



Frances Baard District Municipality  
Annual Financial Statements  
for the year ended 30 June 2023

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## General Information

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<b>Country of origin and legal form</b>	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)
<b>Jurisdiction</b>	The Frances Baard District Municipality includes the following local municipalities: Sol Plaatje; Phokwane; Dikgatlong; and Magareng.
<b>Nature of business and principal activities</b>	Frances Baard Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)
<b>Capacity of district authority</b>	Medium capacity DC9
<b>Management structure</b>	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.
<b>Municipal Manager</b>	Ms ZM Bogatsu
<b>Chief Finance Officer (CFO)</b>	Ms O Moseki (Acting)
<b>Registered office</b>	51 Drakensberg Avenue Carters Glen Kimberley 8301
<b>Legal representative</b>	Mr K Matlakala
<b>External auditors</b>	Auditor-General of South Africa
<b>Internal Auditors</b>	The internal Audit unit was fully staffed and operational during the financial year. The use of external service providers is limited to cases where internal capacity is insufficient to conduct specialized investigations.
<b>Members of the audit committee</b>	Mr G Botha - Chairperson Mr T Mudamburi - Member Mr. S Masikela - Member
<b>Principal banker</b>	First National Bank (FNB)
<b>Executive Mayor</b>	Ms U Buda - Executive Mayor Ms KC Mothibi - Speaker
<b>Mayoral Committee</b>	Mr M Mokgatlhanyane - Proportional Ms LM Shushu - Proportional Ms OM Ditakgwe - Proportional Mr AK Zalisa - Proportional Mr I Ruiters - Sol Plaatje Local Municipality Ms D Harmse - Proportional
<b>Municipal Public Accounts Committee Chairperson</b>	Ms. K. Molale

# Frances Baard District Municipality

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## General Information

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### Part-time Councillors

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

### Other heads of departments

Mr. T Ndlazi (Acting) - Director: Administration  
Mr F Netshivhodza (Acting) - Director: Planning & Development  
Mr R Setshogoe (Acting) - Director: Infrastructure Services

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

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### Abbreviations used:

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Officer's Responsibilities and Approval

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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



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**Ms ZM Bogatsu**  
Accounting Officer

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	239 492	357 534
Receivables from exchange transactions	3	10 018 249	8 124 310
Statutory Receivables	4	389 000	389 000
Investments	5	11 000 000	9 750 000
VAT receivable	6	2 631 927	2 974 152
Current Portion Long-term Receivables	8	736 000	676 000
Operating lease receivable	13	30 481	12 206
Cash and cash equivalents	7	113 413 460	103 179 504
		<b>138 458 609</b>	<b>125 462 706</b>
<b>Non-Current Assets</b>			
Long-term Receivables	8	6 388 000	6 671 000
Property, plant and equipment	9	70 486 528	68 433 925
Intangible assets	10	1 700 446	2 707 164
Investment property	11	-	-
Heritage assets	12	631 417	631 417
Operating lease receivable	13	8 804	38 964
		<b>79 215 195</b>	<b>78 482 470</b>
<b>Total Assets</b>		<b>217 673 804</b>	<b>203 945 176</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	15	15 172 185	6 832 737
Consumer deposits	17	4 945	2 990
Employee benefit obligation	14	11 840 926	13 149 934
Unspent conditional grants and receipts	16	1 351 693	1 360 210
		<b>28 369 749</b>	<b>21 345 871</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	14	29 498 513	30 787 173
<b>Total Liabilities</b>		<b>57 868 262</b>	<b>52 133 044</b>
<b>Net Assets</b>		<b>159 805 542</b>	<b>151 812 132</b>
Reserves			
Revaluation reserve	18	43 620 661	44 668 521
Accumulated surplus	19	116 184 881	107 143 611
<b>Total Net Assets</b>		<b>159 805 542</b>	<b>151 812 132</b>

\* See Note 57

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Financial Performance

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rental of facilities and equipment	21	195 237	218 206
Other income	22	59 119	273 869
Actuarial Gains	33	2 867 871	-
Interest received	23	9 979 265	5 868 867
<b>Total revenue from exchange transactions</b>		<b>13 101 492</b>	<b>6 360 942</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	24	137 339 592	133 164 477
<b>Total revenue</b>	20	<b>150 441 084</b>	<b>139 525 419</b>
<b>Expenditure</b>			
Employee related costs	25	(72 456 873)	(72 813 172)
Remuneration of councillors	26	(8 190 220)	(6 948 091)
Depreciation and amortisation	27	(5 304 413)	(4 260 307)
Debt Impairment	28	(7 402)	-
Inventory consumed	30	(1 085 763)	(1 045 080)
Transfers and Subsidies	31	(30 572 440)	(25 070 194)
Loss on Disposal of Property, Plant and Equipment	32	(142 141)	(82 112)
Actuarial losses	33	-	(1 566 538)
General Expenses	34	(24 688 426)	(22 844 407)
<b>Total expenditure</b>		<b>(142 447 678)</b>	<b>(134 629 901)</b>
<b>Surplus for the year</b>		<b>7 993 406</b>	<b>4 895 518</b>

\* See Note 57

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	26 940 553	101 200 234	128 140 787
<b>Balance at June 30, 2021</b>	<b>26 940 553</b>	<b>101 200 234</b>	<b>128 140 787</b>
Changes in net assets			
Revaluation of Land and Buildings	18 775 827	-	18 775 827
Net income (losses) recognised directly in net assets	18 775 827	-	18 775 827
Surplus for the year	-	4 895 518	4 895 518
Total recognised income and expenses for the year	18 775 827	4 895 518	23 671 345
Depreciation offset	(1 047 859)	1 047 859	-
Total changes	17 727 968	5 943 377	23 671 345
Opening balance as previously reported	44 668 521	106 981 893	151 650 414
Adjustments			
Prior year adjustments 57	-	161 722	161 722
<b>Balance at June 30, 2022</b>	<b>44 668 521</b>	<b>107 143 615</b>	<b>151 812 136</b>
Changes in net assets			
Surplus for the year	-	7 993 406	7 993 406
Depreciation offset	(1 047 860)	1 047 860	-
Total changes	(1 047 860)	9 041 266	7 993 406
<b>Balance at 30 June 2023</b>	<b>43 620 661</b>	<b>116 184 881</b>	<b>159 805 542</b>
Note(s)	18		

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

\* See Note 57



# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Cash Flow Statement

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers and subsidies		137 583 074	133 402 565
External Interest and Dividends Received		9 979 265	5 868 867
Other receipts		610 421	201 110
		<u>148 172 760</u>	<u>139 472 542</u>
<b>Payments</b>			
Employee related costs		(75 084 727)	(71 805 706)
Remuneration of councillors		(8 190 220)	(6 948 091)
Suppliers paid		(17 267 980)	(25 195 695)
Other payments		(30 027 995)	(28 965 218)
		<u>(130 570 922)</u>	<u>(132 914 710)</u>
<b>Net cash flows from operating activities</b>	35	<b><u>17 601 838</u></b>	<b><u>6 557 832</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(6 400 882)	(2 286 530)
Purchase of other intangible assets	10	-	(2 866 223)
Decrease / (Increase) in Current Investments		(1 250 000)	450 000
Decrease / (Increase) in Long-term Receivables		283 000	1 389 000
<b>Net cash flows from investing activities</b>		<b><u>(7 367 882)</u></b>	<b><u>(3 313 753)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>10 233 956</b>	<b>3 244 079</b>
Cash and cash equivalents at the beginning of the year		103 179 504	99 935 425
<b>Cash and cash equivalents at the end of the year</b>	7	<b><u>113 413 460</u></b>	<b><u>103 179 504</u></b>

The accounting policies on pages 17 to 36 and the notes on pages 37 to 94 form an integral part of the annual financial statements.

\* See Note 57

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Variance %
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rental of facilities and equipment	200 000	-	200 000	195 237	(4 763)	2.38%
Other income	120 000	-	120 000	59 119	(60 881)	50.73%
Actuarial Gains	-	-	-	2 867 871	2 867 871	
Interest received - investment	7 150 000	-	7 150 000	9 979 265	2 829 265	(39.57)%
<b>Total revenue from exchange transactions</b>	<b>7 470 000</b>	<b>-</b>	<b>7 470 000</b>	<b>13 101 492</b>	<b>5 631 492</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	139 841 000	500 000	140 341 000	137 339 592	(3 001 408)	2.14%
<b>Total revenue</b>	<b>147 311 000</b>	<b>500 000</b>	<b>147 811 000</b>	<b>150 441 084</b>	<b>2 630 084</b>	
<b>Expenditure</b>						
Employee Related Cost	(91 585 000)	3 077 000	(88 508 000)	(72 456 873)	16 051 127	18.14%
Remuneration of councillors	(10 287 000)	-	(10 287 000)	(8 190 220)	2 096 780	20.38%
Depreciation and amortisation	(3 591 000)	(1 426 000)	(5 017 000)	(5 304 413)	(287 413)	5.72%
Debt Impairment	(10 000)	-	(10 000)	(7 402)	2 598	25.98
Inventory	(1 493 000)	(411 000)	(1 904 000)	(1 085 763)	818 237	42.97%
Transfers and Subsidies	(25 326 000)	(8 600 000)	(33 926 000)	(30 572 440)	3 353 560	9.88%
General Expenses	(38 171 000)	(338 000)	(38 509 000)	(24 688 426)	13 820 574	35.88%
<b>Total expenditure</b>	<b>(170 463 000)</b>	<b>(7 698 000)</b>	<b>(178 161 000)</b>	<b>(142 305 537)</b>	<b>35 855 463</b>	
<b>Operating surplus</b>	<b>(23 152 000)</b>	<b>(7 198 000)</b>	<b>(30 350 000)</b>	<b>8 135 547</b>	<b>38 485 547</b>	
Gains/Loss on disposal of assets and liabilities	(1 111 000)	-	(1 111 000)	(142 141)	968 859	87.21%
<b>Surplus before taxation</b>	<b>(24 263 000)</b>	<b>(7 198 000)</b>	<b>(31 461 000)</b>	<b>7 993 406</b>	<b>39 454 406</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(24 263 000)</b>	<b>(7 198 000)</b>	<b>(31 461 000)</b>	<b>7 993 406</b>	<b>39 454 406</b>	

### Financial Performance: Explanation of Variances between Approved Budget and Actual

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

#### Other revenue

Other revenue variance is a result of the low demand of the other revenue .

#### Rental from Fixed Assets:

The rental of facilities and equipment received is based on the refund for rental by institutions.

#### Interest, Dividends and Rent on Land Earned:

The income from external investments increased due to interest rates were higher during the current financial year.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### *Employee Related Costs*

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

### *Depreciation and Amortisation:*

The depreciation & amortisation on assets is more than expected due to other assets which were procured during the financial year.

### *Impairment Losses:*

The variance is due to an assessment done on debtors at the end of the year, and a provision for impairment was made for write-off.

