

PRINCE ALBERT MUNICIPALITY



AUDITED ANNUAL FINANCIAL STATEMENTS

30 JUNE 2020

PRINCE ALBERT LOCAL MUNICIPALITY

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PRINCE ALBERT LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

GENERAL INFORMATION

NATURE OF BUSINESS

PRINCE ALBERT Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The PRINCE ALBERT Municipality includes the following areas:

*Prince Albert
Klaarstroom
Leeu Gamka*

EXECUTIVE MAYOR

G. Lottering

DEPUTY EXECUTIVE MAYOR

L. Jaquet

SPEAKER

S. Botes

MEMBERS OF THE EXECUTIVE COMMITTEE

Executive Mayor
Deputy Executive Mayor
Speaker

*G. Lottering
L. Jaquet
S. Botes*

MUNICIPAL MANAGER

Ms. A Vorster

CHIEF FINANCIAL OFFICER

Mr. J Neethling

REGISTERED OFFICE

23 Church Street
Prince Albert
6730

*Private Bag X53
PRINCE ALBERT
6730*

AUDITORS

Office of the Auditor General (WC)

PRINCE ALBERT LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

GENERAL INFORMATION

PRINCIPLE BANKERS

ABSA Bank, Prince Albert

ATTORNEYS

Riaan Coetzee

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)

Collective Agreements

Division of Revenue Act

Electricity Act (Act no 41 of 1987)

Employment Equity Act (Act no 55 of 1998)

Housing Act (Act no 107 of 1997)

Infrastructure Grants

Municipal Budget and Reporting Regulations

Municipal Finance Management Act (Act no 56 of 2003)

Municipal Planning and Performance Management Regulations

Municipal Property Rates Act (Act no 6 of 2004)

Municipal Regulations on Standard Chart of Accounts

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Systems Amendment Act (Act no 7 of 2011)

SALBC Leave Regulations

Skills Development Levies Act (Act no 9 of 1999)

Supply Chain Management Regulations, 2005

The Income Tax Act

Unemployment Insurance Act (Act no 30 of 1966)

Value Added Tax Act

Water Services Act (Act no 108 of 1997)

MEMBERS OF THE PRINCE ALBERT LOCAL MUNICIPALITY

WARD

Ward

Ward

Ward

Ward

Proportional

Proportional

Proportional

COUNCILLOR

G. Lottering

M.D. Jafftha

E. Maans

L. Jaquet

S. Piedt

S. Botes

S Koonthea

PRINCE ALBERT LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2020, which are set out on pages 1 to 103 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and am satisfied that the Municipality can continue in operational existence for the foreseeable future with the proviso that national and provincial government continue with financial support by means of transfers and subsidies.

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

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis.



Ms. A Vorster

Accounting Officer

24.02.2021

Date

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Notes	2020 Final R	2019 Restated R
ASSETS			
Non-Current Assets		167 103 106	158 392 963
Property, Plant and Equipment	2	152 237 304	143 503 364
Investment Property	3	13 618 757	13 625 453
Intangible Assets	4	128 311	134 054
Heritage Assets	5	1 118 734	1 130 092
Current Assets		56 886 805	37 369 163
Inventory	7	671 562	660 345
Receivables from Exchange Transactions	8	2 868 749	2 117 721
Receivables from Non-exchange Transactions	9	1 266 213	1 378 533
Unpaid Transfers and Subsidies	17	–	59 096
Operating Lease Asset	6	113 354	69 196
Cash and Cash Equivalents	10	51 966 927	33 084 271
Total Assets		223 989 910	195 762 127
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		29 094 261	27 401 752
Non-current Provisions	12	22 004 063	20 675 809
Non-current Employee Benefits	13	7 090 198	6 725 943
Current Liabilities		26 049 222	11 025 153
Consumer Deposits	14	515 750	479 350
Current Employee Benefits	15	2 369 443	1 950 656
Trade and Other Payables from Exchange Transactions	16	5 811 727	3 179 430
Unspent Transfers and Subsidies	17	16 512 613	5 142 804
Statutory Payables: VAT	18	839 690	268 162
Current Portion of Long-term Borrowings	11	–	4 750
Total Liabilities		55 143 483	38 426 906
Net Assets		168 846 429	157 335 221
Capital Replacement Reserve	19	10 500 000	9 500 000
Accumulated Surplus		158 346 429	147 835 221
Total Net Assets and Liabilities		223 989 910	195 762 127



PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

REVENUE	Notes	2020 R	2019 Previous	Reclassification ito mSCOA	2019 Reclassified	Correction of Error	2019 Restated
Revenue from Non-exchange Transactions		51 574 003	47 646 141	-	47 646 141	(9 573 757)	57 219 898
Taxation Revenue		3 743 151	3 430 556	-	3 430 556	-	3 430 556
Property Rates	20	3 743 151	3 430 556	-	3 430 556	-	3 430 556
Transfer Revenue		43 669 974	37 748 567	-	37 748 567	(9 573 757)	47 322 324
Government Grants and Subsidies - Operating	21	27 575 829	25 475 064	-	25 475 064	-	25 475 064
Government Grants and Subsidies - Capital	21	12 722 998	8 942 324	-	8 942 324	-	8 942 324
Service in kind	56	3 371 147	3 331 179	-	3 331 179	-	3 331 179
Contributed Property, Plant and Equipment	22	-	-	-	-	(9 573 757)	9 573 757
Other Revenue		4 160 878	6 467 018	-	6 467 018	-	6 467 018
Actuarial Gains	13	224 890	59 331	-	59 331	-	59 331
Fines, Penalties and Forfeits	23	3 935 988	6 407 687	-	6 407 687	-	6 407 687
Revenue from Exchange Transactions		29 720 648	28 094 982	-	28 094 982	-	28 094 982
Service Charges	26	24 315 935	23 159 507	-	23 159 507	-	23 159 507
Renting of Services	27	210 712	330 615	-	330 615	-	330 615
Rental from Fixed Assets	28	489 450	500 091	-	500 091	-	500 091
Interest Earned - External Investments	29	3 358 732	2 834 918	-	2 834 918	-	2 834 918
Interest Earned - Exchange Transactions	30	891 678	835 907	-	835 907	-	835 907
Licences and Permits	24	73 421	281 783	(224 246)	-	-	57 537
Agency Services	25	218 158	-	224 246	224 246	-	224 246
Operational Revenue	31	162 561	152 160	-	152 160	-	152 160
Total Revenue		81 294 650	75 741 123	-	75 741 123	(9 573 757)	85 314 880

Notes	2020 R	2019 Previous	Reclassification ito mSCOA	2019 Reclassified	Correction of Error	2019 Restated
EXPENDITURE						
Employee related costs	23 120 330	20 591 417	56 131	20 647 548	(6 112)	20 641 436
Remuneration of Councillors	3 126 956	3 032 941	-	3 032 941	-	3 032 941
Bad Debts Written Off	505 785	-	-	-	-	-
Contracted Services	5 114 033	5 468 783	135 134	5 603 917	(81 950)	5 521 967
Depreciation and Amortisation	4 618 183	5 273 896	-	5 273 896	(24 487)	5 249 408
Actuarial Losses	32 409	37 242	-	37 242	-	37 242
Finance Costs	673 804	1 199 487	-	1 199 487	-	1 199 487
Bulk Purchases	11 377 110	10 393 472	-	10 393 472	-	10 393 472
Inventory Consumed	608 778	1 024 620	(205 556)	819 064	-	819 064
Transfers and Subsidies	1 225 386	428 080	175 983	604 062	-	604 062
Operational Costs	10 863 762	10 752 173	(161 692)	10 590 482	118 153	10 708 635
Total Expenditure	61 266 536	58 202 112	-	58 202 112	5 603	58 207 715
Operating Surplus for the Year	20 028 114	17 539 011	-	17 539 011	(9 568 154)	27 107 165
Contribution to Impairment Loss on Receivables	(8 124 583)	(8 861 949)	-	(8 861 949)	-	(8 861 949)
Loss on Disposal of Property plant and equipment	(55 071)	(153 079)	-	(153 079)	-	(153 079)
Impairment Gain / (Loss) on Property plant and equipment	(337 254)	11 327	-	11 327	-	11 327
NET SURPLUS FOR THE YEAR	11 511 207	8 535 310	-	8 535 310	(9 568 154)	18 103 464

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Capital Replacement Reserve	Accumulated Surplus	Total
	R	R	R
Balance at 1 July 2018	13 160 543	129 733 826	142 894 368
Effects of Correction of Errors - note 46	-	(3 662 610)	(3 662 610)
Restated balance	13 160 543	126 071 216	139 231 758
Restated Net Surplus for the year	-	18 103 463	18 103 463
Net Surplus previously reported	-	8 535 310	8 535 310
Effects of Correction of Errors - note 46	-	9 568 153	9 568 153
Transfer to/from CRR	(3 660 543)	3 660 543	-
Asset Disposals	-	-	-
Balance at 30 June 2019	9 500 000	147 835 221	157 335 221
Restated balance	9 500 000	147 835 221	157 335 221
Net Surplus for the year	-	11 511 207	11 511 207
Transfer to/from CRR	1 000 000	(1 000 000)	-
Balance at 30 June 2020	10 500 000	158 346 429	168 846 429

