads members, which is claimed back from the Department of Roads & Public Works on a monthly basis.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

10. PROPERTY, PLANT AND EQUIPMENT

30 June 2021

Reconciliation of Carrying Value

Description	Land	Buildings	Other	Work under construction (Buildings)	Total
	R	R	R		R
Carrying values at 30 June 2020	7 955 000	22 459 339	8 742 286	13 594 060	52 750 684
Cost	7 955 000	645 427	32 505 385	13 594 060	54 699 871
- Completed Assets	7 955 000	645 427	32 505 385	-	41 105 811
- Under Construction	-	-	-	13 594 060	13 594 060
Revaluation	-	42 046 433	-	-	42 046 433
Accumulated Impairment Losses	-	-	-	-	-
Accumulated Depreciation:	-	-20 232 521	-23 763 099	-	-43 995 620
- Cost	-	-	-23 763 098	-	-23 763 098
- Revaluation	-	-20 232 521	-	-	-20 232 521
Acquisition of Assets					
- Cost: Internal Funding	-	-	1 374 713	-	1 374 713
- Capital Under Construction: Internal Funding	-	-	-	-	-
- Transferred from Capital Under Construction	-	-	-	-	-
- Revaluation	-	-	-	-	-
Increases/Decreases in Revaluation	-	-	-	-	-
Depreciation:	-	-898 255	-2 383 785	-	-3 282 040
- Based on Cost	-	-	-2 383 785	-	-2 383 785
- Based on Revaluation	-	-898 255	-	-	-898 255
Carrying value of Disposals:	-	-	-5 398	-	-5 398
- Cost	-	-	-344 669	-	-344 669
- Revaluation	-	-	-	-	-
- Accumulated Depreciation	-	-	339 271	-	339 271
- Based on Cost	-	-	339 271	-	339 271
- Based on Revaluation	-	-	-	-	-
Impairment Losses	-	-	-	-	-
Capital under Construction - Completed	-	11 276 645	-	-11 276 645	-
Other Movements	-12 000	-174 426	186 426	-	0
- Cost	-12 000	-	295 150	-	283 150
- Revaluation	-	-283 150	-	-	-283 150
- Accumulated Depreciation	-	108 724	-108 723	-	1
Carrying values at 2021	7 943 000	32 663 303	7 914 242	2 317 415	50 837 960
Cost	7 943 000	11 922 071	33 830 578	2 317 415	56 013 065
- Completed Assets	7 943 000	11 922 071	33 830 578	-	53 695 650
- Under Construction	-	-	-	2 317 415	2 317 415
Revaluation	-	41 763 283	-	-	41 763 283
Accumulated Impairment Losses	-	-	-	-	-
Accumulated Depreciation:	-	-21 022 052	-25 916 336	-	-46 938 388
- Cost	-	-	-25 916 336	-	-25 916 336
- Revaluation	-	-21 022 052	-	-	-21 022 052

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2020

Reconciliation of Carrying Value

Description	Land	Buildings	Other	Work under construction (Buildings)	Total
	R	R	R		R
Carrying values at 01 July 2019	8 000 000	22 598 204	9 834 289	14 964 195	55 396 687
Cost	8 000 000	-	31 272 814	14 964 195	54 237 009
- Completed Assets	8 000 000	-	31 272 814	-	39 272 814
- Under Construction	-	-	-	14 964 195	14 964 195
Correction of error (Note 35.)	-	-	-	-	-
- Revaluation	-	-	-	-	-
- Transfer to investment assets	-	-	-	-	-
Revaluation	-	42 048 300	-	-	42 048 300
Accumulated Depreciation:	-	(19 450 096)	(21 438 526)	-	(40 888 622)
- Cost	-	-	(21 438 526)	-	(21 438 526)
- Revaluation	-	(19 450 096)	-	-	(19 450 096)
Acquisition of Assets	-	-	-	-	-
- Cost: Internal Funding	-	-	966 655	-	966 655
- Capital Under Construction: Internal Funding	-	-	-	134 609	134 609
Depreciation:	-	(784 274)	(2 886 888)	-	(3 671 163)
- Based on Cost	-	-	(2 886 888)	-	(2 886 888)
- Based on Revaluation	-	(784 274)	-	-	(784 274)
Carrying value of Disposals:	(45 000)	(17)	(31 085)	-	(76 103)
- Cost	(45 000)	-	(593 401)	-	(638 401)
- Revaluation	-	(1 867)	-	-	(1 867)
- Accumulated Depreciation	-	1 849	562 315	-	564 165
- Based on Cost	-	-	562 315	-	562 315
- Based on Revaluation	-	1 849	-	-	1 849
Impairment Losses	-	-	-	-	-
Capital under Construction - Completed	-	-	-	(1 504 744)	(1 504 744)
Other Movements	-	645 427	859 316	-	1 504 743
Carrying values at 30 June 2020	7 955 000	22 459 339	8 742 286	13 594 060	52 750 684
Cost	7 955 000	645 427	32 505 385	13 594 060	54 699 871
- Completed Assets	7 955 000	645 427	32 505 385	-	41 105 811
- Under Construction	-	-	-	13 594 060	13 594 060
Revaluation	-	42 046 433	-	-	42 046 433
Accumulated Depreciation:	-	(20 232 521)	(23 763 098)	-	(43 995 620)
- Cost	-	-	(23 763 098)	-	(23 763 098)
- Revaluation	-	(20 232 521)	-	-	(20 232 521)

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2021
R

2020
R

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

10.1 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.

10.2 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.

10.3 Assets pledged as security

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

10.4 Impairment of Property, Plant and Equipment

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

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

There was no change (2019/20: R0) in the estimated useful life of various assets of the municipality for the financial year.

10.6 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, and therefore no fair value was determined for the year under review. The last revaluation was done on 2016/17 financial year.

10.7 Delayed Projects

Project Details	Delayed or Halted		
Project 1: Additional Offices (Infrastructure unit)	Delayed	-	11 276 645
Reason: Project experienced some delays and went beyond the projected completion date. These delays are beyond the control of the municipality, which is issue of electrical and certificate of occupation. The projects will be however be completed within the cost limits of the original contract amounts.			
Project 2: Disaster Management Centre	Delayed	2 317 415	2 182 806
Reason: Project experienced some delays and went beyond the projected completion date. These delays are beyond the control of the municipality, as the municipality is experiencing difficulty to remove the Department of Transport, Safety and Liason from the building in order to complete the project.			