### *Contracted Services:*

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

### *Inventory Consumed:*

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

### *Operational Costs:*

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

### *Loss on Disposal of Property, Plant and Equipment:*

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

### *Reason for adjustment to original budget*

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	376 000	(18 000)	358 000	239 492	(118 508)	33.10%
Investments	-	-	-	11 000 000	11 000 000	0%
Operating lease asset	-	-	-	30 481	30 481	0%
Receivables from exchange transactions	14 516 000	(1 206 000)	13 310 000	10 018 249	(3 291 751)	24.84%
Statutory Receivables	-	-	-	389 000	389 000	0%
VAT receivable	-	-	-	2 631 927	2 631 927	0%
Current Portion Long-term Receivables	858 000	(182 000)	676 000	736 000	60 000	8.88%
Cash and cash equivalents	90 397 000	(284 000)	90 113 000	113 413 460	23 300 460	25.88%
	<b>106 147 000</b>	<b>(1 690 000)</b>	<b>104 457 000</b>	<b>138 458 609</b>	<b>34 001 609</b>	

##### Non-Current Assets

Investment property	530 000	(530 000)	-	-	-	0%
Property, plant and equipment	58 911 000	10 668 000	69 579 000	70 486 528	907 528	1.3%
Intangible assets	4 086 000	(1 736 000)	2 350 000	1 700 446	(649 554)	27.64%
Heritage assets	631 000	-	631 000	631 417	417	0.07%
Operating lease asset	-	-	-	8 804	8 804	0%
Long-term Receivables	8 060 000	(1 350 000)	6 710 000	6 388 000	(322 000)	4.8%
	<b>72 218 000</b>	<b>7 052 000</b>	<b>79 270 000</b>	<b>79 215 195</b>	<b>(54 805)</b>	

#### Total Assets

**178 365 000      5 362 000      183 727 000      217 673 804      33 946 804**

#### Liabilities

##### Current Liabilities

Payables from exchange transactions	9 964 000	6 387 000	16 351 000	15 172 190	(1 178 810)	7.16%
Consumer deposits	2 000	1 000	3 000	4 945	1 945	64.83%
Employee benefit obligation	14 868 000	168 000	15 036 000	11 840 926	(3 195 074)	21.25%
Unspent conditional grants and receipts	-	-	-	1 351 693	1 351 693	0%
	<b>24 834 000</b>	<b>6 556 000</b>	<b>31 390 000</b>	<b>28 369 754</b>	<b>(3 020 246)</b>	

##### Non-Current Liabilities

Employee benefit obligation	32 758 000	865 000	33 623 000	29 498 513	(4 124 487)	12.27%
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#### Total Liabilities

**57 592 000      7 421 000      65 013 000      57 868 267      (7 144 733)**

#### Net Assets

**120 773 000      (2 059 000)      118 714 000      159 805 537      41 091 537**

#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Revaluation reserve	32 164 000	9 779 000	41 943 000	43 620 661	1 677 661	4.0%
Accumulated surplus	88 609 000	(11 838 000)	76 771 000	116 184 876	39 413 876	50.90%
<b>Total Net Assets</b>	<b>120 773 000</b>	<b>(2 059 000)</b>	<b>118 714 000</b>	<b>159 805 537</b>	<b>41 091 537</b>	

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

### Financial Position: Explanation of Variances between Approved Budget and Actual

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

#### *Receivables from Exchange Transactions:*

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

#### *Cash and Cash Equivalents:*

The variance is due to projects which are rolled-over to the 2023/24 financial year and savings on completed projects.

#### *Operating Lease Receivables:*

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

#### *Property, Plant and Equipment:*

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

#### *Intangible Assets:*

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

#### *Investment Property*

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

#### *Long-term Receivables:*

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

#### *Consumer Deposits:*

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

#### *Payables from Exchange Transactions:*

The variance is due to the fact that the actual invoiced raised at year end were less as compared to the estimated budget.

#### *Unspent Conditional Grants and Receipts:*

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

#### *Reserves:*

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

#### *Accumulated Surplus / (Deficit):*

Combination of reasons stated above

#### *Reason for adjustment to original budget*

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

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

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Grants	139 841 000	-	139 841 000	137 583 074	(2 257 926)	1.61%
Interest income	7 150 000	-	7 150 000	9 979 265	2 829 265	33.15%
Other receipts	320 000	-	320 000	610 421	290 421	133.21%
	<b>147 311 000</b>	<b>-</b>	<b>147 311 000</b>	<b>148 172 760</b>	<b>861 760</b>	

##### Payments

Suppliers	(168 864 000)	-	(168 864 000)	(130 570 922)	38 293 078	22.71%
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<b>Net cash flows from operating activities</b>	<b>(21 553 000)</b>	<b>-</b>	<b>(21 553 000)</b>	<b>17 601 838</b>	<b>39 154 838</b>	
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#### Cash flows from investing activities

Movement in investments (incl. Controlled entities, JVs & Assoc)	-	-	-	(1 250 000)	(1 250 000)	0.0%
Decrease / (Increase) in Long-term Receivables	1 725 000	-	1 725 000	283 000	(1 442 000)	88.90%
Purchase of other asset	(7 984 000)	-	(7 984 000)	(6 400 882)	1 583 118	24.51%
<b>Net cash flows from investing activities</b>	<b>(6 259 000)</b>	<b>-</b>	<b>(6 259 000)</b>	<b>(7 367 882)</b>	<b>(1 108 882)</b>	

#### Cash flows from financing activities

Other cash item	2 000	-	2 000	-	(2 000)	
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(27 812 000)</b>	<b>-</b>	<b>(27 812 000)</b>	<b>10 233 956</b>	<b>38 045 956</b>	
Cash and cash equivalents at the beginning of the year	81 137 000	5 963 000	87 100 000	103 179 504	16 079 504	18.46%
<b>Cash and cash equivalents at the end of the year</b>	<b>53 325 000</b>	<b>5 963 000</b>	<b>59 288 000</b>	<b>113 413 460</b>	<b>54 125 460</b>	

### Cash Flow: Explanation of Variances between Approved Budget and Actual

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

#### Interest income:

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

#### Other Receipts:

VAT is accounted for under other receipts.

#### VAT Receivable / Payable:

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

#### Suppliers Paid:

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

## Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

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

*Purchase of Property, Plant and Equipment:*

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

*Reason for adjustment to original budget*

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2023</b>											
<b>Financial Performance</b>											
Investment revenue	7 150 000	-	7 150 000	-		7 150 000	9 979 265		2 829 265	140 %	140 %
Transfers recognised - operational	139 841 000	500 000	140 341 000	-		140 341 000	137 339 592		(3 001 408)	98 %	98 %
Other own revenue	320 000	-	320 000	-		320 000	3 122 227		2 802 227	976 %	976 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>147 311 000</b>	<b>500 000</b>	<b>147 811 000</b>	<b>-</b>		<b>147 811 000</b>	<b>150 441 084</b>		<b>2 630 084</b>	<b>102 %</b>	<b>102 %</b>
Employee costs	(91 585 000)	3 077 000	(88 508 000)	-	-	(88 508 000)	(72 456 873)	-	16 051 127	82 %	79 %
Remuneration of councillors	(10 287 000)	-	(10 287 000)	-	-	(10 287 000)	(8 190 220)	-	2 096 780	80 %	80 %
Debt impairment	(10 000)	-	(10 000)			(10 000)	(7 402)	-	2 598	74 %	74 %
Depreciation and asset impairment	(3 591 000)	(1 426 000)	(5 017 000)			(5 017 000)	(5 304 413)	-	(287 413)	106 %	148 %
Materials and bulk purchases	(1 493 000)	(411 000)	(1 904 000)	-	-	(1 904 000)	(1 085 763)	-	818 237	57 %	73 %
Transfers and grants	(25 326 000)	(8 600 000)	(33 926 000)	-	-	(33 926 000)	(30 572 440)	-	3 353 560	90 %	121 %
Other expenditure	(39 281 000)	(338 000)	(39 619 000)	-	-	(39 619 000)	(24 830 567)	-	14 788 433	63 %	63 %
<b>Total expenditure</b>	<b>(171 573 000)</b>	<b>(7 698 000)</b>	<b>(179 271 000)</b>	<b>-</b>	<b>-</b>	<b>(179 271 000)</b>	<b>(142 447 678)</b>	<b>-</b>	<b>36 823 322</b>	<b>79 %</b>	<b>83 %</b>
<b>Surplus/(Deficit)</b>	<b>(24 262 000)</b>	<b>(7 198 000)</b>	<b>(31 460 000)</b>	<b>-</b>		<b>(31 460 000)</b>	<b>7 993 406</b>		<b>39 453 406</b>	<b>(25)%</b>	<b>(33)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>(24 262 000)</b>	<b>(7 198 000)</b>	<b>(31 460 000)</b>	<b>-</b>		<b>(31 460 000)</b>	<b>7 993 406</b>		<b>39 453 406</b>	<b>(25)%</b>	<b>(33)%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	7 984 000	1 151 000	9 135 000	-		9 135 000	6 400 882		(2 734 118)	70 %	80 %



# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	(21 545 000)	-	(21 545 000)	-		(21 545 000)	17 601 838		39 146 838	(82)%	(82)%
Net cash from (used) investing	(7 984 000)	-	(7 984 000)	-		(7 984 000)	(7 367 882)		616 118	92 %	92 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(29 529 000)</b>	<b>-</b>	<b>(29 529 000)</b>	<b>-</b>		<b>(29 529 000)</b>	<b>10 233 956</b>		<b>39 762 956</b>	<b>(35)%</b>	<b>(35)%</b>
Cash and cash equivalents at the beginning of the year	51 607 000	5 963 000	57 570 000	-		57 570 000	103 179 504		45 609 504	179 %	200 %
<b>Cash and cash equivalents at year end</b>	<b>22 078 000</b>	<b>5 963 000</b>	<b>28 041 000</b>	<b>-</b>		<b>28 041 000</b>	<b>113 413 460</b>		<b>(85 372 460)</b>	<b>404 %</b>	<b>514 %</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

Figures in Rand	Note(s)	2023	2022
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### 1.1 BASIS FOR PRESENTATION

#### 1.1 Internal reserves

#### 1.2 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

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

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

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

#### 1.1.1 Presentation Currency

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

#### 1.1.2 Changes in Accounting Policy and Comparability

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

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

#### 1.1.3 Critical Judgements, Estimations and Assumptions

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

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

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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(continued)

### 1.1.4 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.

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

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

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

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

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

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

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

### 1.1.7 Defined Benefit Plan Liabilities

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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(continued)

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.

### 1.1.8 Provisions and Contingent Liabilities

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

### 1.1.9 Budget Information

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

### 1.1.5 Going Concern Assumption

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

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

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

GRAP 25 Employee Benefits (Effective date to be determined)

GRAP 104 Financial Instruments (Effective 1 April 2025)

GRAP7 The limit on a define benefit asset, minimum funding requirement and their interaction (Effective date to be determined)

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

## 1.2 NET ASSETS

### 1.2.1 Revaluation Reserve

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

### 1.2.2 Capital Replacement Reserve (CRR)

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

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

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

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

## **Frances Baard District Municipality**

Annual Financial Statements for the year ended 30 June 2023

### **Accounting Policies**

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(continued)

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

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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(continued)

### 1.3 PROPERTY, PLANT AND EQUIPMENT

#### 1.3.1 Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

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

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

#### 1.3.2 Subsequent Measurement

##### Plant and Equipment

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

##### Revaluation Model:

##### Buildings and Land

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

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

#### 1.3.3 Depreciation

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

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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(continued)

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

### 1.3.4 Land

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

### 1.3.5 Incomplete Construction Work

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

### 1.3.6 Derecognition

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

## 1.4 HERITAGE ASSETS

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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(continued)

### 1.4.1 Initial Recognition

Heritage Assets are initially recognised at cost.

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

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

### 1.4.2 Subsequent Measurement

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

### 1.4.3 Derecognition

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

## 1.5 INTANGIBLE ASSETS

### 1.5.1 Initial Recognition

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

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

Intangible Assets are initially recognised at cost.