PRINCE ALBERT LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 R	2019 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Ratepayers and Other	47	25 271 634	28 504 059
Government - Operating		39 863 296	26 184 288
Government - Capital		16 602 000	13 005 000
Interest	29 & 30	3 358 732	3 670 825
Cash payments			
Suppliers and Employees	47	(51 955 883)	(51 078 829)
Finance Charges	37	-	(9 969)
Transfers and subsidies	40	(1 225 386)	(604 062)
Net Cash from Operating Activities	47	31 914 392	19 671 312
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	2	(13 046 216)	(11 938 469)
Proceeds on Disposal of Property plant and equipment	2	-	-
Purchase of Intangible Assets	4	(17 165)	(33 094)
Net Cash from Investing Activities		(13 063 381)	(11 971 563)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans Repaid	11	(4 750)	(61 155)
Increase in Consumer Deposits	14	36 399	31 590
Net Cash from Financing Activities		31 650	(29 566)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		18 882 656	7 670 180
Cash and Cash Equivalents at the beginning of the year		33 084 272	25 414 091
Cash and Cash Equivalents at the end of the year	10	51 966 927	33 084 272
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		18 882 656	7 670 180

**PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020**

	Original Budget		Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final Adjustment Budget		Final Budget		Actual Outcome		Difference	Actual Outcome as % of Final Budget	%	R
	R	R	R	R	R	R	R	R	R					
ASSETS														
Current Assets														
Cash	23 729 182	(15 648 619)	8 080 563	8 080 563	8 080 563	51 966 927	43 886 364	543%	Adjustment budget not correctly budgeted for.					
Consumer Debtors	3 131 211	-	3 131 211	3 131 211	3 131 211	2 868 749	(262 462)	-8%	Increase due to debtors not paying their accounts on time					
Other Debtors	8 335 143	-	8 335 143	8 335 143	8 335 143	1 379 566	(6 955 577)	-83%	Not correctly budgeted for					
Inventory	803 796	-	803 796	803 796	803 796	671 562	(132 234)	-16%	Difference not material.					
Total Current Assets	35 999 332	(15 648 619)	20 350 713	20 350 713	20 350 713	56 886 805	36 536 092	180%						
Non-Current Assets														
Investment Property	13 632 149	-	13 632 149	13 632 149	13 632 149	13 618 757	(13 392)	0%	Trivial.					
Property, Plant and Equipment	161 810 506	32 778 974	194 589 480	194 589 480	194 589 480	152 237 304	(42 352 176)	-22%	Not budgeted for correctly.					
Intangible Assets	120 401	-	120 401	120 401	120 401	128 311	7 910	7%	Trivial.					
Heritage Assets	-	-	-	-	-	1 118 734	1 118 734	0%	Re-classified from PPE. New budgeted amounts accommodate this reclassification.					
Total Non-Current Assets	175 563 056	32 778 974	208 342 030	208 342 030	208 342 030	167 103 106	(41 238 924)	-20%						
TOTAL ASSETS	211 562 388	17 130 355	228 692 743	228 692 743	228 692 743	223 989 910	(4 702 833)	-2%						
LIABILITIES														
Current Liabilities														
Consumer Deposits	492 890	-	492 890	492 890	492 890	515 750	22 860	5%	Trivial.					
Trade and Other Payables	2 832 083	-	2 832 083	2 832 083	2 832 083	22 324 339	19 492 256	688%	Increase in Unspent grants due to the COVID 19 pandemic which lead to projects not completed.					
Provisions	2 762 246	-	2 762 246	2 762 246	2 762 246	2 369 443	(392 803)	-14%	Decrease in provision due to an decrease in employee benefit provision.					
Statutory Payables: VAT	-	-	-	-	-	839 690	839 690	0%	Not budgeted for correctly.					
Total Current Liabilities	6 087 219	-	6 087 219	6 087 219	6 087 219	26 049 222	19 962 003	328%						
Non-Current Liabilities														
Provisions	27 153 663	-	27 153 663	27 153 663	27 153 663	29 094 261	1 940 598	7%	Increase in Provision for Landfill site not correctly budgeted for.					
Total Non-Current Liabilities	27 153 663	-	27 153 663	27 153 663	27 153 663	29 094 261	1 940 598	7%						
TOTAL LIABILITIES	33 240 882	-	33 240 882	33 240 882	33 240 882	55 143 483	21 902 601	66%						
NET ASSETS														
Accumulated Surplus	165 160 963	19 790 898	184 951 861	184 951 861	184 951 861	158 346 429	(26 605 432)	-14%	Not budgeted for correctly.					
Reserves	13 160 543	(2 660 543)	10 500 000	10 500 000	10 500 000	10 500 000	-	0%						
TOTAL NET ASSETS	178 321 506	17 130 355	195 451 861	195 451 861	195 451 861	168 846 429	(26 605 432)	-14%						

**PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020**

	Original Budget		Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final Adjustment Budget		Final Budget		Actual Outcome		Difference		Actual Outcome as % of Final Budget		Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00
	R	R	R	R	R	R	R	R	R	R	R	R	%		
REVENUE															
Property Rates	3 936 350	-	3 936 350	-	3 936 350	-	3 936 350	3 743 151	(193 199)	-5% Trivial					
Service Charges - Electricity Revenue	16 549 300	(1 581 300)	14 968 000	-	14 968 000	-	14 851 138	(116 862)	-1% Trivial						
Service Charges - Water Revenue	4 114 600	(50 000)	4 064 600	-	4 064 600	-	4 353 877	289 277	7% Trivial						
Service Charges - Sanitation Revenue	3 247 000	120 000	3 367 000	-	3 367 000	-	3 406 468	39 468	1% Trivial						
Service Charges - Refuse Revenue	1 721 200	(50 000)	1 671 200	-	1 671 200	-	1 704 452	33 252	2% Trivial						
Rental of Facilities and Equipment	397 000	-	397 000	-	397 000	-	489 450	92 450	23% Increase not correctly budgeted for.						
Interest Earned - External Investments	2 560 000	1 052 000	3 612 000	-	3 612 000	-	3 358 732	(253 268)	-7% Decline in Prime rate lead to a decrease in interest revenue not foreseen when originally budgeted.						
Interest Earned - Outstanding Debtors	1 000 000	-	1 000 000	-	1 000 000	-	891 678	(108 322)	-11% Decline in Prime rate lead to a decrease in interest revenue not foreseen when originally budgeted.						
Service in kind	-	-	-	-	-	-	3 371 147	3 371 147	100% Service in kind not budgeted for correctly.						
Fines	3 089 000	-	3 089 000	-	3 089 000	-	3 936 988	846 988	27% Revenue on fines not realised as expected.						
Agency Services	200 000	-	200 000	-	200 000	-	291 579	91 579	46% Trivial						
Transfers Recognised - Operational	31 600 580	2 809 409	34 409 989	-	34 409 989	-	27 575 829	(6 834 160)	-20% Increase in unspent grants due to the COVID 19 pandemic lead to a decrease in grant spending.						
Other Revenue	2 478 000	7 000	2 485 000	-	2 485 000	-	598 163	(1 886 837)	-76% Other revenue not budgeted correctly.						
Total Revenue (excluding capital transfers and contributions)	70 893 030	2 307 109	73 200 139	-	73 200 139	-	68 571 653	(4 628 486)	-6%						
EXPENDITURE															
Employee Related Costs	24 674 680	490 234	25 164 914	-	25 164 914	-	23 120 330	(2 044 584)	-8% Vacant positions budgeted for, but not filled.						
Remuneration of Councillors	3 197 300	-	3 197 300	-	3 197 300	-	3 126 956	(70 344)	-2% Trivial						
Debt Impairment	5 260 000	-	5 260 000	-	5 260 000	-	8 630 367	3 370 367	64% Unforeseen increase in debt impairment not budgeted for correctly regarding traffic fines.						
Depreciation and Asset Impairment	3 340 000	-	3 340 000	-	3 340 000	-	4 618 183	1 278 183	38% Depreciation charge for landfill site not budgeted for as well as additions.						
Actuarial Losses	-	-	-	-	-	-	32 409	32 409	100% Trivial						
Finance Charges	1 055 000	355 000	1 410 000	-	1 410 000	-	673 804	(736 196)	-52% Landfill site finance charges not budgeted for correctly.						
Bulk Purchases	12 124 150	-	12 124 150	-	12 124 150	-	11 377 110	(747 040)	-6% Less electricity bought than budgeted for.						
Other Materials	672 700	1 054 700	1 727 400	-	1 727 400	-	608 778	(1 118 622)	-65% Less materials used due to lock down of certain municipal services during March to June 2020.						
Contracted Services	8 589 000	681 370	9 270 370	-	9 270 370	-	5 114 033	(4 156 337)	-45% Less services used due to lock down of certain municipal services during March to June 2020.						
Transfers and Grants	-	1 135 935	1 135 935	-	1 135 935	-	1 225 386	89 451	8% Trivial						
Other Expenditure	11 019 610	(363 310)	10 656 300	-	10 656 300	-	10 863 762	207 462	2% Trivial						
Impairment Gain/(Loss) on PPE	-	-	-	-	-	-	392 324	392 324	100% Impairment on Landfill site not budgeted for.						
Total Expenditure	69 932 440	3 353 929	73 286 369	-	73 286 369	-	69 783 443	(3 502 926)	-5%						
Surplus	960 590	(1 046 820)	(86 230)	-	(86 230)	-	(1 211 790)	(1 125 560)	1305%						
Transfers Recognised - Capital	20 247 420	9 188 783	29 436 203	-	29 436 203	-	12 722 998	(16 713 205)	-57% Less spent than what was budgeted for.						
Surplus after Capital Transfers & Contributions	21 208 010	8 141 963	29 349 973	-	29 349 973	-	11 511 207	(17 838 765)	-61%						

**PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020**

	Original Budget	Budget Adjustments (into s28 and s31 of the MFMA)		Final Budget	Actual Outcome 2020		Difference	Actual Outcome as % of Final Budget	Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00
		R	R		R	R			
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and Other	28 995 777	-	-	28 995 777	25 271 634	(3 724 143)		-13%	Cashflow not budgeted for correctly due to msco amendments / challenges.
Government - Operating	31 600 580	-	-	31 600 580	39 863 296	8 262 716		26%	Cashflow not budgeted for correctly due to msco amendments / challenges.
Government - Capital	20 247 420	-	-	20 247 420	16 602 000	(3 645 420)		100%	Cashflow not budgeted for correctly due to msco amendments / challenges.
Interest	3 360 000	-	-	3 360 000	3 358 732	(1 268)		0%	Trivial
Payments									
Suppliers and Employees	(58 933 155)	-	-	(58 933 155)	(51 955 883)	6 977 272		-12%	Cashflow not budgeted for correctly due to msco amendments / challenges.
Finance costs	(1 055 000)	-	-	(1 055 000)	-	1 055 000		-100%	Trivial
Transfers and Grants	(960 000)	-	-	(960 000)	(1 225 386)	(265 386)		100%	Cashflow not budgeted for correctly due to msco amendments / challenges.
Net Cash from/(used) Operating Activities	23 255 622	-	-	23 255 622	31 914 392	8 658 770		37.23%	
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
Purchase of Property, Plant and Equipment	(22 065 987)	(10 902 971)	-	(32 968 958)	(13 046 216)	19 922 742		100%	Cashflow not budgeted for correctly due to msco amendments / challenges.
Purchase of Intangible Assets	-	-	-	-	(17 165)	(17 165)		100%	Cashflow not budgeted for correctly due to msco amendments / challenges.
Net Cash from/(used) Investing Activities	(22 065 987)	(10 902 971)	-	(32 968 958)	(13 063 381)	19 905 577		100%	
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
Short Term Loans	-	-	-	-	(4 750)	(4 750)		100%	Trivial
Increase in Consumer Deposits	23 115	-	-	23 115	36 399	13 284		100%	Trivial
Payments									
Repayment of Borrowing	(4 750)	-	-	(4 750)	-	-		100%	Trivial
Net Cash from/(used) Financing Activities	18 365	-	-	18 365	31 650	8 535		100%	
NET INCREASE/(DECREASE) IN CASH HELD	1 208 000	(10 902 971)	-	(9 694 971)	18 882 661	28 572 882		-294.77%	
Cash and Cash Equivalents at the year begin:	22 515 182	-	-	22 515 182	33 084 272	10 569 090		100%	
Cash and Cash Equivalents at the year end:	23 723 182	(10 902 971)	-	12 820 211	51 966 932	39 141 971		305.35%	

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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

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

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

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

In terms of Directive 11: "Changes in Measurement Bases following the Initial Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality elected to change the measurement bases selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the initial adoption of Standards of GRAP.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

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

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA Version 6.3, on which the municipality was required to transacted for periods after 1 July 2019. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2019 audited amounts are set out in note 45 of the annual financial statements.

1.5. AMENDED DISCLOSURE POLICY

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

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

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

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2020.

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

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 104 (Revised – April 2020)	<p><u>Financial Instruments</u></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
GRAP 110 (Revised – April 2020)	<p><u>Living and non-living resources</u></p> <p>The objective of this Standard is prescribing the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2020
IGRAP 17	<p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the</p>	1 April 2019

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	arrangement, where the arrangement does not constitute a lease.	
	No such transactions or events are expected in the foreseeable future.	

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

1.9. RESERVES

1.9.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited or debited, as the case may be, by a corresponding amount when the amounts in the CRR are utilized.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.10. LEASES

1.10.1. Municipality as Lessee

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

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2. Municipality as Lessor

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

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 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 liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in 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 public.

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

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

1.13. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

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

- Unspent public contributions 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 the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.14. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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

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.

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.15. EMPLOYEE BENEFITS

(a) Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and 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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

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

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. 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.

(b) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as employee related cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(c) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

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

(d) Ex-Gratia Pension Benefits

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee related cost upon valuation as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

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

(e) 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, to a maximum of 48 days, and also on the total remuneration package of the employee.

Accumulated 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, to a maximum of 48 days, will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

(f) Staff Bonuses

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

(g) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1. Initial Recognition

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

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

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

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

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

1.16.2. Subsequent Measurement – Cost Model

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

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

1.16.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives in years:

<u>Infrastructure</u>	
Roads and Paving	60
Pedestrian Malls	30
Electricity	60
Water	60
Sanitation	60
Sewerage	60
Housing	95
<u>Community</u>	
Buildings	95
Recreation centres	95
Security	5
Halls	100
Libraries	95
Parks and gardens	20
Other assets	20

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

<u>Other</u>	
Buildings	100
Specialist vehicles	15
Other vehicles	16
Office equipment	30
Furniture and fittings	30
Watercraft	15
Bins and containers	5
Specialised plant and Equipment	15
Other plant and Equipment	30
Landfill sites	15
Quarries	25
Emergency equipment	10
Computer equipment	15
<u>Finance lease assets</u>	
Office equipment	5
Other assets	5

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

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

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

1.16.4. De-recognition

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.16.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

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

1.17. INTANGIBLE ASSETS

1.17.1. Initial Recognition

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

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

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

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

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

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.17.2. Subsequent Measurement – Cost Model

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

1.17.3. Amortisation and Impairment

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

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	10
Computer Software Licences	10

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differ from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.17.4. De-recognition

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

1.17.5. Application of deemed cost (Directive 7)

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.18. INVESTMENT PROPERTY

1.18.1. Initial Recognition

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

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

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

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

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

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

1.18.2. Subsequent Measurement – Cost Model

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

1.18.3. Depreciation and Impairment – Cost Model

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

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each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	Years
Buildings	100

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.18.4. De-recognition

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

1.18.5. Application of deemed cost (Directive 7)

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

1.19. HERITAGE ASSETS

1.19.1. Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.19.2. Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

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1.19.3. Depreciation and Impairment

<u>Heritage buildings</u>	Years
Buildings	100

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

1.19.4. De-recognition

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

1.19.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2011.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1. Cash generating assets

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

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information

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- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

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

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised

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carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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

1.20.2. Non-cash-generating assets

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

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

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;

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- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

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

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

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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

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

1.21. INVENTORIES

1.21.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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

1.21.2. Subsequent Measurement

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

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

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

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.22.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.22.2. Subsequent Measurement

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

1.22.2.1. Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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

1.22.2.2. Payables and Annuity Loans

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

1.22.2.3. Cash and Cash Equivalents

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

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overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

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

1.22.3. De-recognition

1.22.3.1. Financial Assets

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

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

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

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

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

1.22.3.2. Financial Liabilities

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

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

1.22.4. Offsetting of Financial Instruments

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

1.23. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.23.1. Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.23.2. Subsequent Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

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An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.23.3. Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - i. derecognise the receivable; and
 - ii. recognise separately any rights and obligations created or retained in the transfer.

1.24. REVENUE

1.24.1. Revenue from Non-Exchange Transactions

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

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts

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are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

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

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

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

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

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

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

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and

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- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

1.24.2. Revenue from Exchange Transactions

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

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

- The Municipality has transferred to the purchaser 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;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

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

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Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

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

1.25. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
- has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

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

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. IRREGULAR EXPENDITURE

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

1.28. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Post-retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 12 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

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

Property, Plant and Equipment

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

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

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

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

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

Intangible Assets

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

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

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

Investment Property

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

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

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

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Componentisation of Infrastructure assets

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Revenue Recognition

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

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.31. TAXES – VALUE ADDED TAX

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

1.32. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.33. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.34. VALUE ADDED TAX (VAT)

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.33.1 Current VAT assets and liabilities

Current VAT for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current VAT liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the VAT authorities, using the tax rates and VAT laws that have been enacted or substantively enacted by the reporting date.