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

10.8 Expenditure incurred for repairs and maintenance

2021
R

2020
R

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Information and Communication Infrastructure	15 255	14 654
Computer Equipment	9 829	3 830
Furniture and Office Equipment	686 886	407 124
Machinery and Equipment	294 855	331 635
Other Assets - Buildings	442 094	511 631
Transport Assets	107 424	116 833
Total Expenditure related to Repairs and Maintenance Projects	1 556 343	1 385 707
Total Repairs and Maintenance related to assets of Frances Baard District Municipality	1 556 343	1 385 707

11. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

155 968

296 948

The movement in Intangible Assets is reconciled as follows:

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

155 968

296 948

The movement in Intangible Assets is reconciled as follows:

	Software Purchased	Total
Carrying values at 01 July 2020	296 948	296 948
Cost	1 704 958	1 704 958
Accumulated Amortisation	(1 408 010)	(1 408 010)
Acquisitions:	-	-
Amortisation:	(85 025)	(85 025)
Purchased	(85 025)	(85 025)
Disposals:	(55 954)	(55 954)
At Cost	(153 075)	(153 075)
At Accumulated Amortisation	97 121	97 121
Carrying values at 30 June 2021	155 968	155 968
Cost	1 551 883	1 551 883
Accumulated Amortisation	(1 395 915)	(1 395 915)

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Software Purchased	Total
Carrying values at 01 July 2019	412 698	412 698
Cost	1 704 958	1 704 958
Accumulated Amortisation	(1 292 260)	(1 292 260)
Acquisitions:	-	-
Purchased Internal Funding	-	-
Amortisation:	(115 751)	(115 751)
Purchased	(115 751)	(115 751)
Disposals:	-	-
Carrying values at 30 June 2020	296 948	296 948
Cost	1 704 958	1 704 958
Accumulated Amortisation	(1 408 010)	(1 408 010)

The amortisation for the 2020 financial year was incorrectly disclosed as R155 880 in stead of R115 751. This resulted in the carrying value incorrectly disclosed as R256 818 (296 948) and accumulated amortisation as 1 448 140 (1 408 010).

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 29.).

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.

11.1 Significant Intangible Assets

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

11.2 Intangible Assets with Indefinite Useful Lives

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

The useful lives of the Intangible Assets remain unchanged from the previous year.

11.3 Impairment of Intangible Assets

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

11.4 Work-in-Progress

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

11.5 Delayed Projects

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

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

10.6 Expenditure incurred for repairs and maintenance

	2021	2020
	R	R
The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:		
Contracted Services	2 013 360	2 267 683
Licence fees	1 889 546	2 087 026
Website Maintenance	123 814	180 657
	2 013 360	2 267 683

12. INVESTMENT PROPERTY

At Fair Value		
At Cost less Accumulated Depreciation	543 750	557 813

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July 2020	557 813	571 875
Cost	600 000	600 000
Fair Value	-	-
Accumulated Depreciation	(42 188)	(28 125)
Accumulated Impairment Losses	-	-
Depreciation during the Year	(14 063)	(14 063)
Carrying values at 30 June 2021	543 750	557 813
Cost	600 000	600 000
Accumulated Depreciation	(56 250)	(42 188)

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

Rental Revenue earned from Investment Property	222 626	183 922
------------------------------------------------	---------	---------

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.

12.1 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.

12.2 Impairment of Investment Property

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

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

12.3 Work-in-Progress

2021
R

2020
R

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

12.4 Delayed Projects

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

12.5 Expenditure incurred for repairs and maintenance

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Contracted Services	-	-
Inventory Consumed	-	-
Labour	-	-
Other Operational Costs	-	-
	-	-
	-	-

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

13. HERITAGE ASSETS

30 June 2021

Reconciliation of Carrying Value

Description	Significant Land and Buildings	National Parks	Works of Art, Antiques and Collections	Sculptures and Monuments	Archives	Total
	R	R	R	R	R	R
Carrying values at 01 July 2020	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Carrying values at 30 June 2021	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-

13. HERITAGE ASSETS

30 June 2020

Reconciliation of Carrying Value

Description	Significant Land and Buildings	National Parks	Works of Art, Antiques and Collections	Sculptures and Monuments	Archives	Total
	R	R	R	R	R	R
Carrying values at 01 July 2019	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-
Carrying values at 30 June 2020	-	-	-	631 417	-	631 417
Cost	-	-	-	631 417	-	631 417
Under Construction	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-

13. HERITAGE ASSETS (Continued)

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.

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

13.1 Impairment of Heritage Assets

**2021
R**

**2020
R**

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

13.2 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.

13.3 Work-in-Progress

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

13.4 Delayed Projects

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

13.5 Expenditure incurred for repairs and maintenance

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

Contracted Services

	-	-
	-	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	R	R
14. LONG-TERM RECEIVABLES		
Employee Benefits	8 918 000	7 207 352
Opening Balance	7 207 352	8 461 000
Current Cost	-	-
Interest Cost	746 160	717 000
Payments made	(869 694)	(793 693)
Actuarial loss/(gain)	1 834 182	(1 176 955)
Total Long Term Receivables	8 918 000	7 207 352
Less: Current Portion transferred to Current Receivables:-	858 000	872 788
Employee Benefits	858 000	872 788
Non-Current Portion of Long Term Receivables	8 060 000	6 334 564

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 20.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
15. CONSUMER DEPOSITS		
Other Deposits	1 725	3 450
Rental Properties	1 725	3 450
Total Consumer Deposits	1 725	3 450

CONSUMER DEPOSITS - RENTAL PROPERTIES

Consumer deposits comprise deposits for properties rented out by the municipality.

No interest is paid on Consumer Deposits held.

16. PROVISIONS

Performance Bonus	466 327	486 371
Current Portion of Employee Benefit Liabilities (See Note 19.):	2 253 000	2 261 993
Post-retirement Medical Aid Benefits Liability	2 094 000	1 966 096
Long-term Service Liability	159 000	295 897
Current Portion of Non-Current Provisions	10 263 080	8 300 911
Ex-gratia Pension	31 400	34 000
Leave	10 231 680	8 266 911
Total Provisions	12 982 407	11 049 275

The movement in provisions is reconciled as follows:

Current Provisions:

Performance Bonus:

Opening Balance	486 371	486 370
Increases	200 000	0
Reductions	(220 044)	0
Balance at end of year	466 327	486 371

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

	Medical Aid R	Long-term Service R
30 June 2021		
Opening Balance	1 966 096	295 897
Reversals	-	(136 897)
Current service cost	127 904	-
Actuarial loss/ (gain) recognised in the year	-	-
Balance at end of year	2 094 000	159 000

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Medical Aid R	Long-term Service R
30 June 2020		
Opening Balance	2 215 000	92 000
Current service cost	(248 904)	-
Actual employer benefit payments	-	-
Balance at end of year	<u>1 966 096</u>	<u>92 000</u>

Current Portion of Non-Current Provisions:

Staff Benefit Provisions:

	Leave Provision R	Ex-gratia Pension R
30 June 2021		
Opening Balance	8 266 911	34 000
Increases	(4 955 653)	-
Payments Made	6 920 422	-
Reversals	-	(2 600)
Balance at end of year	<u>10 231 680</u>	<u>31 400</u>

	Leave Provision R	Ex-gratia Pension R
30 June 2020		
Opening Balance	6 689 165	32 000
Increases	5 445 560	2 000
Payments Made	(3 867 814)	-
Balance at end of year	<u>8 266 911</u>	<u>34 000</u>

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 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.