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

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

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

### 1.5.2 Subsequent Measurement, Amortisation and Impairment

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



# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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(continued)

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

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

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

### 1.5.3 Derecognition

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

## 1.6 INVESTMENT PROPERTY

### 1.6.1 Initial Recognition

At initial recognition, the municipality measures Investment Property at cost. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

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

### 1.6.2 Subsequent Measurement

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

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

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

### 1.6.3 Derecognition

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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(continued)

### 1.7 IMPAIRMENT OF ASSETS

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

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

#### 1.7.1 Impairment of Cash Generating Assets

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

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

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

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

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

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

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

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

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

#### 1.7.2 Impairment of Non-cash Generating Assets

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

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

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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(continued)

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

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

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

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

### 1.8 FINANCIAL INSTRUMENTS

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

#### Initial Recognition

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

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

#### Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

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

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

(continued)

### 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
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

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

### 1.8.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Taxes and Transfers Payable	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.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### Financial Assets measured at Cost

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

### Financial Assets measured at Fair Value

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

### 1.8.3.2 Financial Liabilities:

#### Financial Liabilities measured at Fair Value

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

#### Financial Liabilities held at Amortised Cost

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

Prepayments are carried at cost less any accumulated impairment losses.

### 1.8.4 Impairment of Financial Assets

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

#### 1.8.4.1 Financial Assets at Amortised Cost

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

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.8.4.2 Financial Assets at Cost

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

### 1.8.5 Derecognition of Financial Assets

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

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

### 1.8.6 Derecognition of Financial Liabilities

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

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

## 1.9 INVENTORIES

### 1.9.1 Initial Recognition

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

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

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

### 1.9.2 Subsequent Measurement

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

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.9.2.2 Other Arrangements

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

## 1.10 REVENUE RECOGNITION

### 1.10.1 General

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

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

### 1.10.2 Revenue from Exchange Transactions

#### 1.10.2.1 Rentals Received

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

#### 1.10.2.2 Finance Income

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

#### 1.10.2.3 Sale of Goods (including Houses)

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

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

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

The amount of revenue can be measured reliably;

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

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

### 1.10.3 Revenue from Non-exchange Transactions

#### 1.10.3.1 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.10.3.2 Government Grants and Receipts

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

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

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

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

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

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

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

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

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

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

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

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

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

### 1.11 PROVISIONS

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



# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

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

### 1.12 EMPLOYEE BENEFIT LIABILITIES

#### 1.12.1 Short-term Employee Benefits

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

#### 1.12.2 Provision for Staff Leave

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

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

Accumulated leave is vesting.

#### 1.12.3 Staff Bonuses Accrued

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

#### 1.12.4 Provision for Performance Bonuses

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

#### 1.12.5 Post-employment Benefits

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.12.5.1 Defined Contribution Plans

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

### 1.12.5.2 Defined Benefit Plans

#### Post-retirement Health Care Benefits

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

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

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

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

#### Long-service Allowance

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

#### Provincially-administered Defined Benefit Plans

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

#### Defined Benefit Pension Plans

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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(continued)

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

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

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

### Ex gratia Gratuities

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

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

### Provision for Staff Leave

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

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

Accumulated leave is vesting.

## 1.13 LEASES

### 1.13.1 The Municipality as Lessor

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

## 1.14 GRANTS-IN-AID

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

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

Expect to be repaid in future; or

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

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.15 VALUE ADDED TAX

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

### 1.16 UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised

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

### 1.17 IRREGULAR EXPENDITURE

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

### 1.18 FRUITLESS AND WASTEFUL EXPENDITURE

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

### 1.19 MATERIAL LOSSES

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

### 1.20 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

### 1.21 STATUTORY RECEIVABLES

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Accounting Policies

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### 1.22 COMMITMENTS

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

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

### 1.23 RELATED PARTIES

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

### 1.24 EVENTS AFTER THE REPORTING DATE

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

### 1.25 BUDGET INFORMATION

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

The approved budget covers the period from 1 July 2022 to 30 June 2023.

## Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>2. Inventories</b>		
Consumable stores	239 492	357 534
<b>Reconciliation</b>		
Opening balance	357 534	375 696
Purchases	289 622	226 696
Issues	(316 106)	(244 858)
Inventory write-off	(91 558)	-
<b>Closing balance</b>	<b>239 492</b>	<b>357 534</b>

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 R316,106 for the current year (2022: R244,858)

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>3. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Service debtors	7 956 366	6 634 931
Prepayments and Advances	1 574 851	1 271 219
Other Debtors	582 555	306 281
	<b>10 113 772</b>	<b>8 212 431</b>
<b>Less: Allowance for impairment</b>		
Trade debtors	(95 523)	(88 121)
Prepayments and Advances	-	-
	<b>(95 523)</b>	<b>(88 121)</b>
<b>Net balance</b>		
Service Debtors	7 860 843	6 546 810
Prepayments and Advances	1 574 851	1 271 219
Other Debtors	582 555	306 281
	<b>10 018 249</b>	<b>8 124 310</b>
<b>Service Debtors Ageing</b>		
Current (0 -30 days)	523 081	884 743
31 - 60 days	131 358	253 459
61 - 90 days	174 436	174 548
91 - 120 days	7 031 968	5 234 060
	<b>7 860 843</b>	<b>6 546 810</b>
<b>Prepayments and Advances Ageing</b>		
Current (0 -30 days)	1 574 851	1 271 219
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
	<b>1 574 851</b>	<b>1 271 219</b>
<b>Other Debtors Ageing</b>		
Current (0 -30 days)	582 555	306 281
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
	<b>582 555</b>	<b>306 281</b>
<b>Service Debtors By Type</b>		
Provincial Departments	7 053 475	5 911 811
Councillors	233 259	153 044
Officials	19 430	5 979
Medical Aid Debtor	1 871	1 871
Private Business	648 331	562 226
	<b>7 956 366</b>	<b>6 634 931</b>
<b>Summary of debtors by customer classification</b>		
<b>Service debtors</b>		
Current (0 -30 days)	523 081	884 743
31 - 60 days	131 358	253 459
61 - 90 days	174 436	174 548

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>3. Receivables from exchange transactions (continued)</b>		
91 - 120 days	7 127 491	5 322 181
	7 956 366	6 634 931
Less: Allowance for impairment	(95 523)	(88 121)
	<b>7 860 843</b>	<b>6 546 810</b>
<b>Prepayments and Advances</b>		
Current (0 -30 days)	1 574 851	1 271 219
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
	1 574 851	1 271 219
Less: Allowance for impairment	-	-
	<b>1 574 851</b>	<b>1 271 219</b>
<b>Other Debtors</b>		
Current (0 -30 days)	582 555	306 281
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
	582 555	306 281
Less: Allowance for impairment	-	-
	<b>582 555</b>	<b>306 281</b>
<b>Total Debtors</b>		
Current (0 -30 days)	2 680 487	2 476 545
31 - 60 days	131 358	253 459
61 - 90 days	174 436	174 548
91 - 120 days	7 127 491	5 307 879
	10 113 772	8 212 431
Less: Allowance for impairment	(95 523)	(88 121)
	<b>10 018 249</b>	<b>8 124 310</b>
As at 30 June 2023 Receivables of R7,337,762 (30 June 2022 - R5,647,167) were past due on accounts older than 30 days, R95,523 (30 June 2022 - R88,121) was assessed to be impaired in accordance with the municipal policy. The age analysis of these Receivables are as follows:		
The past due accounts are changed from accounts older than 90 days as stated in 2021/22 financial year to older than 30 days in 2022/23 financial year.		
<b>Total debtor past due but not impaired</b>		
Current (0 -30 days)	-	-
31 - 60 days	131 358	238 559
61 - 90 days	174 436	174 548
91-120 days	7 031 968	5 234 060
	<b>7 337 762</b>	<b>5 647 167</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	88 121	88 121
Contributions to allowance	7 402	-
Debt impairment written off against allowance	-	-
Reversal of allowance	-	-
	<b>95 523</b>	<b>88 121</b>



# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 4. Statutory Receivables

Recovery of disaster grant DORA	389 000	389 000
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#### Statutory receivables included in receivables from non-exchange transactions above are as follows:

Gross Balances	389 000	389 000
Provision for impairment	-	-
	<b>389 000</b>	<b>389 000</b>

<b>Total Statutory Receivables</b>	<b>389 000</b>	<b>389 000</b>
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An amount of R389 000 was gazetted in the 2019/20 Northern Cape Provincial Gazette. The Disaster Grant was due from Department of Co-operative Governance, Human Settlements and Traditional Affairs and has not yet being received. The Northern Cape Provincial Government has not issued any gazettee reversing the allocation. Such amount has been recognised as a debtor, and management has considered the amount not be impaired.

None of the statutory receivables is pledged as security.

### 5. Investments

#### At amortised cost

Fixed term deposit	11 000 000	9 750 000
Fixed deposit at Nedbank until 30 June 2023		

#### Reconciliation

Opening Balance	9 750 000	10 200 000
Invested	1 250 000	-
Withdrawn	-	(450 000)
	<b>11 000 000</b>	<b>9 750 000</b>

	Cashbook	Bank statement	Difference
<b>2023</b>			
Nedbank	11 000 000	11 000 000	-
<b>2022</b>			
Nedbank	9 750 000	9 750 000	-

None of the investments is pledged as security.

The amount of -R450,000 previously reported as invested has been correctly reported as withdrawn in the 2022/23FY.

### 6. VAT receivable

VAT	2 631 927	2 974 152
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#### Reconciliation

Opening Balance	2 974 152	1 776 354
Input VAT	6 819 451	5 983 157
Output VAT	222 058	47 008
VAT Accruals	(9 525)	(14 050)
Sars Refunds	(7 374 209)	(4 818 317)
	<b>2 631 927</b>	<b>2 974 152</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 6. VAT receivable (continued)

The presentation for VAT has been adjusted to better present the information. As such comparative amounts have also been presented in line with the current year. There has been no change in the prior year balance.

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.

None of the VAT receivable is pledged as security.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 300	3 300
Bank balances	7 055 270	13 199 195
Current Investments - Short-term deposits	106 354 890	89 977 009
	<b>113 413 460</b>	<b>103 179 504</b>

### The list of municipal bank accounts

Bank accounts	Bank statement balances		Cash book balances	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
FNB - Kimberley Regional Office - Primary Account	7 167 567	13 207 195	7 055 270	13 199 195

#### 7.1 Current Investment Deposits

	106 354 890	89 977 009
<b>Total Current Investment Deposits</b>	<b>106 354 890</b>	<b>89 977 009</b>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4.00% to 7.6% (2022: 3.05 % to 4 %) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 4.9% to 8.6 % (2022: 4.97 % to 5.60 %) per annum.