1.33.2 Deferred VAT assets and liabilities

Deferred VAT liability is recognised for all taxable temporary differences, except to the extent that the deferred VAT liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (VAT loss).

A deferred VAT asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred VAT asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused VAT to the extent that it is probable that future taxable profit will be available against which the unused VAT losses.

Deferred VAT assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and VAT laws) that have been enacted or substantively enacted by the reporting date.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2020

	Opening Balance	Cost/Revaluation			Accumulated Impairments			Opening Balance	Closing Balance	Disposals/ Impairment	Accumulated Depreciation	Carrying Value
		Re-classification	Correction of Error	Additions	Work in Progress	Disposals	Reversal					
Infrastructure												
Roads	20 130 508	-	-	-	-	20 130 508	1 532 440	1 532 440	-	-	574 684	14 082 125
Storm Water	11 700 715	-	-	180 395	-	11 881 110	800	800	-	-	234 045	10 122 117
Electricity	11 896 655	-	511 862	923 830	(31 503)	13 300 843	-	-	-	-	232 045	11 925 419
Water Supply	45 310 159	-	2 896 288	32 312	(66 631)	48 162 128	-	-	-	(15 479)	960 388	41 932 862
Sanitation	40 016 505	-	25 010	3 533 618	-	43 575 133	547 500	547 500	-	-	888 841	37 539 780
Solid Waste	832 271	-	-	1 287 359	-	2 089 629	(32 583)	-	-	-	17 749	1 803 386
Landfill Site	10 571 863	-	654 448	-	-	11 226 312	337 254	304 660	-	-	670 625	2 533 714
	140 458 677	-	4 077 609	5 937 514	(98 135)	150 375 664	2 048 147	2 365 400	25 072 287	(76 267)	3 587 879	118 799 385
Community Assets												
Community Facilities												
Halls	8 118 179	-	-	-	-	6 118 179	35 400	35 400	-	-	61 850	5 601 584
Centres	3 561 795	-	-	-	-	3 561 795	149 682	149 682	-	-	48 662	3 363 441
Libraries	1 199 428	-	-	-	-	1 199 428	652 400	652 400	-	-	4 957	429 434
Cemeteries/Crematoria	51 650	-	-	-	-	51 650	-	-	-	-	-	51 650
Parks	116 500	-	204 920	-	-	321 420	96 500	96 500	-	-	-	224 920
Public Open Space	675 065	-	735 733	-	-	1 410 798	332 615	332 615	-	-	-	1 078 183
Public Ablution Facilities	50 895	-	115 684	41 769	-	217 349	-	-	617	-	598	216 133
Shells	9 230	-	-	-	-	-	-	-	-	-	-	-
Airports	623 631	-	281 750	642 437	-	623 631	185 000	185 000	10 364	-	10 364	602 843
Outdoor Facilities	12 294 821	-	1 318 087	684 206	-	13 196 008	1 301 915	1 301 915	173 838	-	79 409	12 760 760
	24 710 186	-	1 318 087	684 206	-	26 703 259	1 301 915	1 301 915	888 525	-	206 870	24 325 948

	Cost/Revaluation				Accumulated Impairments				Accumulated Depreciation				Carrying Value			
	Opening Balance	Re-classification	Correction of Error	Additions	Work in Progress	Disposals	Closing Balance	Opening Balance	Additions	Reversal	Closing Balance	Re-classification		Correction of Error	Depreciation	Disposals/ Impairment
Other Assets																
Land	557 422	9 230	-	-	-	-	566 652	21 100	-	-	21 100	-	-	-	-	545 552
Operational Buildings	1 909 413	-	-	349 046	-	-	2 258 459	157 000	-	-	1 100 000	-	-	18 042	-	204 610
Computer Equipment	1 040 038	-	-	107 053	-	(36 476)	1 110 615	-	-	-	1 277 611	-	-	89 635	(32 547)	500 570
Furniture and Office Equipment	1 276 640	-	-	19 464	-	(19 483)	1 277 611	-	-	-	1 373 145	-	-	61 927	(13 901)	516 955
Machinery and Equipment	1 028 188	-	-	352 260	-	(7 303)	1 373 145	-	-	-	6 643 014	-	-	53 424	(8 522)	461 506
Transport Assets	5 819 882	-	-	655 426	-	(32 094)	6 643 014	-	-	-	1 351 884	-	-	521 376	(8 653)	1 864 407
Leases	11 631 381	9 230	-	1 663 249	-	(94 366)	13 229 495	178 100	-	-	178 100	-	-	773 302	(61 913)	3 842 424
Furniture and Office Equipment	181 022	-	-	-	-	-	181 022	-	-	-	181 022	-	-	8 104	-	181 022
	181 022	-	-	-	-	-	181 022	-	-	-	172 917	-	-	8 104	-	181 022
Total	17 698 275	-	-	7 078 944	6 621 720	(192 501)	190 469 439	3 528 162	337 254	-	3 865 416	-	-	4 575 156	(138 180)	34 386 720
																152 237 303

	Opening Balance	Cost/Revaluation			Accumulated Impairments			Closing Balance	Opening Balance	Re-classification	Accumulated Correction of Error	Depreciation	Disposals/ Impairment	Closing Balance	Carrying Value
		Re-classification	Correction of Error	Additions	Work in Progress	Disposals/ Impairment	Closing Balance								
Infrastructure															
Roads	28 584 890	(12 309 307)	2 580 524	1 384 301	-	20 130 508	-	1 532 440	5 173 201	(1 636 350)	-	389 414	-	3 041 259	14 656 809
Storm Water	11 603 013	6 551 462	2 229 651	2 819 582	-	11 700 715	-	800	1 552 911	1 390 501	-	133 648	-	1 524 149	10 175 767
Electricity	38 961 244	1 307 085	1 430 135	622 440	121 306	11 896 655	-	-	4 893 710	(13 761)	-	219 206	-	1 758 355	10 138 209
Water Supply	29 778 387	6 778 824	3 273 447	2 426 886	1 053 970	45 310 159	-	547 500	3 633 391	46 195	10 284	810 477	-	5 860 686	39 449 463
Sanitation	5 755 246	267 025	-	17 395	168 679	40 016 505	-	832 271	239 603	205 178	(14 419)	874 862	-	4 599 012	34 869 663
Solid Waste	9 807 601	-	-	674 863	-	832 271	-	(32 563)	5 844 685	21 162	-	17 749	-	278 514	553 757
Landfill Site	119 400 701	2 084 726	9 573 757	8 025 458	1 373 955	10 571 863	-	(21 268)	21 342 480	12 918	(4 134)	1 872 547	-	7 717 312	2 887 144
Community Assets															
Community Facilities															
Halls	6 118 179	-	-	-	-	6 118 179	-	35 400	357 486	-	-	61 850	-	419 346	5 663 433
Centres	1 199 428	3 561 785	-	-	-	3 561 795	-	-	652 400	101 030	-	48 682	-	149 682	3 412 103
Libraries	51 650	-	-	-	-	1 199 428	-	652 400	107 681	-	7 480	(2 542)	-	112 638	434 391
Crematories/Crematoria	116 500	-	-	-	-	116 500	-	96 500	-	-	-	-	-	-	51 650
Parks	-	675 065	-	-	-	675 065	-	332 615	-	-	-	-	-	-	20 000
Public Open Space	-	59 885	-	-	-	59 885	-	-	-	-	-	-	-	-	342 450
Public Ablution Facilities	-	9 230	-	-	-	9 230	-	-	-	18	-	596	-	617	59 278
Shells	-	623 631	-	-	-	623 631	-	-	-	-	-	-	-	-	8 230
Airports	13 611 574	(1 964 220)	-	203 053	433 623	12 294 621	-	185 000	76 930	22 020	34 556	10 304	-	10 304	613 237
Outdoor Facilities	21 097 332	2 975 588	-	203 853	433 523	24 710 195	-	1 301 915	542 107	123 068	42 053	159 295	-	866 525	22 541 756

30 JUNE 2019 (Continued)

	Cost/Revaluation				Accumulated Impairments				Accumulated Depreciation				Carrying Value
	Opening Balance	Re-classification	Correction of Error	Additions	Work in Progress	Disposals/ Impairment	Closing Balance	Opening Balance	Re-classification	Correction of Error	Depreciation	Disposals/ Impairment	
Other Assets	3 698 671	(3 029 249)	-	-	-	567 422	21 100	21 100	-	-	-	-	536 322
Other Land	4 036 378	(2 126 966)	-	-	-	1 909 413	157 000	157 000	-	(13 434)	31 475	-	1 865 568
Operational Buildings	1 860 165	(1 860 165)	-	-	-	-	-	-	-	-	-	-	-
Specialised Vehicles	1 035 762	(22 973)	-	33 861	-	1 040 038	-	493 147	(135 216)	-	70 533	(6 480)	565 553
Computer Equipment	724 066	(27 255)	-	13 842	-	1 276 640	-	413 568	(12 136)	-	60 426	(24 430)	508 421
Furniture and Office Equipment	1 807 050	1 844 945	-	350 992	-	1 028 188	-	722 063	10 161	-	58 348	(15 668)	578 309
Machinery and Equipment	14 321 031	(5 209 978)	-	2 717 306	-	5 819 682	49 538	486 653	484 845	-	403 706	(6 321)	4 467 798
Transport Assets	-	-	-	-	-	11 631 381	227 638	2 799 887	(135 968)	(13 434)	633 489	(52 899)	3 231 085
Leases	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	255 037	-	-	-	-	181 022	-	180 294	-	-	68 636	(74 015)	172 917
Furniture and Office Equipment	255 037	-	-	-	-	181 022	-	180 294	-	-	68 636	(74 015)	172 917
Total	155 074 180	-	9 573 767	10 946 717	1 807 478	176 981 275	3 589 027	3 528 162	24 864 749	24 487	5 187 426	(126 814)	29 849 745

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the Municipality.