Long Service Award Long service awards are provided to employees who achieve certain pre-determined milestones of service within the

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

17. PAYABLES FROM EXCHANGE TRANSACTIONS

	2021	2020
	R	R
Advance Payments	-	275
Bonus	2 095 974	1 924 330
Other Payables	-	29 179
Unallocated Deposits	-	29 179
Retentions	566 603	566 603
Trade Creditors	3 864 964	16 369 438
Total Payables	6 527 541	18 889 826

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.

18. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

18.1 Conditional Grants from Government

	2 162 319	1 660 320
National Government	2 071 905	1 581 206
Provincial Government	90 414	79 114
Total Conditional Grants and Receipts	2 162 319	1 660 320

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 23. for the reconciliation of Grants from Government and Note 24. for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

19. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities	32 070 963	25 936 024
Post-retirement Health Care Benefits Liability	28 967 999	23 729 969
Long Service Awards Liability	3 102 963	2 206 054
Less: Current Portion of Employee Benefit Liabilities	(2 253 000)	(2 261 993)
Post-retirement Health Care Benefits Liability	(2 094 000)	(1 966 096)
Long Service Awards Liability	(159 000)	(295 897)
Non-Current Portion of Employee Benefit Liabilities	29 817 963	23 674 031

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

19.1 Post-retirement Health Care Benefits Liability	2021	2020
	R	R
Non-Current Portion of Liability		
Opening balance	23 729 969	31 091 999
Interest cost	2 506 711	2 678 000
Current service cost	587 370	741 000
Actual employer benefit payments	(2 087 086)	(1 892 808)
Actuarial loss/ (gain) recognised in the year	4 231 035	(8 888 222)
Balance at end of Year	28 967 999	23 729 969
Less: Current Portion of Liability	2 094 000	1 966 096
Total Post-retirement Health Care Benefits Liability	26 873 999	21 763 873

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 2021 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)	76	70
In-service Non-members (Employees)	20	23
Continuation Members (Retirees, widowers and orphans)	38	38
Total Members	134	131

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

In-service Members	7 259 999	7 093 385
In-service Non-members	305 000	501 600
Continuation Members	21 403 000	16 134 985
Total Liability	28 967 999	23 729 970

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 2021 is estimated to be R2,506,711, whereas the cost for the ensuing year is estimated to be R2 652 000 (30 June 2020: R2,678,000 and R2,506,711 respectively).

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

Discount Rate	Yield Curve
Health Care Cost Inflation Rate	Equal to CPI + 1
Net Effective Discount Rate	Yield Curve Based
Expected Rate of Salary Increase	6,50% 7,13%
Expected Retirement Age - Females	63 65
Expected Retirement Age - Males	63 65

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening balance	23 729 969	31 091 999
Interest cost	2 506 711	2 678 000
Current service cost	587 370	741 000
Actual employer benefit payments	(2 087 086)	(1 892 808)
Actuarial loss/ (gain) recognised in the year	4 231 035	(8 888 222)
Total Recognised Benefit Liability	<u>28 967 999</u>	<u>23 729 969</u>
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	28 967 999	23 729 969
	<u>28 967 999</u>	<u>23 729 969</u>
Unfunded Accrued Liability	28 967 999	23 729 969
Total Benefit Liability	<u>28 967 999</u>	<u>23 729 969</u>

The history of fair values are as follows:

	2021 R	2020 R	2019 R	2018 R	2017 R
Present Value of Defined Benefit Obligation	28 967 999	23 729 970	31 091 999	28 513 999	30 074 999
Deficit	<u>28 967 999</u>	<u>23 729 970</u>	<u>31 091 999</u>	<u>28 513 999</u>	<u>30 074 999</u>
Experienced adjustments on Plan Liabilities	5 238 030	(7 362 030)	2 578 000	(1 919 000)	2 356 040

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	3 506 205
Effect on the defined benefit obligation	1	32 523 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	(1)	(2 752 143)
Effect on the defined benefit obligation	(1)	(26 013 000)

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

The municipality expects to make a contribution of R2 094 000 (2020: R1 966 000) to the Defined Benefit Plans during the next financial year.

Refer to Note 41., "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.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

19.2 Long Service Awards Liability	2021	2020
	R	R
Non-Current Portion of Liability		
Opening Balance	2 206 054	2 110 964
Increases	1 139 952	408 126
Payments Made	-	(203 897)
Other Reductions	(243 043)	(109 139)
Reversals	-	-
Balance at end of Year	3 102 963	2 206 054
Less: Current Portion of Liability	159 000	295 897
Total Long Service Awards Liability	2 943 963	1 910 157

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 2021 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, 96 (2020: 93) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2021 is estimated to be R199 000, whereas the cost for the ensuing year is estimated to be R215 813 (30 June 2020: R199 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	5,91%	7,50%
Expected Retirement Age - Females	63	65
Expected Retirement Age - Males	63	65

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

Opening Balance	2 206 054	2 110 964
Increases	1 139 952	408 126
Payments Made	-	(203 897)
Other Reductinos	(243 043)	(109 139)
Reversals	-	-
Increases (Passage of Time/Discounted Rate)		
Total Recognised Benefit Liability	3 102 963	2 206 054

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

Present value of fund obligations	3 102 963	2 206 054
	3 102 963	2 206 054
Unfunded Accrued Liability	3 102 963	2 206 054
Total Benefit Liability	3 102 963	2 206 054

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

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

	2021	2020
	R	R
Current service cost	215 813	199 000
Interest cost	175 971	184 000
Expected return on reimbursement rights		
Actuarial losses / (gains)	748 168	(178 771)
Total Post-retirement Benefit included in Employee Related Costs (Note 27.)	<u>1 139 952</u>	<u>204 229</u>

The history of experienced adjustments is as follows:

	2021	2020	2019	2018	2017
	R	R	R	R	R
Present Value of Defined Benefit Obligation	3 102 963	2 206 054	2 110 964	1 990 899	1 953 000
Deficit	<u>3 102 963</u>	<u>2 206 054</u>	<u>2 110 964</u>	<u>1 990 899</u>	<u>1 953 000</u>

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	421 169	421 169
Effect on the defined benefit obligation	3 315 000	2 356 164

Decrease:

Effect on the aggregate of the current service cost and the interest cost	365 164	(365 164)
Effect on the defined benefit obligation	(2 912 000)	(2 078 075)

The municipality expects to make a contribution of R159 000 (2021: R391,784) to the defined benefit plans during the next financial year.