#### 7.2 Notice Deposits

Deposits attributable to Unspent Conditional Grants	1 351 693	1 360 210
Deposits attributable to Capital Replacement Reserve	7 957 082	7 957 082
Deposits attributable to Payables	15 172 185	6 832 738
Deposits attributable to Current Provisions	11 840 926	13 149 934
Deposits attributable to Consumer Deposits	4 945	2 990
Deposits available for operations	70 028 059	60 674 055
<b>Total Deposits attributable to Commitments of the Municipality</b>	<b>106 354 890</b>	<b>89 977 009</b>

#### 7.3 Bank Accounts

Cash in bank	7 055 270	13 199 195
Bank Overdraft	-	-
<b>Total bank accounts</b>	<b>7 055 270</b>	<b>13 199 195</b>

#### Primary Bank Account

##### FNB - Kimberley Regional Office - Primary Account:

Cash book balance at end of year	7 055 270	13 199 195
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##### FNB - Kimberley Regional Office - Primary Account:

Bank statement balance at end of year	7 167 567	13 207 195
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The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>7. Cash and cash equivalents (continued)</b>		
<b>2023</b>	<b>Cashbook</b>	<b>Bank statement</b>
ABSA	30 179 801	30 179 801
FNB	25 975 089	25 998 749
Nedbank	20 100 000	20 100 000
Standard Bank	30 100 000	30 100 000
	<b>106 354 890</b>	<b>106 378 550</b>
<b>2022</b>	<b>Cashbook</b>	<b>Bank statement</b>
ABSA	24 001 920	24 001 920
FNB	30 975 089	30 975 089
Nedbank	17 500 000	17 500 000
Standard Bank	17 500 000	17 567 864
	<b>89 977 009</b>	<b>90 044 873</b>
<b>Cash on hand</b>		
	3 300	3 300
<b>Total Cash on hand in Cash Floats, Advances and Equivalents</b>	<b>3 300</b>	<b>3 300</b>
<b>Total cash and cash equivalents</b>	<b>113 413 460</b>	<b>103 179 504</b>

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

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

## 8. Long-term Receivables

### 8.1 Employee Benefits

Opening Balance	7 347 000	8 918 000
Interest cost	807 000	807 000
Payments made	(707 514)	(732 502)
Actuarial loss/(gain)	(322 486)	(1 645 498)
Total Long Term Receivables	7 124 000	7 347 000
Less: Current Portion transferred to Current Receivables:-Employee Benefits	(736 000)	(676 000)
<b>Non-Current Portion of Long Term Receivables</b>	<b>6 388 000</b>	<b>6 671 000</b>

### Employee benefits receivables

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3 120 700	-	3 120 700	3 120 700	-	3 120 700
Buildings and Ancillary Assets	57 066 703	(3 682 657)	53 384 046	56 730 097	(1 673 026)	55 057 071
Plant and machinery	7 938 548	(5 642 241)	2 296 307	10 397 171	(7 322 330)	3 074 841
Furniture and fixtures	8 827 401	(7 627 185)	1 200 216	8 587 904	(7 216 159)	1 371 745
Motor vehicles	10 694 541	(8 450 295)	2 244 246	9 209 637	(8 076 829)	1 132 808
IT equipment	8 154 873	(5 587 005)	2 567 868	7 244 544	(5 019 808)	2 224 736
Work In Progress	5 673 145	-	5 673 145	2 452 024	-	2 452 024
<b>Total</b>	<b>101 475 911</b>	<b>(30 989 383)</b>	<b>70 486 528</b>	<b>97 742 077</b>	<b>(29 308 152)</b>	<b>68 433 925</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment (continued)

#### 9.1 Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	3 120 700	-	-	-	-	-	-	-	3 120 700
Buildings and Ancillary Assets	55 057 071	-	-	-	-	-	(1 673 025)	-	53 384 046
Plant and machinery	3 074 841	308 167	(42 912)	-	-	-	(1 043 787)	-	2 296 307
Furniture and fixtures	1 371 745	260 482	(1 735)	-	-	-	(430 276)	-	1 200 216
Motor vehicles	1 132 808	1 484 904	-	-	-	-	(373 466)	-	2 244 246
IT equipment	2 224 736	1 126 208	(5 937)	-	-	-	(777 140)	-	2 567 868
Work In Progress	2 452 024	3 221 121	-	-	-	-	-	-	5 673 145
	<b>68 433 925</b>	<b>6 400 882</b>	<b>(50 584)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4 297 693)</b>	<b>-</b>	<b>70 486 528</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Property, plant and equipment (continued)

#### 9.2 Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers received	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Land	7 943 000	-	-	150 000	-	-	(4 972 300)	-	3 120 700
Buildings and Ancillary Assets	32 596 496	-	-	385 475	21 116 877	2 631 248	-	(1 673 025)	55 057 071
Plant and machinery	3 515 920	519 542	(1 853)	-	-	-	-	(958 768)	3 074 841
Furniture and fixtures	1 793 840	28 078	(172)	-	-	-	-	(450 001)	1 371 745
Motor vehicles	773 824	679 844	(39 085)	-	-	-	-	(281 775)	1 132 808
IT equipment	1 914 716	924 457	(31 294)	-	-	-	-	(583 143)	2 224 736
Work In Progress	2 317 415	134 609	-	-	-	-	-	-	2 452 024
	<b>50 855 211</b>	<b>2 286 530</b>	<b>(72 404)</b>	<b>535 475</b>	<b>21 116 877</b>	<b>2 631 248</b>	<b>(4 972 300)</b>	<b>(3 946 712)</b>	<b>68 433 925</b>

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

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

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

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

#### 9.5 Assets pledged as security

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

#### 9.6 Impairment of Property, Plant and Equipment

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

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

There are changes in the estimated useful life of various assets during the financial year due to the reassessment of useful life.

#### 9.8 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the revaluation value model. Revaluation is done every five years.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 9. Property, plant and equipment (continued)

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

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

Buildings	5 673 145	2 452 024
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##### Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Project 1: Disaster Management Center - Delayed	5 673 145	2 452 024
-------------------------------------------------	-----------	-----------

Project experienced some delays and went beyond the projected completion date. These delays were beyond the control of the municipality, as the municipality was experiencing difficulty to remove the Department of Transport, Safety and Liason from the building in order to complete the project. The department moved out of the building at the end of January 2022.

<b>5 673 145</b>	<b>2 452 024</b>
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#### Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Buildings	Plant and Machinery	Total
Opening balance	-	2 452 024	-	2 452 024
Additions/capital expenditure	-	3 082 650	138 471	3 221 121
	-	<b>5 534 674</b>	<b>138 471</b>	<b>5 673 145</b>

#### Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Buildings	Total
Opening balance	-	2 317 415	2 317 415
Additions/capital expenditure	-	134 609	134 609
	-	<b>2 452 024</b>	<b>2 452 024</b>

#### 9.10 Expenditure incurred to repair and maintain property, plant and equipment

##### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Information and Communication Infrastructure	16 866	15 926
Computer Equipment	7 065	48 906
Furniture and Office Equipment	272 535	432 952
Machinery and Equipment	394 923	224 693
Other Assets - Buildings	510 545	548 880
Transport Assets	136 121	169 083
	<b>1 338 055</b>	<b>1 440 440</b>



## Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 10. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4 049 621	(2 349 175)	1 700 446	4 049 620	(1 342 456)	2 707 164

#### 10.1 Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software	2 707 164	(1 006 719)	1 700 446

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Intangible assets (continued)

#### 10.2 Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	155 968	2 866 223	(9 708)	(305 319)	2 707 164

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (**see Note 27**).

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

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

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

#### 10.3 Significant Intangible Assets

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

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

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

There are changes in the estimated useful life of some intangible assets during the financial year due to the reassessment of useful live.

#### 10.5 Impairment of Intangible Assets

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

#### 10.6 Work-in-Progress

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

#### 10.7 Delayed Projects

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 10. Intangible assets (continued)

#### 10.7 Expenditure incurred to repair and maintain intangible assets

##### Cumulative expenditure recognised in the carrying value of Intangible assets

Licenses and franchises	3 068 850	3 505 880
Computer software, internally generated	139 717	129 253
	<b>3 208 567</b>	<b>3 635 133</b>

### 11. Investment property

#### 11.1 Reconciliation of investment property - 2023

	Opening balance	Additions	Fair value adjustments	Depreciation	Total
Investment property	-	-	-	-	-

#### 11.2 Reconciliation of investment property - 2022

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

All of the municipality's Investment Property was transferred to buildings and ancillary assets in 2021/22 financial year.

#### 11.3 Maintenance of investment property

The municipality did not repair any of its investment property.

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

Rental revenue from Investment property	-	217 216
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## Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

### Notes to the Annual Financial Statements

Figures in Rand

#### 12. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	631 417	-	631 417	631 417	-	631 417

##### 12.1 Reconciliation of heritage assets 2023

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

##### 12.2 Reconciliation of heritage assets 2022

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

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

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

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### 12. Heritage assets (continued)

#### 12.3 Impairment of Heritage Assets

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

#### 12.4 Heritage Assets measured after recognition using the Cost Model

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

#### 12.5 Work-in-Progress

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

#### 12.6 Delayed Projects

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

#### 12.7 Expenditure incurred to repair and maintain heritage assets

Expenditure incurred to repair and maintain heritage assets included in  
Statement of Financial Performance

Contracted services

- -

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# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 13. Operating lease asset (receivable)

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

Non-current assets	8 804	38 964
Current assets	30 481	12 206
	<b>39 285</b>	<b>51 170</b>

### Reconciliation of Operating Lease Receivables

Balance at beginning of year	51 170	45 817
Operating Lease Revenue affected	(11 885)	5 353
	<b>39 285</b>	<b>51 170</b>

### The following amounts are due as shown below:

Up to 1 year	30 481	12 206
2 to 5 years	8 804	38 964
	<b>39 285</b>	<b>51 170</b>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease of -R11,885 (2022: increase of R5,353) in current year income.

### 13.1 Leasing Arrangements

#### *The Municipality as Lessor:*

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

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

### Amounts receivable under Operating Leases

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

Up to 1 year	240 797	223 238
2 to 5 years	259 738	500 535
	<b>500 535</b>	<b>723 773</b>

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

- The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- The lessee shall use the premises let for the sole purpose prescribed in the agreement

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>14. Employee benefit obligations</b>		
<b>Defined benefit plan</b>		
<b>14.1 Employee Benefit Liabilities</b>		
Post-retirement Health Care Benefits Liability	28 900 000	29 999 999
Long Service Awards Liability	3 233 963	3 431 963
Total Employee Benefit Liabilities	32 133 963	33 431 962
<b>Less: Current Portion of Employee Benefit Liabilities</b>	-	-
Current - Post-retirement Health Care Benefits Liability	(2 347 000)	(2 161 000)
Current - Long Service Awards Liability	(307 000)	(575 000)
	<b>29 479 963</b>	<b>30 695 962</b>
Non-current liabilities	29 498 513	30 787 173
Current liabilities	11 840 926	13 149 934
	<b>41 339 439</b>	<b>43 937 107</b>

### 14.2 Post-retirement Health Care Benefits Liability

#### Liability

Opening balance	29 999 999	28 967 999
Interest cost	3 329 000	2 652 000
Current service cost	589 000	589 000
Actual employer benefit payments	(2 217 253)	(2 068 464)
Actuarial loss/ (gain) recognised in the year	(2 800 747)	(140 536)
Balance at end of Year	28 899 999	29 999 999
Less: Current Portion of Liability	(2 347 000)	(2 161 000)
<b>Non-Current Portion of Liability</b>	<b>26 552 999</b>	<b>27 838 999</b>

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 2023 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)	69	75
In-Service Non-members (Employees)	16	16
Continuation Members (Retirees, widowers and orphans)	37	36
<b>Total Members</b>	<b>122</b>	<b>127</b>

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

In-service Members	5 933 000	6 453 000
In-service Non-members	276 000	267 000
Continuation Members	22 691 000	23 280 000
<b>Total Liability</b>	<b>28 900 000</b>	<b>30 000 000</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 14. Employee benefit obligations (continued)

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

- Bonitas
- Keyhealth
- LA Health
- Hosmed
- Samwumed

The Interest Cost for the year ending 30 June 2023 is estimated to be R3,329,000 whereas the cost for the ensuing year is estimated to be R3,356,000 (30 June 2022: R2,652,000 and R3,329,000 respectively).