The effect of the Change in Accounting estimates due to the review of useful lives and residual values is as follows:

Increase in depreciation on other assets for the year:

	2020	2021	2022
R	-294 131	-533 198	-551 894
R			

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
2.3 Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Other materials	-	271 712
Contracted Services on Maintenance of Unspecified Assets	587 101	736 789
Contracted Services on Maintenance of Buildings and Facilities	429 891	464 890
Contracted Services on Maintenance of Equipment	901 015	627 963
Total Repairs and Maintenance	1 918 007	2 101 355
3 INVESTMENT PROPERTY		
3.1 Net Carrying amount at 1 July	13 625 453	13 632 149
Cost	14 639 586	14 639 586
Accumulated Depreciation	(67 079)	(60 383)
Accumulated Impairment Loss	(947 053)	(947 053)
Depreciation for the year	(6 696)	(6 696)
Net Carrying amount at 30 June	13 618 757	13 625 453
Cost	14 639 586	14 639 586
Accumulated Depreciation	(73 775)	(67 079)
Accumulated Impairment Loss	(947 053)	(947 053)
3.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property	489 450	500 091
3.3 Expenditure incurred to repair and maintain Investment Property:		
No expenditure incurred in the maintaining of investment property.		
4 INTANGIBLE ASSETS		
4.1 Net Carrying amount at 1 July	134 054	120 402
Cost	190 704	157 610
Accumulated Amortisation	(56 649)	(37 208)
Additions	17 165	33 094
Amortisation	(22 158)	(19 442)
Disposals	751	-
Net Carrying amount at 30 June	128 311	134 054
Cost	205 395	190 704
Accumulated Amortisation	(77 084)	(56 649)

	2020 R	2019 R
5 HERITAGE ASSETS		
5.1 Net Carrying amount at 1 July	1 130 092	1 141 450
Cost	1 245 000	1 245 000
Accumulated Depreciation	(114 908)	(103 550)
Additions	-	-
Depreciation for the year	(11 358)	(11 358)
Net Carrying amount at 30 June	1 118 734	1 130 092
Cost	1 245 000	1 245 000
Accumulated Depreciation	(126 266)	(114 908)

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

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

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

6 OPERATING LEASE ARRANGEMENTS

6.1 The Municipality as Lessee

Operating Lease Asset	113 354	69 196
<u>Disclosed as follows:</u>		
Non-Current Operating Lease Asset	-	-
Current Operating Lease Asset	113 354	69 196
	113 354	69 196

Reconciliation

Balance at the beginning of the year	69 196	41 199
Movement during the year	44 158	27 997
Balance at the end of the year	113 354	69 196

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

Up to 1 Year	223 915	119 001
1 to 5 Years	975 160	656 061
More than 5 Years	126 612	307 091
Total Operating Lease Arrangements	1 325 687	1 082 154

The leases are in respect of land and buildings being leased out for variable periods with the final lease ending in April 2027.

7 INVENTORY

Consumables	424 011	405 458
Land	219 420	219 420
Materials and Supplies	10 800	10 800
Water	17 331	24 667
Total Inventory	671 562	660 345

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

8 RECEIVABLES FROM EXCHANGE TRANSACTIONS	2020 R	2019 R
Electricity	2 270 002	1 663 133
Water	5 946 773	5 054 505
Property Rentals	287 380	419 649
Waste Management	2 623 536	2 188 592
Waste Water Management	3 944 032	2 700 929
VAT on Receivables from exchange transactions	1 967 837	-
Debtors with credit balances	-	380 634
Other Arrears	243 329	157 465
Total: Receivables from exchange transactions (before provision)	17 282 889	12 564 907
Less: Provision for Debt Impairment	(14 414 140)	(10 447 186)
Total: Receivables from exchange transactions (after provision)	2 868 749	2 117 721

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition. VAT on Exchange transactions are debited to one vote and does not form part of the exchange transactions. This is evident from the above note 8. However, the aging as per these subsections are VAT included.

The fair value of receivables approximate their carrying value.

(Electricity): Ageing

Current (0 - 30 days)	610 033	515 132
31 - 60 Days	313 685	183 626
61 - 90 Days	280 560	100 418
+ 90 Days	1 065 724	863 958
Total	2 270 002	1 663 133

(Water): Ageing

Current (0 - 30 days)	318 717	337 549
31 - 60 Days	339 792	257 045
61 - 90 Days	280 179	225 977
+ 90 Days	5 008 086	4 233 935
Total	5 946 774	5 054 505

(Property Rentals): Ageing

Current (0 - 30 days)	(878)	21 964
31 - 60 Days	-	21 694
61 - 90 Days	-	29 811
+ 90 Days	288 258	346 180
Total	287 380	419 649

(Waste Management): Ageing

Current (0 - 30 days)	130 084	157 983
31 - 60 Days	113 783	108 405
61 - 90 Days	105 490	94 397
+ 90 Days	2 274 180	1 827 809
Total	2 623 536	2 188 592

(Waste Water Management): Ageing

Current (0 - 30 days)	167 792	139 584
31 - 60 Days	224 618	153 417
61 - 90 Days	195 091	125 301
+ 90 Days	3 356 531	2 282 627
Total	3 944 032	2 700 929

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
<u>(Other): Ageing</u>		
Current (0 - 30 days)	(290 338)	(2 132)
31 - 60 Days	17 646	1 514
61 - 90 Days	14 518	18
+ 90 Days	2 469 339	158 065
Total	2 211 166	157 465

<u>(Total): Ageing</u>		
Current (0 - 30 days)	935 409	1 170 079
31 - 60 Days	1 009 523	725 700
61 - 90 Days	875 839	575 921
+ 90 Days	14 462 118	9 712 573
Total	17 282 889	12 184 273

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	10 447 186	7 258 568
Contribution to provision	4 285 271	3 234 470
Reversal of provision	(318 316)	(45 852)
Balance at end of year	14 414 140	10 447 186

The provision for impairment could be allocated between the different classes of receivables as follows:

Electricity	1 080 356	702 489
Water	5 894 653	4 663 043
Refuse	2 712 599	2 040 789
Sewerage	4 144 472	2 549 766
Other	582 060	491 099
Balance at end of year	14 414 140	10 447 186

Summary of impairment by customer classification

Government	-	44 120
Commercial	322 905	205 844
Other Municipalities	-	886
Residential	13 912 403	9 788 548
Other	178 832	407 788
Balance at end of year	14 414 140	10 447 186

The total amount of this provision is R 14 414 140 consist of:

Services	13 832 081	9 956 086
Other Debtors	582 060	491 099
Total Provision for Debt Impairment on Receivables from exchange transactions	14 414 140	10 447 186

Ageing of amounts past due but not impaired:

1 month past due	1 009 523	725 700
2+ months past due	15 337 957	10 288 494
	16 347 480	11 014 195

The provision for doubtful debts on debtors (receivables) exists due to the possibility that not all debts will be recovered. Receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

9 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2020 R	2019 R
Taxes - Rates	1 739 657	1 377 903
Fines	35 589 275	31 985 164
Other Receivables	952 732	911 316
	<u>38 281 663</u>	<u>34 274 383</u>
Less: Provision for Debt Impairment	<u>(37 015 451)</u>	<u>(32 895 849)</u>
Total Receivables from non-exchange transactions	<u>1 266 213</u>	<u>1 378 533</u>

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Reconciliation of Provision for Bad Debts

Balance at beginning of year	32 895 849	26 853 002
Fines Written off during the year	(6 602)	(538)
Contribution to provision	<u>4 126 203</u>	<u>6 043 386</u>
Balance at end of year	<u>37 015 451</u>	<u>32 895 849</u>