20. NON-CURRENT PROVISIONS

Ex-gratia Pension	103 811	99 624
Total Non-current Provisions	<u>103 811</u>	<u>99 624</u>

The movement in Non-current Provisions are reconciled as follows:

Staff Benefit Provisions:

Ex-Gratia Pension

Opening Balance	99 624	108 000
Increases	35 677	27 713
Payments Made	(34 090)	(34 090)
Other Reductinos	0	-2 000
Reversals	2 600	0
Balance at end of year	<u>103 811</u>	<u>99 624</u>

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

	2021 R	2020 R
21. RESERVES		
Capital Replacement Reserve	7 957 082	7 957 082
Revaluation Reserve	18 983 471	19 247 432
Total Reserves	<u>26 940 553</u>	<u>27 204 514</u>
22.1 Capital Replacement Reserve		
The Capital Replacement Reserve arises from cash backed accumulated surplus for the replacement of capital infrastructure/equipment.		
Reconciliation of the Capital Replacement Reserve:		
Opening Balance	7 957 082	7 957 082
Balance at end of year	<u>7 957 082</u>	<u>7 957 082</u>
22.2 Revaluation Reserve		
The Revaluation Reserve arises on the revaluation of Land and Buildings and qualifying Community Assets. 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.		
Reconciliation of Revaluation Reserve		
Opening Balance	19 247 432	19 511 393
Transfers to/from Accumulated Surplus	(263 961)	(263 961)
Balance at end of year	<u>18 983 471</u>	<u>19 247 432</u>
22. ACCUMULATED SURPLUS		
Accumulated Surplus / (Deficit) due to the results of Operations	101 411 032	93 446 308
Total Accumulated Surplus	<u>101 411 032</u>	<u>93 446 308</u>
Reconciliation of Accumulated Surplus:		
Opening Balance	93 446 309	73 136 387
Correction of Prior Period Error	-	20 682
Depreciation Offsets	263 961	263 961
Accumulated Surplus As Per Financial Performance	7 700 763	20 025 279
Total Accumulated Surplus	<u>101 411 032</u>	<u>93 446 308</u>

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

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
23. TRANSFERS AND SUBSIDIES RECEIVED		
Capital Grants	-	-
Monetary Allocations	-	-
Operational Grants	128 873 595	124 349 644
Monetary Allocations	128 873 595	124 349 644
Total Government Grants and Subsidies	128 873 595	124 349 644
23.1 Capital Grants		
	Monetary Allocations	
	2021	2020
National Governments	-	-
Total Capital Grants Received	-	-
23.2 Operational Grants		
	Monetary Allocations	
	2021	2020
Departmental Agencies and Accounts: SETAs	44 799	95 650
National Governments	3 603 803	3 388 794
National Revenue Fund	124 736 292	120 606 000
ABSA	-	-
Provincial Government	488 700	259 200
Total Operational Grants Received	128 873 595	124 349 644
23.3 Reconciliation per Grant Source		
23.3.1 National Governments		
Balance unspent at beginning of year	1 581 206	-
Current year receipts	130 412 000	125 792 000
Conditions met - transferred to Revenue	(128 340 095)	(124 210 794)
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	2 071 905	1 581 206
These grants have been used to fund operations within the municipality, the grants consist of Equitable Share, EPWP, RRAMS and FMG received from National Government.		
23.3.2 National Revenue Fund - Fuel Levy & Equitable Share		
Current year receipts	125 768 000	120 606 000
Conditions met - transferred to Revenue	(124 736 292)	(120 606 000)
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	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.		
23.3.3 Rural Road Asset Management System Grant (RRAMS)		
Opening balance	1 329 138	-
Current year receipts	2 543 000	2 670 000
Conditions met - transferred to Revenue	(1 502 803)	(1 340 862)
Repayment of unspent grant	(1 329 138)	-
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	1 040 197	1 329 138

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

23.3.4 Financial Management Grant (FMG)

	2021 R	2020 R
Opening balance	252 068	-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Revenue	(1 000 000)	(747 932)
	(252 068)	-
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	<u>-</u>	<u>252 068</u>

23.3.5 Extended Public Works Programme (EPWP)

Balance unspent at beginning of year	-	-
Current year receipts	1 101 000	1 270 000
Conditions met - transferred to Revenue	(1 101 000)	(1 270 000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	<u>-</u>	<u>-</u>

23.3.9 Grant

Balance unspent at beginning of year	-	-
Current year receipts	-	30 000
Conditions met - transferred to Revenue	-	(30 000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	<u>-</u>	<u>-</u>
The line for Covid-19 was hidden during the finalization of 19/20 Afs printing.	<u>-</u>	<u>-</u>

23.3.10 SETA: Skills grant

Balance unspent at beginning of year	-	-
Current year receipts	44 799	95 650
Conditions met - transferred to Revenue	(44 799)	(95 650)
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	<u>-</u>	<u>-</u>

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

23.3.11 Provincial Government

Balance unspent at beginning of year	79 114	92 314
Current year receipts	500 000	246 000
Conditions met - transferred to Revenue	(488 700)	(259 200)
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	<u>90 414</u>	<u>79 114</u>

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

23.3.12 Public Corporations

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to Revenue	-	-
Conditions still to be met - transferred to Current Liabilities (see Note 18.)	<u>-</u>	<u>-</u>

The grants are used for special projects within units such as Tourism and LED.

24. Other Revenue

Actuarial Gains	-	7 711 267
Sundry Revenue	268 438	142 111
Total Other Revenue	<u>268 438</u>	<u>7 853 378</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

25. RENTAL FROM FIXED ASSETS	2021	2020
	R	R
Other Rental income		
Ad-hoc Rental Income from Other Fixed Assets	608 649	603 057
Total Rental of Facilities and Equipment	<u><u>608 649</u></u>	<u><u>603 057</u></u>

Rental income generated are at market related premiums.

26. INTEREST RECEIVED

External Investments:		
Bank Account	10 763	134 763
Other Deposits	5 056 660	7 264 725
Total Exchange Interest Earned	<u><u>5 067 423</u></u>	<u><u>7 399 488</u></u>
Total Interest, Dividends And Rent On Land Earned	<u><u>5 067 423</u></u>	<u><u>7 399 488</u></u>

26.1 Calculation of Cash Flow:

External Interest Income	5 067 423	7 399 488
Total Receipts for Interest Received	<u><u>5 067 423</u></u>	<u><u>7 399 488</u></u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 R
27. EMPLOYEE RELATED COSTS		
Salaries and Wages	51 930 157	45 692 930
Basic	47 964 856	43 794 633
Long Service Awards	963 981	20 229
Long Service Awards (Gain)/Loss on Long Service Awards for the year	215 813 748 168	189 000 (205 000)
Bonus	200 000	-
Leave Payments	2 599 313	1 689 221
Overtime	202 006	188 847
Allowances	7 486 020	6 617 455
Bonus	3 389 777	2 935 853
Cellular and Telephone	520 324	291 408
Housing Benefits	472 610	435 487
Scarcity Allowance	-	-
Travel or Motor Vehicle	3 103 310	2 954 706
Social Contributions	9 450 359	8 529 898
Bargaining Council	15 682	14 519
Group Life Insurance	595 545	478 622
Medical	2 524 881	2 330 465
Pension	6 092 370	5 495 398
Unemployment Insurance	221 881	210 893
Post-retirement Benefit	4 956 446	2 913 713
Current Service Cost	587 394	741 000
Interest Cost	1 972 199	2 172 713
Actuarial Gains and Losses	2 396 853	-
Total Employee Related Costs	73 822 982	63 753 995

No advances were made to employees.