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

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

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

Opening balance	29 999 990	28 967 990
Interest Cost	3 329 000	2 652 000
Current service cost	589 000	589 000
Actual employer benefit payments	(2 217 253)	(2 068 464)
Actuarial loss/gain recognised in the year	(2 800 747)	(140 536)
<b>Total Recognised Benefit Liability</b>	<b>28 899 990</b>	<b>29 999 990</b>

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

Present value of fund obligations	28 899 990	29 999 990
Unfunded Accrued Liability	28 899 990	29 999 990
<b>Total Benefit Liability</b>	<b>28 899 990</b>	<b>29 999 990</b>

The history of fair values are as follows:

	2023	2022	2021	2020	2019
Present Value of Defined Benefit Obligation	28 899 990	29 999 999	28 967 999	23 729 970	31 091 999
<b>Experienced adjustments on Plan Liabilities</b>	<b>(1 100 009)</b>	<b>1 031 991</b>	<b>5 238 030</b>	<b>(7 362 030)</b>	<b>2 578 000</b>

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

The amount for present value of fund obligations and unfunded accrued liability previously disclosed as R27 657 102 is restated in the 2022/23 to R29 999 990.

<b>Increase:</b>	-	-
Effect on the aggregate of the current service cost and the interest cost	1	4 483 000
Effect on the defined benefit obligation	1	32 096 000
<b>Decrease:</b>	-	-
Effect on the aggregate of the current service cost and the interest cost	(1)	(3 457 000)



# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 14. Employee benefit obligations (continued)

Effect on the defined benefit obligation (1) (26 198 000)

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

The municipality expects to make a contribution of R2,347,000 (2022: R2,161,000) to the Defined Benefit Plans during the next financial year.

Refer to Note 49, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

### 14.3 Long Service Awards Liability

Opening Balance	3 431 963	3 102 963
Increases	390 669	674 386
Other Reductions	(588 669)	(345 386)
Balance at end of year	3 233 963	3 431 963
Less: Current Portion of Liability	(307 000)	(575 000)
<b>Total Non-Current - Long Service Awards Liability</b>	<b>2 926 963</b>	<b>2 856 963</b>

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 2023 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, 85 (2022: 91) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2023 is estimated to be R342,000 whereas the cost for the ensuing year is estimated to be R312,000 (30 June 2022: R335,000 whereas the cost for the ensuing year is estimated to be R342,000).

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

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

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

Opening balance	3 431 963	3 102 963
Increases	390 669	674 386
Payments Made	-	-
Other reductions	(588 669)	(345 386)
	-	-
	<b>3 233 963</b>	<b>3 431 963</b>

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

Present value of fund obligations	3 233 963	3 431 963
Unfunded Accrued Liability	3 233 963	3 431 963

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 14. Employee benefit obligations (continued)

<b>Total Benefit Liability</b>	<b>3 233 963</b>	<b>3 431 963</b>
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	342 000	335 000
Interest cost	352 000	291 000
Expected return on reimbursement rights	-	-
Actuarial losses / (gains)	(303 331)	48 386
<b>Total Post-retirement Benefit included in Employee Related Costs</b>	<b>390 669</b>	<b>674 386</b>

The history of experienced adjustments is as follows:	2023	2022	2021	2020	2019
	3 233 963	3 431 963	3 102 963	2 206 054	2 110 964

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

<b>Increase</b>		
Effect on the aggregate of the current service cost and the interest cost	747 000	676 000
Effect on the defined benefit obligation	3 439 000	3 648 000
<b>Decrease</b>		
Effect on the aggregate of the current service cost and the interest cost	(646 000)	(581 000)
Effect on the defined benefit obligation	(3 047 000)	(3 237 000)

The municipality expects to make a contribution of R307,000 (2022: R575,000) to the defined benefit plans during the next financial year.

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

<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	(29 498 513)	(30 787 173)
Present value of the defined benefit obligation - current	(11 840 926)	(13 149 934)
	<b>(41 339 439)</b>	<b>(43 937 107)</b>
 Non-current liabilities	 (29 498 513)	 (30 787 173)
Current liabilities	(11 840 926)	(13 149 934)
	<b>(41 339 439)</b>	<b>(43 937 107)</b>

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

### 14.4 Current Liabilities: Employee benefit obligation

Reconciliation - 2023	Opening Balance	Additions	Payments made	Reversed/ Reductions during the year	Total
Ex-gratia Pensions	31 100	-	-	(19 680)	11 420
Leave provision	9 741 071	7 849 579	(8 830 450)	-	8 760 200
Performance bonus provision	641 763	343 836	(430 832)	(139 461)	415 306
Employee benefit cost	2 161 000	186 000	-	-	2 347 000
Long service award	575 000	-	-	(268 000)	307 000
	<b>13 149 934</b>	<b>8 379 415</b>	<b>(9 261 282)</b>	<b>(427 141)</b>	<b>11 840 926</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 14. Employee benefit obligations (continued)

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

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

Staff Benefit:

#### Ex-Gratia Pension

Opening balance	91 211	103 811
Increases	9 000	21 190
Payments made	(15 061)	(34 090)
Other reductions	(86 279)	-
Reversals	19 980	300
	<b>18 851</b>	<b>91 211</b>

#### Ex-gratia Pensions

Ex-gratia Pensions Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised

#### Leave Provision

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

#### Performance Bonus

Performance 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.

### 15. Payables from exchange transactions

Trade payables	12 844 706	4 758 039
Bonus	2 040 026	2 070 513
Retentions	285 453	-
Third Party Payments	2 000	4 185
	<b>15 172 185</b>	<b>6 832 737</b>

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

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

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Rural Road Asset Management System Grant (RRAMS)	73 541	252 138
National Revenue Fund - Fuel Levy & Equitable Share	1 031 708	1 031 708
Provincial Government	221 038	76 364
Financial Management Grant (FMG)	24 991	-
Extended Public Works Programme (EPWP)	415	-
	<b>1 351 693</b>	<b>1 360 210</b>

#### Movement during the year

Balance at the beginning of the year	1 360 210	2 162 319
Additions during the year	5 412 075	5 326 565
Income recognition during the year	(5 168 592)	(5 088 477)
Repayment of unspent grant	(252 000)	(1 040 197)
	<b>1 351 693</b>	<b>1 360 210</b>

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

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

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

### 17. Consumer deposits

Rental Properties	4 945	2 990
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Consumer deposits comprise deposits for properties rented out by the municipality.

No interest is paid on Consumer Deposits held.

### 18. Reserves

Opening balance	44 668 521	26 940 553
Transfers to/from Accumulated Surplus	(1 047 860)	(1 047 859)
Current Year Revaluation	-	18 775 827
	<b>43 620 661</b>	<b>44 668 521</b>

#### Reserves

Revaluation Reserve	36 711 438	18 983 471
Capital Replacement Reserve	7 957 082	7 957 082
	<b>44 668 520</b>	<b>26 940 553</b>

#### 18.1 Reconciliation of the Capital Replacement Reserve

Revaluation surplus beginning of period	7 957 082	7 957 082
Movements in the reserve for the year	-	-
	<b>7 957 082</b>	<b>7 957 082</b>

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

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Figures in Rand	2023	2022
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### 18. Reserves (continued)

#### 18.2 Reconciliation of Revaluation Reserve

Revaluation surplus beginning of period	36 509 666	18 983 471
Transfers to/from Accumulated Surplus	(1 047 860)	(1 047 859)
Current year Revaluation	-	18 775 825
	<b>35 461 806</b>	<b>36 711 437</b>

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

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### 19. Accumulated surplus

#### Reconciliation of Accumulated Surplus:

Opening Balance	107 143 613	101 200 235
Correction of Prior Period Error	-	-
Depreciation Offsets	1 047 860	1 047 860
Accumulated Surplus As Per Financial Performance	7 993 406	4 895 518
	<b>116 184 879</b>	<b>107 143 613</b>

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

### 20. Revenue

Rental of facilities and equipment	195 237	218 206
Other Income	59 119	273 869
Actuarial Gains	2 867 871	-
Interest received - investment	9 979 265	5 868 867
Government grants & subsidies	137 339 592	133 164 477
	<b>150 441 084</b>	<b>139 525 419</b>

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

Rental of facilities and equipment	195 237	218 206
Other income	59 119	273 869
Actuarial Gains	2 867 871	-
Interest received - investment	9 979 265	5 868 867
	<b>13 101 492</b>	<b>6 360 942</b>

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

##### Transfer revenue

Government grants & subsidies	137 339 592	133 164 477
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### 21. Rental of facilities and equipment

#### Premises

Rental of facilities and equipment	195 237	218 206
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# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 21. Rental of facilities and equipment (continued)

Rental income generated are at market related premiums.

### 22. Other revenue

Other income	59 119	273 869
Acturial Gains	2 867 871	-
	<b>2 926 990</b>	<b>273 869</b>

### 23. Investment revenue

#### Interest revenue

Bank - Investment account	9 886 331	5 847 285
Bank - Operating account	92 934	21 582
	<b>9 979 265</b>	<b>5 868 867</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 24. Government grants & subsidies

#### Operating grants

National Revenue Fund: Equitable share	132 171 000	128 076 000
National Government: Rural Road Asset Management System Grant (RRAMS)	2 623 598	2 323 862
National Governments: Extended Public Works Programme (EPWP)	1 072 585	1 077 000
National Governments: Financial Management Grant (FMG)	975 009	1 000 000
Departmental Agencies and Accounts: SETA	142 074	173 565
Provincial Government	355 326	514 050

<b>137 339 592</b>	<b>133 164 477</b>
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#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	5 168 592	5 088 477
Unconditional grants received	132 171 000	128 076 000
	<b>137 339 592</b>	<b>133 164 477</b>

#### 24.1 National Revenue Fund - Fuel Levy & Equitable Share

Balance unspent at beginning of year	1 031 708	1 031 708
Current year receipts	132 171 000	128 076 000
Conditions met - transferred to Revenue	(132 171 000)	(128 076 000)
	<b>1 031 708</b>	<b>1 031 708</b>

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

#### 24.2 Rural Road Asset Management System Grant (RRAMS)

Balance unspent at beginning of year	252 138	1 040 197
Current-year receipts	2 697 000	2 576 000
Conditions met - transferred to revenue	(2 623 597)	(2 323 862)
Repayment of unspent grant	(252 000)	(1 040 197)
	<b>73 541</b>	<b>252 138</b>

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

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

#### 24.3 Provincial Government

Balance unspent at beginning of year	76 364	90 414
Current-year receipts	500 000	500 000
Conditions met - transferred to revenue	(355 326)	(514 050)
	<b>221 038</b>	<b>76 364</b>

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

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 24. Government grants & subsidies (continued)

#### 24.4 Financial Management Grant (FMG)

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(975 009)	(1 000 000)
	<b>24 991</b>	<b>-</b>

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

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

#### 24.5 Extended Public Woks Programme (EPWP)

Current-year receipts	1 073 000	1 077 000
Conditions met - transferred to revenue	(1 072 585)	(1 077 000)
	<b>415</b>	<b>-</b>

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

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

#### 24.6 SETA: Skills grant

Current-year receipts	142 074	173 565
Conditions met - transferred to revenue	(142 074)	(173 565)
	<b>-</b>	<b>-</b>

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

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



# Frances Baard District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>25. Employee related costs</b>		
Basic	49 488 415	50 831 782
Bonus	4 102 209	3 768 213
Medical aid - company contributions	2 731 210	2 628 932
UIF	243 540	255 864
Other payroll levies	16 330	16 418
Leave pay provision charge	742 588	1 002 260
Pension	6 378 470	6 288 555
Overtime payments	175 425	188 634
Long-service awards	342 000	335 000
Car allowance	2 724 129	3 103 098
Housing benefits and allowances	495 889	490 687
Cellular and Telephone	337 600	351 803
Group life insurance	1 207 068	818 926
Post retirement benefits movement - Current Service Cost	589 000	589 000
Post retirement benefits movement - Interest cost	2 883 000	2 144 000
	<b>72 456 873</b>	<b>72 813 172</b>

No advances were made to employees.