(Rates): Ageing

Current (0 - 30 days)	88 671	(23 655)
31 - 60 Days	90 712	42 162
61 - 90 Days	70 736	24 604
+ 90 Days	<u>1 489 538</u>	<u>1 334 793</u>
Total	<u>1 739 657</u>	<u>1 377 903</u>

The total amount of this provision consist of:

Taxes	1 457 031	1 117 015
Fines	<u>35 558 420</u>	<u>31 778 834</u>
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	<u>37 015 451</u>	<u>32 895 849</u>

Ageing of amounts past due but not impaired:

1 month past due	90 712	42 162
2+ months past due	<u>1 648 945</u>	<u>1 312 086</u>
	<u>1 739 657</u>	<u>1 354 248</u>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
10	BANK ACCOUNTS		
10.1	Cash and Cash Equivalents		
	Current Accounts	45 169 184	30 206 669
	Call Deposits and Investments	6 794 693	2 874 553
	Cash On-hand	3 050	3 050
	Total Cash and Cash Equivalents - Assets	51 966 927	33 084 272
	A Bank Guarantee is retained for ESKOM by ABSA Bank	1 199 000	9 960
	The municipality has the following bank accounts:		
	Current Accounts		
	Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):	45 169 184	30 100 311
	Prince Albert ABSA Bank - Account Number 4063942217 (Traffic Account):	-	106 358
		45 169 184	30 206 669
	Call Deposits and Investments		
	Prince Albert ABSA Bank - Account Number 9287334653 (Savings Account):	6 794 693	2 874 553
		6 794 693	2 874 553
	Details of current accounts are as follow:		
	Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):		
	Cash book balance at beginning of year	30 100 311	213 490
	Cash book balance at end of year	45 169 184	30 100 311
	Bank statement balance at beginning of year	30 245 407	216 477
	Bank statement balance at end of year	45 134 041	30 245 407
	Prince Albert ABSA Bank - Account Number 4063942217 (Traffic Account):		
	Cash book balance at beginning of year	106 358	123 001
	Cash book balance at end of year	-	106 358
	Bank statement balance at beginning of year	106 658	113 001
	Bank statement balance at end of year	-	106 658
	Prince Albert ABSA Bank - Account Number 9287334653 (Savings Account):		
	Cash book balance at beginning of year	2 874 553	25 074 550
	Cash book balance at end of year	6 794 693	2 874 553
	Bank statement balance at beginning of year	2 855 796	25 074 550
	Bank statement balance at end of year	6 770 580	2 855 796



	2020 R	2019 R
11 LONG-TERM BORROWINGS		
Capitalised Lease Liability - At amortised cost	-	4 750
	-	4 750
Less: Current Portion transferred to Current Liabilities	-	(4 750)
Capitalised Lease Liability - At amortised cost	-	(4 750)
	-	-
Total Long-term Borrowings	-	-

11.1 The obligations under finance leases are scheduled below:

	Minimum payments	
Amounts payable under annuity loans:		
Payable within one year	-	67 771
Payable within two to five years	-	-
	-	67 771
Less: Future finance obligations	-	(63 021)
Present value of annuity loans obligations	-	4 750

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. These leases have no significant arrangements.

12 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	22 004 063	20 675 809
Total Non-current Provisions	22 004 063	20 675 809

12.1 **Landfill Sites**

Balance 1 July	20 675 809	19 032 273
Contribution for the year	1 328 253	1 643 536
Total provision 30 June	22 004 063	20 675 809
Balance 30 June	22 004 063	20 675 809

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated risk free rate as determined by the municipality. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution. This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

No provision for current portion is made due to fact that no amount were budgeted for rehabilitation. Currently there is no fixed date for rehabilitation of the landfill sites.

	<i>Prince Albert</i>	<i>Leeu Gamka</i>	<i>Klaarstroom</i>
Area (m ²)	23 504m ²	13 775m ²	5 262m ²

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. The estimate cost and date of decommission of the sites are as follows:

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
Location	Estimated decommission date	R	R
Prince Albert	2024	10 811 083	10 153 057
Leeu Gamka	2021	7 271 344	6 834 889
Klaarstroom	2030	3 921 635	3 687 864
		22 004 063	20 675 809
13 NON-CURRENT EMPLOYEE BENEFITS			
Provision for Post Retirement Health Care Benefits		5 820 000	5 488 372
Provision for Ex-Gratia Pension Benefits		7 198	6 472
Provision for Long Service Awards		1 263 000	1 231 099
Total Non-current Employee Benefits		7 090 198	6 725 943
<i>Post Retirement Health Care Benefits</i>			
Balance 1 July		5 740 390	5 363 141
Contribution for the year		127 967	170 769
Interest Cost		532 514	499 961
Expenditure for the year		(111 758)	(238 849)
Actuarial Loss/(Gain)		(155 113)	(54 632)
Total provision 30 June		6 134 000	5 740 390
Less: Transfer of Current Portion to Current Provisions - Note 15		(314 000)	(252 017)
Balance 30 June		5 820 000	5 488 372
<i>Ex-Gratia Pensions</i>			
Balance 1 July		40 353	42 104
Interest Cost		1 930	3 724
Expenditure for the year		(33 881)	(776)
Actuarial Loss/(Gain)		32 409	(4 699)
Total provision 30 June		40 811	40 353
Less: Transfer of Current Portion to Current Provisions - Note 15		(33 613)	(33 881)
Balance 30 June		7 198	6 472
<i>Long Service Awards</i>			
Balance 1 July		1 351 678	1 313 079
Contribution for the year		132 266	111 379
Interest Cost		105 862	105 627
Expenditure for the year		(135 028)	(215 649)
Actuarial Loss/(Gain)		(69 778)	37 242
Total provision 30 June		1 385 000	1 351 678
Less: Transfer of Current Portion to Current Provisions - Note 15		(122 000)	(120 579)
Balance 30 June		1 263 000	1 231 099
13.1 Provision for Post Retirement Health Care Benefits			
The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:			
In-service (employee) members		18	19
In-service (employee) non-members		35	33
Continuation members (e.g. Retirees, widows, orphans)		7	7
Total Members		60	59

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
The liability in respect of past service has been estimated to be as follows:		
In-service members	1 582 000	2 001 036
In-service non-members	332 000	355 769
Continuation members	4 220 000	3 383 584
Total Liability	6 134 000	5 740 389

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018 R	2017 R	2016 R
In-service members	2 226 921	1 733 106	2 429 405
In-service non-members	528 559	505 872	529 906
Continuation members	2 607 661	2 325 739	1 546 482
Total Liability	5 363 141	4 564 718	4 505 793

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

Bonitas
LA Health
Key Health, and
SAMWU Medical Aid

Key actuarial assumptions used:	2020 %	2019 %
i) Rate of interest		
Discount rate	10.68%	9.48%
Health Care Cost Inflation Rate	6.70%	6.90%
Net Effective Discount Rate	3.73%	2.41%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

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

Present value of fund obligations	6 134 000	5 740 390
	<u>6 134 000</u>	<u>5 740 390</u>
Net liability	6 134 000	5 740 390

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	5 740 390	5 363 141
Total expenses	548 723	431 881
Current service cost	127 967	170 769
Interest Cost	532 514	499 961
Benefits Paid	(111 758)	(238 849)
Actuarial (gains)/losses	(155 113)	(54 632)
Present value of fund obligation at the end of the year	<u>6 134 000</u>	<u>5 740 390</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2020

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Assumption			
Central Assumptions	1.914	4.220	6.13

The effect of movements in the assumptions are as follows:

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption					
Health care inflation	1%	2.297	4.745	7.042	15%
Health care inflation	-1%	1.611	3.787	5.398	-12%
Discount rate	1%	1.623	3.804	5.427	-12%
Discount rate	-1%	2.286	4.729	7.015	14%
Post-retirement mortality	+1 year	1.865	4.118	5.983	-2%
Post-retirement mortality	-1 year	1.964	4.323	6.287	2%
Average retirement age	-1 year	2.034	4.220	6.254	2%
Continuation of membership at retirement	-10%	1.496	4.220	5.716	-7%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2021

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	95 000	639 000	734 000

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
Health care inflation	1%	122 000	736 000	858 000	17%
Health care inflation	-1%	75 000	560 000	635 000	-13%
Discount rate	1%	76 000	616 000	692 000	-6%
Discount rate	-1%	119 000	664 000	783 000	7%
Post-retirement mortality	+1 year	93 000	623 000	716 000	-2%
Post-retirement mortality	-1 year	98 000	655 000	753 000	3%
Average retirement age	-1 year	103 000	652 000	755 000	3%
Continuation of membership at retirement	-10%	69 000	594 000	663 000	-10%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
13.2 Provision for Long Service Bonuses		
The Long Service Bonus plans are defined benefit plans.		
As at year end, the following number of employees were eligible for Long Service Bonuses.	59	55
Key actuarial assumptions used:	%	%
i) Rate of interest		
Discount rate	7.49%	8.19%
General Salary Inflation (long-term)	4.07%	5.57%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	3.29%	2.48%
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 385 000	1 351 678
	<u>1 385 000</u>	<u>1 351 678</u>
Net liability	1 385 000	1 351 678
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	1 351 678	1 313 079
Total expenses	103 100	1 357
Current service cost	132 266	111 379
Interest Cost	105 862	105 627
Benefits Paid	(135 028)	(215 649)
Actuarial (gains)/losses	(69 778)	37 242
Present value of fund obligation at the end of the year	<u>1 385 000</u>	<u>1 351 678</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2020