Remuneration of Section 56 Employees:

Remuneration of the Municipal Manager - Ms ZM Bogatsu

Annual Remuneration	1 242 193	1 496 354
Bonus	-	-
Performance Bonus	120 000	-
Car and Other Allowances	230 631	25 896
Company Contributions to UIF, Medical and Pension Funds	1 813	-
Total	1 594 637	1 522 251

Remuneration of the Acting Director Financial Services - Ms. O Moseki (Acting)

Annual Remuneration	1 155 324	1 037 245
Bonus	-	-
Performance Bonus	-	-
Car and Other Allowances	87 904	14 693
Company Contributions to UIF, Medical and Pension Funds	1 664	-
Total	1 244 891	1 051 938

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Remuneration of the Executive Director Administration - Mrs. KG Gaborone	2021	2020
	R	R
Annual Remuneration	1 160 710	1 183 684
Performance Bonus	80 000	-
Car and Other Allowances	18 119	19 896
Company Contributions to UIF, Medical and Pension Funds	1 813	-
Total	<u>1 260 642</u>	<u>1 203 580</u>
Remuneration of Acting Executive Director: Infrastructure Services - Mr S Suliman (Acting)		
Annual Remuneration	841 325	223 274
Car and Other Allowances	49 729	4 357
Company Contributions to UIF, Medical and Pension Funds	1 487	-
Total	<u>892 541</u>	<u>227 630</u>
Remuneration of Acting Executive Director: Infrastructure Services - Mr R.R Setshogoe (Acting)		
Annual Remuneration	57 272	-
Car and Other Allowances	7 917	-
Company Contributions to UIF, Medical and Pension Funds	10	-
Total	<u>65 199</u>	<u>-</u>
Remuneration of Acting Executive Director: Planning & Development - Mr F Netshivhodza (Acting)		
Annual Remuneration	1 030 415	930 452
Bonus	-	-
Car and Other Allowances	72 867	15 669
Company Contributions to UIF, Medical and Pension Funds	1 338	-
Total	<u>1 104 621</u>	<u>946 121</u>
Summary of Remuneration of Section 56 Employees:		
All Managers	6 162 531	4 951 521
Total Remuneration of Section 56 Employees	<u>6 162 531</u>	<u>4 951 521</u>

The annual performance evaluation of the senior managers was not conducted due to delay in compilation of the evaluation committee. This is a non-compliance with section 27 of The Regulation of the Municipal Performance.

28. REMUNERATION OF COUNCILLORS

Executive Mayor	938 250	938 250
Basic Salaries	893 850	893 850
Cellphone Allowances	44 400	44 400
Speaker	759 478	759 478
Basic Salaries	715 078	715 078
Cellphone Allowances	44 400	44 400
Mayoral Committee Members	3 179 538	2 613 295
Basic Salaries	2 499 148	2 613 295
Travel Allowances	502 790	-
Cellphone Allowances	177 600	-
MPAC Chairperson	207 458	319 386
Basic Salaries	176 628	319 386
Travel Allowances	30 830	-
Total for All Other Councillors	1 915 513	2 171 608
Basic Salaries	1 619 096	2 171 608
Travel Allowances	70 718	-
Cellphone Allowances	225 700	-
Total Councillors' Remuneration	<u>7 000 237</u>	<u>6 802 016</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

29. DEPRECIATION AND AMORTISATION	2021	2020
	R	R
Depreciation: Property, Plant and Equipment	3 282 040	3 670 995
Depreciation: Investment Property	14 063	14 063
Amortisation: Intangible Assets	85 025	115 751
Total Depreciation and Amortisation	<u>3 381 127</u>	<u>3 800 809</u>
29.1 Depreciation: Property, Plant and Equipment		
Community Assets	141 294	47 590
Buildings	756 961	784 274
Other Assets	2 383 785	2 839 131
	<u>3 282 040</u>	<u>3 670 995</u>
30. Bad Debts Written Off		
Bad Debts Written Off	-	2 665
Total Bad Debts Written Off	<u>-</u>	<u>2 665</u>
30.1 Bad Debts Written Off		
Total Bad Debts Written Off	<u>-</u>	<u>2 665</u>
31. INVENTORY CONSUMED		
Consumables	374 203	-
Materials and Supplies	876 624	1 113 918
	<u>1 250 827</u>	<u>1 113 918</u>
32. TRANSFERS AND SUBSIDIES PAID		
Capital Grants	-	7 594 005
Allocations In-kind	<u>-</u>	<u>-</u>
Operational Grants	19 454 158	14 315 197
Allocations In-kind	<u>-</u>	<u>-</u>
Monetary Allocations	<u>19 454 158</u>	<u>14 315 197</u>
Total Transfers and Subsidies Paid	<u>19 454 158</u>	<u>21 909 203</u>
32.1 Capital Grants		
	Monetary Allocations	
	2021	2020
Local Municipalities	-	7 594 005
Non-profit Institutions	-	-
Total Capital Grants Paid	<u>-</u>	<u>7 594 005</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

32.2 Operational Grants

	Monetary Allocations	
	2021	2020
Departmental Agencies and Accounts	-	13 900
Local Municipalities	18 530 078	13 733 560
Households	924 080	514 157
Non-profit Institutions	-	53 581
Total Operational Grants Paid	19 454 158	14 315 197

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

33. GENERAL EXPENDITURE

Advertising, Publicity and Marketing	545 369	526 119
Bank Charges, Facility and Card Fees	70 477	58 910
Bursaries (Employees)	300 000	207 419
Cleaning Services	5 980	3 940
Communication	36 364	31 330
Entertainment	41 521	136 246
External Audit Fees	1 930 241	1 984 445
External Computer Service	411 284	258 119
Honoraria (Voluntarily Workers)	2 400	4 000
Insurance Underwriting	598 068	546 727
Licences	28 910	21 577
Municipal Services	2 785 590	2 596 446
Printing, Publications and Books	6 165	74 855
Professional Bodies, Membership and Subscription	920 005	816 496
Registration Fees	1 152	83 048
Resettlement Cost	155 858	116 020
Skills Development Fund Levy	419 196	550 583
Transport Provided as Part of Departmental Activities	170 328	174 151
Travel and Subsistence	126 265	768 921
Uniform and Protective Clothing	65 320	47 601
Wet Fuel	1 645	1 139
Workmen's Compensation Fund	316 985	295 969
Burial Services	2 400	4 800
Business and Advisory	7 305 443	6 030 054
Catering Services	337 291	414 994
Employee Wellness	48 102	63 032
Event Promoters	72 332	390 521
Exhibit Installations	105 128	277 966
Graphic Designers	26 209	27 826
Infrastructure and Planning	90 000	110 000
Legal Cost	4 238	127 185
Litter Picking and Street Cleaning (Kghotso Pula Nala)	-	982 519
Maintenance of Buildings and Facilities	442 094	512 066
Maintenance of Computer Software	2 324 804	2 282 338
Maintenance of Equipment	835 464	861 201
Security Services	963 672	1 038 287
Disability Training	268 300	-
Skills Training	297 500	-
Stage and Sound Crew	73 064	312 160
Total General Expenditure	22 135 205	22 739 580

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

33.1 Calculation of Cash Flow:

		2021	2020
		R	R
Expenditure for Operational Costs	Note 33.	(22 135 205)	(22 739 580)
Expenditure for Transfers and Subsidies Paid	Note 32.	(19 454 158)	(21 909 203)
Total for Other Payments		(41 179 242)	(44 648 783)

33.2 Travel and Subsistence

Domestic

	126 265	768 921
Accommodation	72 465	355 132
Daily Allowance	5 413	80 098
Food and Beverage (Served)	6 303	47 442
Transport without Operator	42 084	204 615
Transport with Operator	-	81 635
	126 265	768 921

No other extra-ordinary expenses were incurred.