### 25.1 Remuneration of municipal manager - Ms ZM Bogatsu

Annual Remuneration	1 128 045	1 186 548
Car Allowance	192 592	192 592
Performance Bonuses	277 359	115 497
Contributions to UIF, Medical and Pension Funds	2 255	2 249
	<b>1 600 251</b>	<b>1 496 886</b>

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

Annual Remuneration	1 107 268	1 383 453
Car Allowance	149 040	149 040
Performance Bonuses	213 358	66 816
Contributions to UIF, Medical and Pension Funds	248 855	210 282
	<b>1 718 521</b>	<b>1 809 591</b>

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

Annual Remuneration	44 021	888 764
Contributions to UIF, Medical and Pension Funds	617	1 996
	<b>44 638</b>	<b>890 760</b>

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

Annual Remuneration	981 709	1 175 965
Car Allowance	149 040	149 040
Performance Bonuses	170 019	61 227
Contributions to UIF, Medical and Pension Funds	216 258	182 386
	<b>1 517 026</b>	<b>1 568 618</b>

# Frances Baard District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>25. Employee related costs (continued)</b>		
<b>25.5 Remuneration of Executive Director: Administration - Mr T Ndlazi (Acting)</b>		
Annual Remuneration	116 845	-
Car Allowance	24 840	-
Contributions to UIF, Medical and Pension Funds	32 391	-
	<b>174 076</b>	<b>-</b>
<b>25.6 Remuneration of Executive Director: Infrastructure Services- Mr R.R Setshogoe (Acting)</b>		
Annual Remuneration	852 475	937 573
Car Allowance	120 000	120 000
Performance Bonuses	102 012	77 434
Contributions to UIF, Medical and Pension Funds	189 927	160 859
	<b>1 264 414</b>	<b>1 295 866</b>
<b>Total Remuneration of Section 56 Employees</b>		
Annual Remuneration	6 274 288	7 061 721

# Frances Baard District Municipality

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### 26. Remuneration of councillors

Executive Mayor	993 847	730 522
Mayoral Committee Members	4 343 718	3 315 428
Speaker	795 242	712 793
Other Councillors	2 057 413	2 189 348
	<b>8 190 220</b>	<b>6 948 091</b>

#### 26.1 Remuneration Councillors: Reconciliation 2023

	Basic salary	Cellphone allowance	Travel allowance	Other allowances	Total
Executive Mayor	949 447	44 400	-	-	993 847
Speaker	750 842	44 400	-	-	795 242
Mayoral Committee Members	3 468 232	223 470	-	-	3 691 702
MPAC Chairperson	652 016	-	-	-	652 016
Other Councillors	1 835 413	222 000	-	-	2 057 413
	<b>7 655 950</b>	<b>534 270</b>	<b>-</b>	<b>-</b>	<b>8 190 220</b>

#### 26.2 Remuneration Councillors: Reconciliation 2022

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

### Additional information

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

### 27. Depreciation and amortisation

Property, plant and equipment	4 297 694	3 946 712
Investment property	-	8 276
Intangible assets	1 006 719	305 319
	<b>5 304 413</b>	<b>4 260 307</b>

#### 27.1 Depreciation: Property, Plant and Equipment Reconciliation

Buildings	1 673 025	1 673 025
Other Assets	2 624 669	2 273 687
	<b>4 297 694</b>	<b>3 946 712</b>

### 28. Debt impairment

Debt impairment	7 402	-
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Debt impairment is for debtors which the municipality foresee not collecting its remaining debt on the debtors list.

### 29. Contracted services

Outsourced Services	5 342 638	3 994 124
Consultants and Professional Services	3 430 028	3 873 543
Contractors	5 492 945	5 675 639

# Frances Baard District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>29. Contracted services (continued)</b>		
<b>Total Contracted Services</b>	<b>14 265 611</b>	<b>13 543 306</b>
<b>30. Inventory consumed</b>		
Consumables	34 840	64 664
Materials and Supplies	1 050 923	980 416
	<b>1 085 763</b>	<b>1 045 080</b>
<b>31. Transfer and subsidies paid</b>		
<b>Capital Grants</b>		
Local Municipalities	14 441 738	8 017 256
Non-Profit Institutions	-	-
	<b>14 441 738</b>	<b>8 017 256</b>
<b>Operational Grants</b>		
Local Municipalities	15 525 357	16 243 854
Households	605 345	809 084
	<b>16 130 702</b>	<b>17 052 938</b>
	<b>30 572 440</b>	<b>25 070 194</b>
<b>Capital Grants</b>		
Local Municipalities	14 441 738	8 017 256
Non-profit Institutions	-	-
	<b>14 441 738</b>	<b>8 017 256</b>
<b>Operational Grants</b>		
Departmental Agencies and Accounts	-	-
Local Municipalities	15 525 357	16 243 854
Households	605 345	809 084
Non-Profit Institutions	-	-
	<b>16 130 702</b>	<b>17 052 938</b>
The allocations made non-profit institutions consist of equipment given to schools during the tourism business competition held on a yearly basis.		
<b>32. Gains and losses on disposal of assets</b>		
Property, Plant and Equipment	(50 583)	(82 112)
Disposal of inventory	(91 558)	-
	<b>(142 141)</b>	<b>(82 112)</b>

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

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### Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>33. Actuarial Gain / Losses</b>		
Actuarial Gain	2 867 871	-
Actuarial Losses	-	(1 566 538)
	<b>2 867 871</b>	<b>(1 566 538)</b>

The actuarial gains and losses relate to the employee benefit obligations. Refer to employee benefit obligations note 14.

# Frances Baard District Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>34. General expenses</b>		
Advertising, Publicity and Marketing	578 532	654 983
External Audit Fees	2 451 617	2 189 390
Bank Charges, Facility and Card Fees	71 208	82 727
Cleaning Services	10 349	11 957
Legal costs	441	393 083
Entertainment	18 620	153 039
Fines and penalties	137 592	-
Insurance Underwriting	685 618	630 330
Registration Fees	99 504	30 042
External computer service	445 144	522 758
Licences	20 192	21 000
Wet Fuel	1 700	1 477
Printing, Publications and Books	10 409	22 346
Event Promoters	210 463	193 759
Uniform and Protective Clothing	84 822	26 732
Maintenance of equipment	794 725	1 007 227
Maintenance of buildings and facilities	520 127	550 635
Business and Advisory	6 843 311	6 257 359
Security services	1 060 165	1 029 787
Maintenance of computer software	3 208 566	3 635 133
Employee Wellness	4 351	5 151
Professional Bodies, Membership and Subscription	875 972	869 416
Communication	36 153	38 700
Transport and freight	1 371	89
Disability Training	589 709	-
Travel and Subsistence	1 053 735	394 915
Municipal Services	2 225 625	2 069 021
Catering Services	874 499	183 572
Exhibit installations	135 210	-
Bursaries (employees)	279 789	287 308
Resettlement costs	2 917	69 575
Transport provided as part of Departmental activities	295 558	206 039
Burial Services	4 800	12 600
Stage and sound crew	6 531	48 160
Graphic designers	12 064	226 840
Skills Development Levy	663 737	638 478
Workmen's Compensation Fund	373 300	380 779
	<b>24 688 426</b>	<b>22 844 407</b>

### Calculation of Cash Flow:

Expenditure for Operational Costs	24 688 426	22 844 407
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### Travel and subsistence

Accommodation	389 620	227 454
Daily allowance	144 297	42 437
Food and beverage (served)	54 532	32 601
Transport without operator	465 286	92 423
Transport with operator	-	-
	<b>1 053 735</b>	<b>394 915</b>

No other extra-ordinary expenses were incurred.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>35. Cash generated from operations</b>		
Surplus	7 993 406	4 895 518
<b>Adjustments for:</b>		
Depreciation and amortisation	5 304 413	4 260 307
Loss on disposal of assets	142 141	82 112
Debt impairment	7 402	-
Movements in operating lease assets and accruals	11 885	(5 353)
Contribution to Employee Benefits	3 771 253	5 836 464
Expenditure incurred from Post-retirement Employee Benefits	(2 217 253)	(2 068 464)
Contribution to Long Service Awards Liability	(198 000)	329 000
Contribution to Provisions - Current	(8 506 293)	(8 385 079)
Contribution to Provisions - Non-Current	(57 299)	21 490
Expenditure incurred from Employee Benefits - Current	4 624 982	5 333 610
Expenditure incurred from Provisions - Non-current	(15 061)	(34 090)
<b>Changes in working capital (Decrease/Increase):</b>		
Inventories	118 042	18 159
Receivables from exchange transactions	(1 893 939)	(2 119 053)
Debt Impairment	(7 402)	-
Current Portion Long-term Receivables	(60 000)	182 000
Payables from exchange transactions	8 339 456	209 853
Decrease/(Increase) in VAT Receivable	342 225	(1 197 798)
Unspent conditional grants and receipts	(8 517)	(802 109)
Increase/(Decrease) in Consumer deposits	1 955	1 265
Loss on inventories	(91 558)	-
	<b>17 601 838</b>	<b>6 557 832</b>
<b>36. Auditors' remuneration</b>		
Fees	2 451 617	2 189 390
<b>37. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	-	154 800
• Investment property	-	-
	-	<b>154 800</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Land and Buildings	1 000 000	4 000 000
• Other	6 565 400	3 984 000
	<b>7 565 400</b>	<b>7 984 000</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	-	154 800
Not yet contracted for and authorised by accounting officer	7 565 400	7 984 000
	<b>7 565 400</b>	<b>8 138 800</b>
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised capital expenditure	7 565 400	8 138 800

This committed expenditure relates to property, plant and equipment and will be financed by internally generated funds.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>38. Contingencies</b>		
<b>38.1 Contingent liabilities</b>		
Case 1 - State Attorney	100 000	100 000
Case 2 - Opinion - Appointed Adv C. Towell	77 533	77 533
	<b>177 533</b>	<b>177 533</b>

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

### 2023 Litigation and Claims

#### Case 1

##### State Attorney

##### Damages to infrastructure. filed plea:

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

#### Case 2

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

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

### 2022 Litigation and Claims

#### Case 1

##### State Attorney

##### Damages to infrastructure. filed plea:

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

#### Case 2

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

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

### 38.2 Contingent assets

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



# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 39. Related parties

Relationships

Accounting Officer	0
Councillors	Refer to accounting officers' report note
Members of key management	Refer to general information
	Refer to employee costs

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

#### 39.1 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.

#### 39.2 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.

#### 39.3 Compensation of Related Parties

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

#### 39.4 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 2022/23 financial year

### 40. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 116 184 881 and that the municipality's total assets exceed its liabilities by R 159 805 542.

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

The municipality's cash flow forecast for the year to 30 June 2024 has been reviewed and management is satisfied that the municipality can continue in operational existence for the foreseeable future. The accumulated surplus and cash & cash equivalents as at 30 June 2022 was taken into consideration during the review.

### 41. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2023.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 42. Unauthorised expenditure

Opening balance as previously reported	-	-
Add: Unauthorised expenditure - current	387 874	-
Add: Unauthorised expenditure - prior period	-	-
Less: Amount recovered - current	-	-
Less: Amount recovered - prior period	-	-
Less: Amount authorised - current	-	-
Less: Amount authorised - prior period	-	-
<b>Closing balance</b>	<b>387 874</b>	<b>-</b>

Unauthorised expenditure is presented exclusive of VAT.