Assumption	Change	Liability (Rm)	% change
Central assumptions		1 385 000	
General salary inflation	1%	1 479 000	7%
General salary inflation	-1%	1 299 000	-6%
Discount rate	1%	1 297 000	-6%
Discount rate	-1%	1 482 000	7%
Average retirement age	-2 yrs	1 575 000	14%
Average retirement age	2 yrs	1 318 000	-5%
Withdrawal rates	x2	1 085 000	-22%
Withdrawal rates	-50%	1 596 000	15%



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2021

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	140 000	99 000	239 000

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
Health care inflation	1%	153 000	106 000	259 000	8%
Health care inflation	-1%	128 000	93 000	221 000	-8%
Discount rate	1%	129 000	105 000	234 000	-2%
Discount rate	-1%	152 000	92 000	244 000	2%
Post-retirement mortality	-2 years	155 000	113 000	268 000	12%
Average retirement age	-2 years	129 000	94 000	223 000	-7%
Withdrawal Rate	x2	97 000	77 000	174 000	-27%
Withdrawal Rate	-50%	173 000	115 000	288 000	21%
				2020 Rm	2019 Rm

13.3 Ex Gratia Payments

The Ex Gratia plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

6	6
---	---

Key actuarial assumptions used:

i) Rate of Interest

Discount rate

2020	2019
%	%

7.73%	8.13%
-------	-------

2020	2019
R	R

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

Present value of fund obligations	40 811	40 353
	40 811	40 353
Net liability	40 811	40 353

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	40 353	42 104
Total expenses	(31 951)	2 948
Interest Cost	1 930	3 724
Benefits Paid	(33 881)	(776)
Actuarial Gains / losses	32 409	(4 699)
Present value of fund obligation at the end of the year	40 811	40 353



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Sensitivity Analysis on the Accrued Liability on 30 June 2020

	Change	Liability (Rm)	% change
Assumption			
Central assumptions		40 811	
Discount rate	1%	40 292	-1%
Discount rate	-1%	41 384	1%
Average retirement age	-1 yrs	41 306	1%

Sensitivity Analysis on Interest Cost for the year ending 30 June 2021

	Change	Interest Cost (R)	Total (R)	% change
Assumption				
Central Assumptions		1 930	1 930	
Discount rate	1%	2 124	2 124	10%
Discount rate	-1%	1 731	1 731	-10%
Average retirement age	-1 year	1 959	1 959	2%

13.4 Retirement funds

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

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

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

	2020 R	2019 R
<u>CAPE JOINT PENSION FUND</u>		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in a sound financial position with a funding level of 100.7% (30 June 2018 - 103.7%).		
Contributions paid recognised in the Statement of Financial Performance	1 919 001	1 696 022

CAPE JOINT RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2019 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2018 - 100.3%).

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement 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.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
14 CONSUMER DEPOSITS		
Electricity	246 532	258 348
Rental Properties	7 488	7 488
Water	261 730	213 515
Total Consumer Deposits	515 750	479 350
<p>The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.</p>		
15 CURRENT EMPLOYEE BENEFITS		
Performance Bonuses	664 064	578 287
Staff Bonuses	1 235 766	965 893
Staff Leave	469 613	406 477
Current Portion of Non-Current Provisions		
Current Portion of Post Retirement Benefits - Note 13	314 000	252 017
Current Portion of Ex-Gratia Pension Provisions - Note 13	33 613	33 881
Current Portion of Long-Service Provisions - Note 13	122 000	120 579
Total Provisions	2 369 443	1 950 656
15.1 Staff Bonuses		
Balance at beginning of year	578 287	578 287
Contribution to current portion	1 117 544	875 422
Expenditure incurred	(1 031 767)	(875 422)
Balance at end of year	664 064	578 287
<p>Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.</p>		
15.2 Staff Leave		
Balance at beginning of year	965 892	1 144 306
Contribution to current portion	404 383	188 365
Expenditure incurred	(134 510)	(366 779)
Balance at end of year	1 235 766	965 892
<p>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.</p>		
16 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	4 515 891	1 779 900
Retentions	131 463	449 982
Western Cape Housing Subsidy	372 002	372 002
Other Payables	572 808	196 914
Debtors with credit balances	219 563	380 634
Total Trade Payables	5 811 727	3 179 430
<p>Payables are being recognised net of any discounts.</p> <p>Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.</p> <p>The carrying value of trade and other payables approximates its fair value.</p> <p>All payables are unsecured.</p>		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
17 UNSPENT TRANSFERS AND SUBSIDIES		
Unspent Transfers and Subsidies	16 512 612	5 142 805
National Government Grants	11 418 275	2 524 766
Provincial Government Grants	4 694 337	2 618 039
District Municipality	400 000	-
Less: Unpaid Transfers and Subsidies	-	(59 096)
National Government Grants	-	-
Provincial Government Grants	-	(59 096)
Total Unspent Transfers and Subsidies	16 512 612	5 083 709
<p>See appendix "B" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.</p> <p>Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.</p>		
18 Statutory Payables: VAT		
18.1 VAT Payable	-	-
VAT Output in Suspense	(1 967 837)	(1 422 692)
Total VAT Payable	(1 967 837)	(1 422 692)
18.2 VAT Receivable	534 933	518 854
VAT Input in Suspense	593 214	635 676
Total VAT Receivable	1 128 147	1 154 530
18.3 Net VAT Receivable / (Payable)	(839 690)	(268 162)
<p>VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.</p>		
19 NET ASSET RESERVES		
RESERVES	10 500 000	9 500 000
Opening Balance	9 500 000	13 160 543
Contribution to Capital Replacement Reserve	1 000 000	(3 660 543)
Sale of Assets	-	-
Total Net Asset Reserve and Liabilities	10 500 000	9 500 000
<p>The Capital Replacement Reserve will be used to finance the rehabilitation of landfill sites.</p>		
20 PROPERTY RATES		
Actual		
Rateable Land and Buildings	3 980 388	4 075 779
Residential Properties	3 980 388	4 075 779
Less: Revenue Forgone	(237 237)	(645 223)
Total Property Rates	3 743 151	3 430 556



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Valuations - 1 July 2019		
Rateable Land and Buildings	1 967 961 000	1 958 948 000
Prince Albert: Land and Buildings	850 487 000	841 474 000
Leeu-Gamka: Land and Buildings	32 848 000	32 848 000
Klaarstroom: Land and Buildings	15 849 000	15 849 000
Welgemoed: Land and Buildings	9 137 000	9 137 000
Rural: Land and Buildings	1 059 640 000	1 059 640 000
Total Assessment Rates	1 967 961 000	1 958 948 000

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Basic Rate	c/R	c/R
Standard property rates excluding agriculture and vacant land	0.382	0.355
Agricultural	0.096	0.089
Vacant Land	0.484	0.450

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

21

GOVERNMENT GRANTS AND SUBSIDIES

Government Grants and Subsidies - Operating	27 575 829	25 475 064
Equitable Share	21 355 000	19 317 000
Expanded Public Works Programme Integrated Grant	1 180 000	1 042 000
Local Government Financial Management Grant	1 700 000	1 700 000
Municipal Infrastructure Grant (PMU)	378 039	375 250
Western Cape Capacity Building	400 000	99 000
WC Capacity building (Corporate Director Salary)	100 000	-
Libraries, Archives and Museums	1 664 000	1 602 000
Internship recruitment - WC	-	56 131
Western Cape Financial Management Grant	660 091	634 218
Financial Capacity Building Western Cape	17 500	108 080
mSCOA Grant	-	330 000
Community Development Workers	88 904	59 096
SETA	32 296	42 288
Thusong centre repairs - Western Cape Government	-	110 000
Government Grants and Subsidies - Capital	12 722 998	8 942 324
Integrated National Electrification Programme Grant	982 674	604 783
Municipal Infrastructure Grant	3 856 359	7 027 276
Additional WC Drought relief for Boreholes	7 708 311	732 557
Department of water affairs	-	577 708
Disaster Management Grant	175 653	-
Total Government Grants and Subsidies	40 298 827	34 417 387