34. GAINS AND LOSSES

Property, Plant and Equipment	(61 352)	(58 103)
Total Gains / (Losses) on Disposal of Capital Assets	(61 352)	(58 103)
Disposal of inventory	(11 452)	
Total Gains and Losses	72 805	58 103

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.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2021
R **2020**
R

35. RECLASSIFICATIONS

35.1 Property Plant and Equipment

The municipality reclassify assets that were previously disclosed as community assets to other assets to other assets. The municipality believes that other assets is a more appropriate classification. The net effect of the reclassification is as follows.

	Closing Balance (as previously disclosed)	Reclassification	Closing balance as corrected
Other Assets			
- Cost	30 279 088	993 726	31 272 814
- Opening Accumulated Depreciation	-20 553 857	(884 669)	(21 438 526)
- Disposals at cost	-483 320	(110 081)	(593 401)
- Disposal of depreciation	455 445	106 870	562 315
- Depreciation	-2 839 131	(47 758)	(2 886 889)
- Closing balance at cost	31 621 740	883 644	32 505 384
- Closing Accumulated Depreciation	-22 937 542	(825 556)	(23 763 098)
Community Assets			
- Cost	993 726	(993 726)	-
- Opening Accumulated Depreciation	-884 669	884 669	-
- Disposals at cost	-110 081	110 081	-
- Disposal of depreciation	106 870	(106 870)	-
- Depreciation	-47 758	47 758	-
- Closing balance at cost	883 644	(883 644)	-
- Closing Accumulated Depreciation	-825 556	825 556	-
	<u>116 176</u>	<u>(116 176)</u>	<u>-</u>
TOTAL	<u>15 658 599</u>	<u>-</u>	<u>15 658 599</u>

35.2 Operating Lease Receivables

In the previous financial year(2019/20), the non-current portion of operating lease receivable was erroneously disclosed as Current Assets. This was reclassified in the 2021 period. The net reclassification is as shown below.

	Closing Balance (as previously disclosed)	Reclassification	Closing Balance (as corrected)
Current Assets - Operating Lease Receivables	11 372	(11 372)	-
Non-Current Assets - Operating Lease Receivables	-	11 372	11 372
TOTAL	<u>11 372</u>	<u>-</u>	<u>11 372</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

36. CASH GENERATED BY OPERATIONS

	2021	2020
	R	R
Surplus / (Deficit) for the Year	7 700 763	20 025 279
Adjustment for:		
Depreciation and Amortisation	3 381 127	3 800 809
Losses / (Gains) on Disposal of Property, Plant and Equipment	72 805	58 103
Contribution to Post-retirement Employee Benefits	7 325 116	(5 469 222)
Expenditure incurred from Post-retirement Employee Benefits	(2 087 086)	(1 892 808)
Contribution to Long Service Awards Liability	1 139 952	408 126
Expenditure incurred from Long Service Awards Liability	-	(203 897)
Contribution to Provisions - Current	200 000	-
Contribution to Provisions - Non-current	35 677	27 713
Operating surplus before working capital changes	17 768 354	16 754 104
Decrease/(Increase) in Inventories	5 057	(18 234)
Decrease/(Increase) in Receivables from Exchange Transactions	(2 114 097)	59 759
Decrease/(Increase) in Receivables from Non-exchange Transactions	-	(389 000)
Decrease/(Increase) in VAT Receivable	4 818 220	(4 673 680)
Decrease/(Increase) in Operating Lease Receivables	(6 522)	(10 463)
Decrease/(Increase) in Current Portion of Long-term Receivables	14 788	(4 788)
Increase/(Decrease) in Consumer Deposits	(1 725)	3 105
Increase/(Decrease) in Payables from Exchange Transactions	(12 362 285)	9 969 136
Increase/(Decrease) in Conditional Grants and Receipts	2 010 757	1 568 006
Increase/(Decrease) in Operating Lease Liabilities	-	1 460 156
Cash generated by / (utilised in) Operations	10 132 547	24 718 101

37. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

37.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under

Reconciliation of Unauthorised Expenditure:

Opening balance	-	-
Unauthorised Expenditure	-	-
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 59)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Unauthorised Expenditure awaiting authorisation	<u>-</u>	<u>-</u>

37.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	1 207	1 207
- As previously stated	<u>1 207</u>	<u>1 207</u>
Fruitless and Wasteful Expenditure current year	-	-
- Current Year	<u>-</u>	<u>-</u>
Condoned or written off by Council	-	-
- Current Year	<u>-</u>	<u>-</u>
Transfer to receivables for recovery (see Note 4)	-	-
- Current Year	<u>-</u>	<u>-</u>
Fruitless and Wasteful Expenditure awaiting condonement	<u>1 207</u>	<u>1 207</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

37.3 Irregular Expenditure

	2021 R	2020 R
Reconciliation of Irregular Expenditure:		
Opening balance	-	31 690
- As previously stated	-	31 690
- Correction of error	-	-
Irregular Expenditure current year	178 797	91 286
- Current Year	67 518	91 286
- Prior Year	111 279	-
Condoned or written off by Council	(51 348)	(122 976)
- Current Year	(51 348)	(91 286)
- Prior Year	-	(31 690)
Irregular Expenditure awaiting condonement	127 449	-

30 June 2021

Incident	Disciplinary Steps / Criminal Proceedings	Amount
Kenosi Solutions - R69 200	Under Investigation. To be submitted to Council for condonement.	69 200
Banking Services - R16 170	Under Investigation. To be submitted to Council for condonement.	16 170
Rennies - R42 079	Under Investigation. To be submitted to Council for condonement.	42 079

Total: Irregular Expenditure Under Investigation 127 449

Incident	Disciplinary Steps / Criminal Proceedings	Amount
Mile Plumbing COstruction - R51 348	Written Off	51 348

Total: Irregular Expenditure Written Off 51 348

The amount paid to Mile Plumbing Construction was declared irregular by the Municipal Financial Misconduct Board and was written off by council.