Unauthorised expenditure awaiting condonement

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

	<b>Disciplinary steps taken/criminal proceedings</b>		
Overspending on Bid: 04/22	Overspending is under investigation	100 461	-
Depreciation	Overspending is under investigation	287 413	-
		<b>387 874</b>	<b>-</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
<b>43. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	1 207	1 207
Add: Fruitless and wasteful expenditure identified - current	137 592	-
Add: Fruitless and wasteful expenditure identified - prior period	-	-
Less: Amount recovered - current	-	-
Less: Amount recovered - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
<b>Closing balance</b>	<b>138 799</b>	<b>1 207</b>

Fruitless and wasteful expenditure is presented exclusive of VAT

Fruitless and Wasteful Expenditure awaiting condonement.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 43. Fruitless and wasteful expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings	
Fines/Penalties for late payment	Sars is under investigation	137 592 -

### 44. Irregular expenditure

Opening balance as previously reported	-	-
Add: Irregular expenditure - current	-	-
Add: Irregular expenditure - prior period	-	-
Less: Amount recovered - current	-	-
Less: Amount recovered - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>

### Amount written-off

Kenosi Solutions	-	69 200
ABSA Bank	-	16 170
Rennies	-	42 079
	<b>-</b>	<b>127 449</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 45. Deviation from supply chain management regulations

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

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

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

Service	Supplier	Nature		
Testing of water samples	SIMLAB	Urgency	132 082	-
Repairs to 5 RDP Houses damaged by Gail Force Wind in Dikgatlong Local Municipality	Frances S Construction Trading Enterprise	Emergency/Im practical	-	161 750
Legal Assistance	Mjila and Partners		-	201 844
Procurement of trailer mounted diesel generator for Dikgatlong LM	Tencon Trading	Emergency/Im practical	1 562 033	-
Annual maintenance charge of the of the Teammate software licence.	Wolters Kluwer	Sole supplier	19 396	18 513
Competency assessment for senior managers	Gijima Holdings	Emergency	36 120	-
			<b>1 749 631</b>	<b>382 107</b>

### 46. Financial instruments disclosure

#### Categories of financial instruments

#### 2023

#### Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange Transactions - Other Services Charges	-	7 938 482	7 938 482
Receivables from Exchange Transactions - Control, Clearing and Interface Accounts	-	582 555	582 555
Investments	-	11 000 000	11 000 000
Cash and cash equivalents - Call Deposits	-	106 354 890	106 354 890
Cash and cash equivalents - Bank Balances	-	7 055 270	7 055 270
Cash and cash equivalents - Cash Floats and Advances	3 300	-	3 300
	<b>3 300</b>	<b>132 931 197</b>	<b>132 934 497</b>

#### Financial liabilities

	At amortised cost	Total
Payables from Exchange Transactions - Bonus	2 040 026	2 040 026
Rentention	285 453	285 453
Payables from Exchange Transactions - Trade Creditors	12 844 706	12 844 706
Third Party Payments	2 000	2 000
	<b>15 172 185</b>	<b>15 172 185</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 46. Financial instruments disclosure (continued)

#### 2022

##### Financial assets

	At fair value	At amortised cost	Total
Receivables from Exchange Transactions - Other Services Charges	-	6 635 150	6 635 150
Receivables from Exchange Transactions - Control, Clearing and Interface Accounts	-	306 281	306 281
Investments	-	9 750 000	9 750 000
Cash and cash equivalents - Call Deposits	-	89 977 009	89 977 009
Cash and cash equivalents - Bank Balances	-	13 199 195	13 199 195
Cash and cash equivalents - Cash Floats and Advances	3 300	-	3 300
	<b>3 300</b>	<b>119 867 635</b>	<b>119 870 935</b>

##### Financial liabilities

	At amortised cost	Total
Payables from Exchange Transactions - Bonus	2 070 513	2 070 513
Payables from Exchange Transactions - Trade Creditors	4 758 031	4 758 031
Third Party Payments	4 185	4 185
	<b>6 832 729</b>	<b>6 832 729</b>

The line for employee benefits has been removed from the financial instruments, refer to note 57.

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

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

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

##### Level:-

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

##### Level 2:-

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

##### Level 3:-

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 46. Financial instruments disclosure (continued)

#### Financial Instruments at Fair Value: 30 June 2023

	Level 1	Level 2	level 3	Total
Cash and Cash Equivalents	-	3 300	-	3 300
Total Financial Assets	-	3 300	-	3 300
<b>Total Financial Instruments</b>	<b>-</b>	<b>3 300</b>	<b>-</b>	<b>3 300</b>

#### Financial Instruments at Fair Value: 30 June 2022

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	-	3 300	-	3 300
Subtotal	-	3 300	-	3 300
<b>Total Financial Instruments</b>	<b>-</b>	<b>3 300</b>	<b>-</b>	<b>3 300</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 47. Risk management

#### 47.1 Capital Risk Management

##### Gearing Ratio

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

- -

#### 47.2 Financial risk management

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

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

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

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

#### 47.3 Significant Risks

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

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

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

Risks and exposures are disclosed as follows:



# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 47. Risk management (continued)

#### 47.3.1 Liquidity risk

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

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

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

#### 47.3.2 Credit risk

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

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, 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.

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

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

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

Counterparty and Location	Credit Limit 30 June 2023	Carrying Amount 2023	Credit Limit 30 June 2022	Carrying Amount 2022
Department of Safety & Liaison	-	55 234	-	55 234

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022
<b>47. Risk management (continued)</b>			
Department of Roads and Public Works	-	365 931	- 223 916
Department of Transport	-	6 632 310	- 5 632 880
Councillors	-	246 710	- 153 044
Officials	-	5 979	- 5 979
Venue Hire Customer	-	-	- 2 875
Medical Aid	-	1 871	- 1 871
Railex	-	130 461	- 30 000
MTN	-	-	- 5 705
Sedibeng Water	-	499 986	- 499 986
Kopantsha budhle trading and construction	-	-	- 23 660
	-	<b>7 938 482</b>	- <b>6 635 150</b>

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

### Maximum Credit and Interest Risk Exposure

Receivables from Exchange Transactions	10 018 249	8 124 310
Investments	11 000 000	9 750 000
Bank, Cash and Cash Equivalents	113 413 460	103 179 504
<b>Maximum Credit and Interest Risk Exposure</b>	<b>134 431 709</b>	<b>121 053 814</b>

Credit quality of Financial Assets:

The line long term receivables is removed, refer to note 57.

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:

### Capital Risk Management

#### 47.3.3 Market Risk

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

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

### Foreign Currency Risk Management

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

### Interest rate risk Management

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

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

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

Trade 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.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 47. Risk management (continued)

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 47.3.4 below:

Cash and Cash Equivalents:

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

- Surplus for the year ended 30 June 2023 would have increased / decreased by R3,097,888 (30 June 2022: - R2,810,304). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

Surplus for the year ended 30 June 2023 would have increased / decreased was incorrectly recorded as R2,031,083, the amount is restated to -R2,810,304 taking into consideration all the restatements under the statement of performance.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 47. Risk management (continued)

#### 47.3.4 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 47.3.4 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

#### Liquidity and Interest Risk Tables

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

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

Reconciliation	Average effective interest rate	Total	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	Over 5 years
Non-interest Bearing	0.00%	-	-	-	-	-	-
- Payables from Exchange transactions		16 523 878	16 523 878	-	-	-	-
		<b>16 523 878</b>	<b>16 523 878</b>	-	-	-	-
<b>30 June 2022</b>		-	-	-	-	-	-
Non-interest Bearing	0.00%	8 192 948	8 192 948	-	-	-	-
- Payables from Exchange transactions		8 192 948	8 192 948	-	-	-	-
		<b>8 192 948</b>	<b>8 192 948</b>	-	-	-	-

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

Description	Average effective interest rate	Total	6 months or less	6-12 months	1 - 2 years	2 - 5 years	over 5 years
<b>30 June 2023</b>		-	-	-	-	-	-
Non-interest Bearing	0.00%	10 021 549	10 021 549	-	-	-	-
- Trade Receivables from Exchange Transactions		10 018 249	10 018 249	-	-	-	-
- Cash and Cash Equivalents		3 300	3 300	-	-	-	-
Variable Interest Rate Instruments	8.6%	113 410 160	113 410 160	-	-	-	-
- Call Deposits		106 354 890	106 354 890	-	-	-	-
- Bank Account		7 055 270	7 055 270	-	-	-	-
Fixed Interest Rate Instruments		11 000 000	-	11 000 000	-	-	-
- Fixed Deposits	10.30%	11 000 000	-	11 000 000	-	-	-
		<b>134 431 709</b>	<b>123 431 709</b>	<b>11 000 000</b>	-	-	-

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand				2023	2022
47. Risk management (continued)					
30 June 2022				-	-
Non-interest Bearing	0.00%	8 127 610	8 127 610	-	-
- Trade Receivables from		8 124 310	8 124 310	-	-
Exchange Transactions					
- Cash and Cash		3 300	3 300	-	-
Equivalents					
Variable Interest Rate	3.75%	103 176 204	103 176 204	-	-
Instruments					
- Call Deposits		89 977 009	89 977 009	-	-
- Bank Account		13 199 195	13 199 195	-	-
Fixed Interest Rate		9 750 000	-	9 750 000	-
Instruments					
- Fixed Deposits	6.67%	9 750 000	-	9 750 000	-
		121 053 814	111 303 814	9 750 000	-

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 48. Additional disclosure in terms of Municipal Finance Management Act

#### 48.1 Contributions to organised local government

Current year subscription / fee	864 569	856 553
Amount paid - current year	(864 569)	(856 553)
	-	-

The municipality made the above contributions to SALGA.

#### 48.2 Audit fees

Current year subscription / fee	2 451 617	2 189 390
Amount paid - current year	(2 451 617)	(2 189 390)
	-	-

Any unpaid balances are included as part of creditors.

#### 48.3 PAYE, Skills Development Levy and UIF

Opening balance	5 555	5 555
Current year subscription / fee	31 436 186	14 626 897
Amount paid - current year	(31 436 186)	(14 626 897)
	<b>5 555</b>	<b>5 555</b>

Any unpaid balances are included as part of creditors.

#### 48.4 Pension and Medical Aid Deductions

Opening balance	5 928	-
Current year subscription / fee	34 762 886	16 456 510
Amount paid - current year	(34 762 886)	(16 450 582)
	<b>5 928</b>	<b>5 928</b>

Any unpaid balances are included as part of creditors.

#### 48.5 VAT

VAT receivable	2 631 927	2 974 152
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Refer to note 6

#### 48.6 Non-compliance with the Municipal Finance Management Act

None

### 49. 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.

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

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### 49. Multi-employer retirement benefit information (continued)

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 R2,217,253 (2022: R2,068,464) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The 2022 total expense recognised in the statement of financial performance was erroneously reported as R2,087,086, the amount is corrected as R2,068,464.

#### 49.1 Defined Contribution schemes

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

#### 49.2 Cape Joint Retirement Fund:

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

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 49. Multi-employer retirement benefit information (continued)

#### 49.3 Municipal Councillors Pension Fund:

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

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147.3%.

The statutory valuation performed as at 30 June 2012 revealed that the net assets of the fund were R1 183,5 (30 June 2009: R1 123,7) million, with a funding level of 99,5% (30 June 2009: 102,0%). The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

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

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

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

No further information could be obtained.

None of the above mentioned plans are State Plans.

### 50. 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.

### 51. In-kind donations and assistance

Mr. G Botha served on the audit committee for the 2022/23 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.

### 52. Private Public Partnerships

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

### 53. Declaration of suppliers

Supplier	Capacity		
Chanic Holdings PTY (LTD)	N. Damon - Spouse HR Department at Transnet	1 121 858	-
Lucem Group	Free State Dept. Of Education - Wife is a teacher	-	379 046
Tshepo Zikhali Engineers	Wife, K.P. Zikhali Works for Dept. of Health as a Pharmaceutical Assistant	-	93 720
Mosima IT Solutions	DR. T.C. Motaung - Spouse Department of Health Medical Officer	918 621	700 000
Steve Lawrence Productions	CSIR Video Production	-	173 043
		<b>2 040 479</b>	<b>1 345 809</b>



# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 54. Segment information

#### General information

#### Identification of segments

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

#### Aggregated segments

##### Local Municipal Areas

Dikgatlong Local Municipality

Magareng Local Municipality

Phokwane municipality

Sol Plaatje Municipality

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 54. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2023

	Executive and Council	Finance and Administra tion	Internal Audit	Community and Social Services	Housing	Environmental Protection	Planning and Development	Total
<b>Revenue</b>								
<b>Revenue from non-exchange transactions</b>	-	-	-	-	-	-	-	-
Transfers and subsidies	355 326	133 288 083	-	-	-	-	3 696 183	137 339 592
<b>Revenue from exchange transactions</b>	-	-	-	-	-	-	-	-
Other Revenue	-	59 119	-	-	-	-	-	59 119
Rental of facilities and equipment	-	195 237	-	-	-	-	-	195 237
Interest, Dividends and Rent on Land Earned	-	9 979 265	-	-	-	-	-	9 979 265
Acturial Gains	-	2 867 871	-	-	-	-	-	2 867 871
<b>Total segment revenue</b>	<b>355 326</b>	<b>146 389 575</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 696 183</b>	<b>150 441 084</b>
<b>Entity's revenue</b>								<b>150 441 084</b>
<b>Expenditure</b>								
Employee related costs	14 098 899	26 430 230	2 784 702	4 761 833	3 052 306	5 750 807	15 578 097	72 456 874
Remuneration of councillors	8 190 220	-	-	-	-	-	-	8 190 220
Depreciation and amortisation	199 762	3 823 667	1 750	916 265	19 411	73 027	270 532	5 304 414
Debt Impairment	7 402	-	-	-	-	-	-	7 402
Interest, Dividends and Rent on Land	-	-	-	-	-	-	-	-
Contracted services	1 352 166	4 707 413	68 155	1 476 709	870 896	166 212	5 624 060	14 265 611
Inventory consumed	134 344	836 303	1 764	2 799	37 671	46 108	26 774	1 085 763
Transfers and subsidies paid	-	187 997	-	552 725	-	3 525 357	26 306 361	30 572 440
Operational costs	2 380 953	6 806 809	106 169	131 665	62 038	173 569	761 613	10 422 816
Loss on disposal of Property, Plant and Equipment	178	128 858	-	1 257	-	108	11 740	142 141
<b>Total segment expenditure</b>	<b>26 363 924</b>	<b>42 921 277</b>	<b>2 962 540</b>	<b>7 843 253</b>	<b>4 042 322</b>	<b>9 735 188</b>	<b>48 579 177</b>	<b>142 447 681</b>
<b>Total segmental surplus/(deficit)</b>	<b>(26 008 598)</b>	<b>103 468 298</b>	<b>(2 962 540)</b>	<b>(7 843 253)</b>	<b>(4 042 322)</b>	<b>(9 735 188)</b>	<b>(44 882 994)</b>	<b>7 993 403</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 54. Segment information (continued)

	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance of Actual Outcome against Final Budget	Actual Outcome as % of the Final Budget
<b>Capital Expenditure Per Function</b>							
Executive and Council	173 000	-	173 000	77 971	-	95 029	55 %
Finance and Administration	3 193 000	752 000	3 945 000	2 734 946	-	1 210 054	31 %
Community and Social Services	4 333 000	54 000	4 384 000	3 524 607	-	859 393	24 %
Environmental Services	-	-	-	-	-	-	- %
Planning and Development	285 000	349 000	634 000	63 358	-	570 642	90 %
<b>Total Capital Expenditure</b>	<b>7 984 000</b>	<b>1 155 000</b>	<b>9 136 000</b>	<b>6 400 882</b>	<b>-</b>	<b>2 735 118</b>	<b>-</b>

Executive and Council

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

Finance and Administration:

Savings realised on capital items budgeted due to projects which were rolled over to the 2023/24 fy and savings realised.

Community and Social Services

Savings realised on capital items budgeted due to savings on projects.

Planning and Development:

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 54. Segment information (continued)

2022

	Executive and Council	Finance and Administration	Internal Audit	Community and Social Services	Housing	Environmental Protection	Planning and Development	Total
<b>Revenue</b>								
<b>Revenue from non-exchange transactions</b>	-	-	-	-	-	-	-	-
Transfers and subsidies	514 050	129 249 565	-	-	-	-	3 400 862	133 164 477
<b>Revenue from exchange transactions</b>	-	-	-	-	-	-	-	-
Other Income	-	273 869	-	-	-	-	-	273 869
Rental from Fixed Assets	-	218 206	-	-	-	-	-	218 206
Interest, Dividends and Rent on Land Earned	-	5 868 867	-	-	-	-	-	5 868 867
<b>Total segment revenue</b>	<b>514 050</b>	<b>135 610 507</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 400 862</b>	<b>139 525 419</b>
<b>Entity's revenue</b>								<b>139 525 419</b>
<b>Expenditure</b>								
Employee related costs	12 797 153	27 266 488	2 618 284	5 051 526	3 037 327	5 679 520	16 362 874	72 813 172
Remuneration of councillors	6 948 091	-	-	-	-	-	-	6 948 091
Depreciation and amortisation	119 217	2 680 399	9 521	800 517	23 242	70 600	556 811	4 260 307
Debt Impairment	-	-	-	-	-	-	-	-
Interest, Dividends and Rent on Land	-	-	-	-	-	-	-	-
Contracted services	1 040 350	5 479 323	101 808	1 289 474	456 890	546 237	4 629 224	13 543 306
Inventory consumed	139 044	749 138	-	5 442	28 892	74 081	48 483	1 045 080
Transfer and subsidies paid	-	-	-	432 660	-	3 257 746	21 379 787	25 070 193
Operational costs	2 163 234	6 200 175	46 602	91 524	43 823	104 385	651 359	9 301 102
Loss on disposal of Property, Plant and Equipment	3 697	219 769	232	(151 172)	7	798	8 781	82 112
Actuarial losses	-	1 566 538	-	-	-	-	-	1 566 538
<b>Total segment expenditure</b>	<b>23 210 786</b>	<b>44 161 830</b>	<b>2 776 447</b>	<b>7 519 971</b>	<b>3 590 181</b>	<b>9 733 367</b>	<b>43 637 319</b>	<b>134 629 901</b>
<b>Total segmental surplus/(deficit)</b>	<b>(22 696 736)</b>	<b>91 448 677</b>	<b>(2 776 447)</b>	<b>(7 519 971)</b>	<b>(3 590 181)</b>	<b>(9 733 367)</b>	<b>(40 236 457)</b>	<b>4 895 518</b>

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand

### 54. Segment information (continued)

	Original Budget	Budget Adjustments	Final Budget	Actual Outcome	Variance of Actual Outcome against Final Budget	Actual Outcome as % of Final Budget
<b>Capital Expenditure Per Function</b>						
Executive and Council	48 170	-	48 170	19 775	28 395	58.95%
Finance and Administration	8 287 800	(2 975 000)	5 312 800	3 726 985	1 585 815	29.85%
Community and Social Services	3 764 490	(2 362 290)	1 402 200	624 609	777 597	55.46%
Environmental Services	60 600	-	60 600	22 661	37 939	62.61%
Planning and Development	18 000	750 420	768 420	758 723	9 697	1.26%
<b>Total</b>	<b>12 179 060</b>	<b>(4 586 870)</b>	<b>7 592 190</b>	<b>5 152 753</b>	<b>2 439 437</b>	<b>-</b>

Executive and Council

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

Finance and Administration:

Savings is due to implementation of the cost containment.

Community and Social Services

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

Planning and Development:

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

Environmental Protection:

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

### 55. Reconciliation between budget and statement of financial performance

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

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand	2023	2022
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### 55. Reconciliation between budget and statement of financial performance (continued)

Net surplus per the statement of financial performance	7 993 406	4 895 518
<b>Revenue from Non-exchange Transactions</b>		
Transfer and Subsidies	3 001 408	4 225 013
<b>Revenue from Exchange Transactions</b>		
Other Income	60 881	(153 937)
Rental from Fixed Assets	4 763	(18 206)
Interest, Dividends and Rent on Land Earned	(2 829 265)	1 281 133
Gains on Disposal of Property, Plant and Equipment	-	-
Actuarial Gains	(2 867 871)	-
<b>Expenditure</b>		
Employee Related Costs	(16 051 127)	(5 463 208)
Remuneration of Councillors	(2 096 780)	(14 299)
Depreciation and Amortisation	287 413	612 192
Impairment Losses	(2 598)	(10 000)
Inventory Consumed	(818 237)	(1 215 796)
Grants and Subsidies	(3 353 560)	(11 840 808)
Operational Costs	(13 820 574)	(13 815 628)
Loss on Disposal of Property, Plant and Equipment	(968 859)	(1 022 810)
Actuarial Losses	-	1 566 538
	<b>(39 454 406)</b>	<b>(25 869 816)</b>

### 56. Operating (deficit) surplus

Operating (deficit) surplus for the year is stated after accounting for the following:

Loss on sale/ disposal of property, plant and equipment	(50 583)	(82 112)
Loss on disposal of inventory	(91 558)	-
Amortisation on intangible assets	1 006 719	305 319
Depreciation on property, plant and equipment	4 297 694	3 946 712
Depreciation on investment property	-	8 276
Employee costs	80 647 093	79 761 263

### 57. Prior-year adjustments

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

### Statement of financial position

# Frances Baard District Municipality

Annual Financial Statements for the year ended 30 June 2023

## Notes to the Annual Financial Statements

Figures in Rand		2023	2022	
57. Prior-year adjustments (continued)				
2022				
	Note	As previously reported	Correction of error	Restated
Non Current Assets		-	-	-
Property, Plant and Equipment		68 082 372	351 553	68 433 926
Statement of Net Assets		-	-	-
Accumulated Surplus		(106 981 888)	(161 722)	(107 143 609)
Revaluation Reserves		(44 466 748)	(201 773)	(44 668 520)
Reconciliation of Revaluation Reserve (Note 18.2)		36 509 666	201 770	36 711 437
Financial Instrument		-	-	-
Financial Assets		127 214 635	(7 347 000)	119 867 636
Risk Management		-	-	-
Reconciliation		128 400 836	(7 347 023)	121 053 814
Reconciliation between budget and statement of financial performance		25 635 821	233 995	25 869 817
		234 394 694	(14 270 200)	220 124 501

### Statement of financial performance

#### 2022

	Note	As previously reported	Correction of error	Restated
Depreciation		(4 622 291)	361 984	(4 260 306)
Loss on disposal of Property, Plant and Equipment		(83 624)	1 512	(82 111)
		-	-	-
<b>Surplus for the year</b>		<b>(4 705 915)</b>	<b>363 496</b>	<b>(4 342 417)</b>