Total: Irregular Expenditure for the Current Year 178 797

30 June 2020

Incident	Disciplinary Steps / Criminal Proceedings	Amount
ENSLINS - : R62,130	Written Off	62 130
Banking Services - R60,846	Written Off	60 846

Total: Irregular Expenditure Written Off 122 976

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

38. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2021 R	2020 R
38.1 Contributions to organised local government - SALGA		
Council Subscriptions	906 695	806 736
Amount Paid - current year	(906 695)	(806 736)
Balance Unpaid (included in Creditors)	-	-
38.2 Audit Fees		
Current year Audit Fee	(1 930 241)	(1 984 445)
Amount Paid - current year	1 930 241	1 984 445
Balance Unpaid (included in Creditors)	-	-
38.3 PAYE, Skills Development Levy and UIF		
Opening Balance	92 935	6 027
Current year Payroll Deductions	13 379 410	12 143 000
Amount Paid - current year	(13 466 790)	(12 056 092)
Balance Unpaid (included in Creditors)	5 556	92 935
38.4 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	(17 372 493)	15 714 042
Amount Paid - current year	17 372 493	(15 714 042)
Balance Unpaid (included in Creditors)	-	-
38.5 Non-Compliance with the Municipal Finance Management Act		
None		
38.6 Deviation - Supply Chain Management		
In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager, noted by Council and disclosed in 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:

30 June 2021

Supplier	Service	Amount
Wolters Kluwer	Annual maintenance charge of the of the Teammate software licence.	17 543
Sam and Alice investment	Renovation of houses in Pampierstad	377 000
Total:		394 543

30 June 2020

Supplier	Service	Amount
BIG O TRADING	Banking Performance: World Environmental Health Day Commemoration.	46 000
PLATFONTEIN LODGE	Catering: World Environmental Health Day Commemoration.	35 000
KENOSI SOLUTION	Marketing materials: World Environment Day Commemoration.	79 580
ENVIROCON INSTRUMENTATION	Calibration and repair of E-Sampler.	28 141
PINO TAU OUTDOOR MEDIA	Participating at the market at Flamingo Casino Exhibition.	90 000
Total:		278 721

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

39. COMMITMENTS FOR EXPENDITURE

39.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Land and Buildings

	2021 R	2020 R
	-	-

- Approved but Not Yet Contracted for:-

Land and Buildings

Other

	12 179 060	8 740 390
	3 065 290	2 365 290
	9 113 770	6 375 100

Total Capital Commitments

	12 179 060	8 740 390
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This expenditure will be financed from:

Internally generated funds.

	12 179 060	8 740 390
	12 179 060	8 740 390

40. FINANCIAL INSTRUMENTS

40.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
Long-term Receivables			
Employee Benefits	Amortised cost	8 060 000	6 334 564
Receivables from Exchange Transactions			
Other Service Charges	Amortised cost	4 564 112	2 644 389
Prepayments and Advances	Amortised cost	1 224 172	1 203 969
Control, Clearing and Interface Accounts	Amortised cost	371 626	197 455
Accrued Income	Amortised cost	389 000	389 000
Investments	Amortised cost	10 200 000	8 300 000
Cash and Cash Equivalents			
Call Deposits	Amortised cost	93 499 749	78 066 381
Short-term Portion of Investments	Amortised cost	-	-
Bank Balances	Amortised cost	6 432 376	16 785 966
Cash Floats and Advances	Fair value	3 300	3 300
Current Portion of Long-term Receivables			
Employee Benefits	Amortised cost	858 000	872 788

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

SUMMARY OF FINANCIAL ASSETS		2021	2020
		R	R
Financial Assets at Amortised Cost:			
Long-term Receivables	Employee Benefits	8 060 000	6 334 564
Receivables from Exchange Transactions	Other Service Charges	4 564 112	2 644 389
Receivables from Exchange Transactions	Prepayments and Advances	1 224 172	1 203 969
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	371 626	197 455
Receivables from Non-exchange Transactions	Accrued Income	389 000	389 000
Current Portion of Long-term Receivables	Employee Benefits	858 000	872 788
Investments	Investments	10 200 000	8 300 000
Cash and Cash Equivalents	Call Deposits	93 499 749	78 066 381
Cash and Cash Equivalents	Bank Balances	6 432 376	16 785 966
		<u>125 599 035</u>	<u>114 794 512</u>
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	3 300	3 300
		<u>3 300</u>	<u>3 300</u>
Total Financial Assets		<u>125 602 335</u>	<u>114 797 812</u>

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Payables from Exchange Transactions			
Advance Payments	Amortised cost	-	275
Bonus	Amortised cost	2 095 974	1 924 330
Other Payables	Amortised cost	-	29 179
Retentions	Amortised cost	566 603	566 603
Unspent conditional grants	Amortised cost	2 162 319	1 660 320
Trade Creditors	Amortised cost	3 864 964	16 369 438
Current Portion of Long-term Liabilities			
Development Bank of South Africa	Amortised cost	-	-

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:			
Payables from Exchange Transactions	Advance Payments	-	275
Payables from Exchange Transactions	Bonus	2 095 974	1 924 330
Payables from Exchange Transactions	Leave Accrual	-	-
Payables from Exchange Transactions	Other Payables	-	29 179
Payables from Exchange Transactions	Retentions	566 603	566 603
Payables from Exchange Transactions	Unspent conditional grants	2 162 319	1 660 320
Payables from Exchange Transactions	Trade Creditors	3 864 964	16 369 438
Total Financial Liabilities		<u>8 689 860</u>	<u>20 550 146</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

40.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2021, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2021		30 June 2020	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:				
Long-term Receivables	125 599 035	125 599 035	114 794 512	114 794 512
Receivables from Exchange Transactions	8 060 000	8 060 000	6 334 564	6 334 564
Current Portion of Long-term Receivables	6 159 910	6 159 910	4 045 813	4 045 813
Call Deposits	858 000	858 000	872 788	872 788
Investments	93 499 749	93 499 749	78 066 381	78 066 381
Bank Balances	10 200 000	10 200 000	8 300 000	8 300 000
	6 432 376	6 432 376	16 785 966	16 785 966
Measured at Fair Value				
Cash and Cash Equivalents	3 300	3 300	3 300	3 300
	3 300	3 300	3 300	3 300
Total Financial Assets	<u>125 602 335</u>	<u>125 602 335</u>	<u>114 797 812</u>	<u>114 797 812</u>
FINANCIAL LIABILITIES				
Measured at Amortised Cost:				
-Payables from Exchange Transactions	8 689 860	8 689 860	20 550 146	20 550 146
	8 689 860	8 689 860	20 550 146	20 550 146
Total Financial Liabilities	<u>8 689 860</u>	<u>8 689 860</u>	<u>20 550 146</u>	<u>20 550 146</u>
Total Financial Instruments	<u>116 912 475</u>	<u>116 912 475</u>	<u>94 247 666</u>	<u>94 247 666</u>

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 1:-

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.

30 June 2021

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Short-term Portion of Investments	-	389 000	-	389 000
Cash and Cash Equivalents	-	3 300	-	3 300
Total Financial Assets	<u>-</u>	<u>392 300</u>	<u>-</u>	<u>392 300</u>
Total Financial Instruments	<u>-</u>	<u>392 300</u>	<u>-</u>	<u>392 300</u>

30 June 2020

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Short-term Portion of Investments	-	389 000	-	389 000
Cash and Cash Equivalents	-	3 300	-	3 300
Total Financial Assets	<u>-</u>	<u>392 300</u>	<u>-</u>	<u>392 300</u>
Total Financial Instruments	<u>-</u>	<u>392 300</u>	<u>-</u>	<u>392 300</u>

40.3 Capital Risk Management

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 22. and the Statement of Changes in Net Assets.

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

Gearing Ratio

	2021	2020
	R	R
The gearing ratio at the year-end was as follows:		
Debt	-	-
Cash and Cash Equivalents	(8 063 300)	(6 337 864)
Net Debt	<u>(8 063 300)</u>	<u>(6 337 864)</u>
Equity	<u>128 351 585</u>	<u>120 650 822</u>
Net debt to equity ratio	<u>-6,28%</u>	<u>-5,25%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

40.4 Financial Risk Management Objectives

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.

Further quantitative disclosures are included throughout these Annual Financial Statements.

40.5 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:

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

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

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 40..8 to the Annual Financial Statements.

40.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 40..7 below). 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.

40.6.1 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.

40.6.2 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.

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 40..8 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 2021 would have increased / decreased by R973,922 (30 June 2020: R832,081). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

**FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021**

40.7 Credit Risk Management

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 rate 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	30 June 2021		30 June 2020	
	Credit Limit R	Carrying Amount R	Credit Limit R	Carrying Amount R
Department of Safety & Liaison	-	64 039	-	55 686
Department of Roads and Public Works	-	218 040	-	358 821
Department of Transport	-	3 965 678	-	1 984 822
Councillors	-	107 640	-	97 464
Officials	-	5 979	-	-
Salga	-	-	-	45 335
Medical Aid	-	2 271	-	-
Railx (Supplier)		56 140		
MTN		77 791		
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:				
Long-term Receivables			8 918 000	7 207 352
Receivables from Exchange Transactions			6 248 030	4 133 934
Investments			10 200 000	8 300 000
Bank, Cash and Cash Equivalents			99 935 425	94 855 647
Maximum Credit and Interest Risk Exposure			125 301 455	114 496 933

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	8 918 000	7 207 352
Total Long-term Receivables	8 918 000	7 207 352

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

40 FINANCIAL INSTRUMENTS (Continued)

40.8 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 49 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.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2021								
Non-interest Bearing		0,00%	8 689 860	8 689 860	-	-	-	-
- Payables from Exchange transactions			8 689 860	8 689 860	-	-	-	-
			8 689 860	8 689 860	-	-	-	-
30 June 2020								
Non-interest Bearing		0,00%	20 550 146	20 550 146	-	-	-	-
- Payables from Exchange transactions			20 550 146	20 550 146	-	-	-	-
			-	-	-	-	-	-
			20 550 146	20 550 146	-	-	-	-

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	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2021								
Non-interest Bearing		0,00%	15 470 210	11 440 210	4 030 000	-	-	-
- Long-term Receivables			8 060 000	4 030 000	4 030 000	-	-	-
- Trade Receivables from Exchange Transactions			6 159 910	6 159 910	-	-	-	-
- Cash and Cash Equivalents			3 300	3 300	-	-	-	-
- Current Portion of Long Term Receivables			858 000	858 000	-	-	-	-
Variable Interest Rate Instruments		3,75%	99 932 125	99 932 125	-	-	-	-
- Call Deposits			93 499 749	93 499 749	-	-	-	-
- Bank Account			6 432 376	6 432 376	-	-	-	-
Fixed Interest Rate Instruments		6,67%	10 200 000	-	10 200 000	-	-	-
- Fixed Deposits			10 200 000	-	10 200 000	-	-	-
			125 602 335	111 372 335	14 230 000	-	-	-
30 June 2020								
Non-interest Bearing		0,00%	11 645 465	11 645 465	-	-	-	-
- Long-term Receivables			6 334 564	6 334 564	-	-	-	-
- Trade Receivables from Exchange Transactions			4 045 813	4 045 813	-	-	-	-
- Cash and Cash Equivalents			3 300	3 300	-	-	-	-
- Current Portion of Long Term Receivables			872 788	872 788	-	-	-	-
Variable Interest Rate Instruments		8,89%	94 852 347	94 852 347	-	-	-	-
- Call Deposits			78 066 381	78 066 381	-	-	-	-
- Bank Account			16 785 966	16 785 966	-	-	-	-
Fixed Interest Rate Instruments		8,65%	8 300 000	-	8 300 000	-	-	-
- Fixed Deposits			8 300 000	-	8 300 000	-	-	-
			114 797 812	106 497 812	8 300 000	-	-	-

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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41. 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.

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 (2020: 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.

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.

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.

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.

42. RELATED PARTY TRANSACTIONS

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

42.1 Services rendered to Related Parties

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

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

42.2 Loans granted to Related Parties

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.

42.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Note 28 and 29, to the Annual Financial Statements.

42.4 Purchases from Related Parties

No transactions were entered into with businesses in which councillors, management and/or those charged with governance have an interest for the 2020/21 financial year.

43. DECLARATION OF SUPPLIERS

30 June 2021

Supplier	Capacity	Amount
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
Total:		<u><u>911 692</u></u>

30 June 2020

Supplier	Capacity	Amount
Melpek Telecommunication	Department of Basic Education and SANDF	39 000
IT BY G3	Spouse employed at Sol Plaatje Local Municipality	73 996
Total:		<u><u>112 996</u></u>

44. CONTINGENT LIABILITIES

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

44.1 Litigation and claims

100 000 100 000

(i) 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.

100 000 100 000

(ii) OPINION. APPOINTED ADV C. TOWELL:

On 03 March 2020 the public protector issued a final report on an investigation into the allegations of improper conduct and maladministration relating to the appointment of a development planner by the Frances Baard District Municipality (FBDM) in the Northern Cape. Due to the remedial action directives of the public protection the municipality decided appoint a private law firm through a supply chain processes in order to bring an application to review the remedial actions and finding of the public protector.

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Currently the appointed law firm managed to interdict the implementation of the Public Protector's report. The main matter being Part B of the application is yet to be heard in the Northern Cape High Court for a final court judgment.

LEGAL CLAIMS CANNOT BE ESTIMATED.

45. CONTINGENT ASSETS

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

FRANCES BAARD DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

46. IN-KIND DONATIONS AND ASSISTANCE

Mr. G Botha served on the audit committee for the 2020/21 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.

47. PRIVATE PUBLIC PARTNERSHIPS

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

48. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2021.

49. COMPARATIVE FIGURES

The comparative figures were restated.

50. GOING CONCERN ASSESSMENT

The municipality's cash flow forecast for the year to 30 June 2022 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 2021 was taken into consideration during the review.

51. 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.