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
21.1 Equitable Share		
Grants received	21 355 000	19 317 000
Conditions met - Operating	(21 355 000)	(19 317 000)
Conditions still to be met	-	-
<p>The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.</p>		
21.2 Local Government Financial Management Grant (FMG)		
Grants received	1 700 000	1 700 000
Conditions met - Operating	(1 700 000)	(1 700 000)
Conditions still to be met	-	-
<p>The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).</p>		
21.3 Municipal Infrastructure Grant (MIG)		
Opening balance	102 474	-
Grants received	15 502 000	7 505 000
Repaid to National Revenue Fund	(102 474)	-
Conditions met - Operating	(378 039)	(375 250)
Conditions met - Capital	(3 856 359)	(7 027 276)
Conditions still to be met	11 267 602	102 474
<p>The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.</p>		
21.4 Integrated National Electrification Grant		
Opening balance	-	(1 895 217)
Grants received	1 100 000	2 500 000
Conditions met - Capital	(982 674)	(604 783)
Conditions met	117 326	-
<p>The National Electrification Grant was used for electrical connections in previously disadvantaged areas.</p>		
21.5 Water Service Infrastructure Grant		
Opening balance	2 422 292	-
Grants received	-	3 000 000
Repaid to National Revenue Fund	(2 422 292)	-
Conditions met - Capital	-	(577 708)
Conditions still to be met	-	2 422 292
21.6 Library Grant		
Grants received	1 664 000	1 602 000
Conditions met - Operating	(1 664 000)	(1 602 000)
Conditions still to be met	-	-
<p>The library grant was utilised to maintain the library function of the municipality.</p>		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
21.7 Other Grants		
Opening balance	2 558 943	2 318 473
Grants received	15 144 296	6 896 468
Repaid to National Revenue Fund	(2 212 799)	(111 448)
Conditions met - Operating	(2 478 790)	(5 811 993)
Conditions met - Capital	(7 883 965)	(732 557)
Conditions still to be met	<u>5 127 684</u>	<u>2 558 943</u>

Various grants from National and Provincial Treasury. Refer to Appendix B for more information.

21.8 Total Grants

Opening balance	5 083 709	423 255
Grants received	56 465 296	42 520 468
Repaid to National Revenue Fund	(4 737 565)	(111 448)
Conditions met - Operating	(27 575 829)	(28 806 243)
Conditions met - Capital	(12 722 998)	(8 942 324)
Conditions still to be met/(Grant expenditure to be recovered)	<u>16 512 613</u>	<u>5 083 708</u>
Disclosed as follows:		
Unspent Conditional Government Grants and Receipts	16 512 612	5 142 805
Unpaid Conditional Government Grants and Receipts	-	(59 096)
Total	<u>16 512 612</u>	<u>5 083 709</u>

Other than the amounts unspent, the conditions of the grants have been met. No funds were delayed during the financial year.

22 PUBLIC CONTRIBUTIONS AND DONATIONS

Public Contributions - Conditional	-	9 573 757
Donations	-	-
Total Public Contributions and Donations	<u>-</u>	<u>9 573 757</u>

23 FINES, PENALTIES AND FORFEITS

Traffic fines	3 930 610	6 399 600
Other fines	5 378	8 087
Total Fines	<u>3 935 988</u>	<u>6 407 687</u>
<i>Additional information to enable better understandings by user</i>		
Provision for debt impairment	(3 779 586)	(5 974 153)
<i>Recoverable fines</i>	<u>156 402</u>	<u>433 534</u>

24 LICENCES AND PERMITS

Road and Transport	73 421	57 537
Total Licences and Permits	<u>73 421</u>	<u>57 537</u>
Disclosed as follows:		
Revenue from Exchange Transactions	73 421	57 537
Total Licences and Permits	<u>73 421</u>	<u>57 537</u>

25 AGENCY SERVICES

Agency fees received from department of transport for collecting licensing fees	218 158	224 246
Total agency services	<u>218 158</u>	<u>224 246</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
26 SERVICE CHARGES		
Electricity	14 851 138	14 199 484
Service Charges	15 717 125	14 855 136
<u>Less:</u> Revenue Forgone	(865 987)	(655 652)
Water	4 353 877	4 019 546
Service Charges	5 536 162	5 316 408
<u>Less:</u> Revenue Forgone	(1 182 285)	(1 296 862)
Waste Management	1 704 452	1 654 458
Service Charges	2 715 220	2 509 599
<u>Less:</u> Revenue Forgone	(1 010 768)	(855 141)
Waste Water Management	3 406 468	3 286 019
Service Charges	5 059 544	4 684 353
<u>Less:</u> Revenue Forgone	(1 653 076)	(1 398 334)
Total Service Charges	24 315 935	23 159 507
Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
27 RENDERING OF SERVICES		
Building Plan Approval	98 710	135 310
Cemetery and Burial	23 009	11 097
Swimming pool Entrance Fees	13 478	21 488
Fire Services	-	34 043
Photocopies and Faxes	407	257
Tender documents	15 344	4 087
Stone and Gravel	209	835
Town Planning and Servitudes	50 664	105 343
Valuation Services	8 892	18 155
Total Sales of Goods and Rendering of Services	210 712	330 615
28 RENTAL FROM INVESTMENT PROPERTIES		
Investment Property	489 450	500 091
Total Rental from Investment properties	489 450	500 091
29 INTEREST EARNED - EXTERNAL INVESTMENTS		
Call account and short term investments	3 283 296	2 785 094
Primary bank account	75 436	49 824
Total Interest Eamed - External Investments	3 358 732	2 834 918
30 INTEREST EARNED - EXCHANGE TRANSACTIONS		
Trade Receivables	891 678	835 907
Total Interest Eamed - Outstanding Receivables	891 678	835 907
31 OPERATIONAL REVENUE		
Administrative Handling Fees	109 618	-
Commission	6 706	8 782
Insurance Refund	46 236	143 379
Total Operational Revenue	162 561	152 160

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

32		2020 R	2019 R
	EMPLOYEE RELATED COSTS		
	Basic Salaries and Wages	15 719 367	14 545 842
	Pension and UIF Contributions	1 919 001	1 696 022
	Medical Aid Contributions	879 191	524 908
	Overtime	868 797	816 594
	Bonuses	1 117 544	875 422
	Motor Vehicle Allowance	316 394	272 148
	Cell Phone Allowance	176 269	158 200
	Housing Allowances	96 960	108 178
	Other benefits and allowances	728 427	650 318
	Payments in lieu of leave	397 842	102 351
	Post-retirement Benefit Obligations	900 539	891 454
	Total Employee Related Costs	23 120 330	20 641 436
	KEY MANAGEMENT PERSONNEL		
	Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
	REMUNERATION OF KEY MANAGEMENT PERSONNEL		
	<i>Remuneration of the Municipal Manager - H. Mettler</i>		
	Annual remuneration	-	384 581
	Car allowance	-	75 000
	Housing allowance	-	7 500
	Cell phone allowance	-	15 000
	Contributions to medical fund	-	16 349
	Total	-	498 429
	<i>Remuneration of the Municipal Manager - A Vorster</i>		
	Annual remuneration	804 649	128 976
	Car allowance	180 000	30 000
	Cell phone allowance	35 000	6 000
	Contributions to pension fund	145 980	24 329
	Total	1 165 629	189 306
	<i>Remuneration of the Chief Financial Officer - JD Neethling</i>		
	Annual remuneration	754 420	698 578
	Car allowance	96 000	96 000
	Cell phone allowance	30 000	30 000
	Contributions to medical and pension funds	155 615	152 407
	Total	1 036 035	976 985
	<i>Remuneration of Director : Corporate Services - A Vorster</i>		
	Annual remuneration	-	546 617
	Car allowance	-	21 180
	Cell phone allowance	-	25 000
	Contributions to medical and pension funds	-	103 114
	Total	-	695 911

	2020 R	2019 R
33 REMUNERATION OF COUNCILLORS		
Mayor	652 466	621 463
Deputy Mayor	291 943	278 107
Speaker	522 453	497 651
Councillors	820 606	791 520
Car Allowance	530 967	533 400
Cell phone Allowance	283 506	285 600
Data cards	25 015	25 200
Total Councillors' Remuneration	3 126 956	3 032 941

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Cell Phone and Data Allowances	Contributions	Total
Executive Mayor	652 466	153 600	44 400	-	850 466
Deputy-Mayor	291 943	67 800	44 400	-	404 143
Speaker	522 453	122 400	44 400	-	689 253
Councillors	820 606	187 167	175 321	-	1 183 094
Total Councillors' Remuneration	2 287 468	530 967	308 521	-	3 126 956

In-kind Benefits

The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council.

34 CONTRIBUTION TO IMPAIRMENT LOSS ON RECEIVABLES

Trade Receivables from exchange transactions - Note 8	3 998 379	2 818 564
Trade Receivables from non-exchange transactions - Note 9	4 126 203	6 043 386
Total Contribution to Impairment Provision	8 124 583	8 861 949

Additional information to enable better understanding by user.

Trade Receivables from exchange transactions

Electricity	-	-
Water	1 382 304	1 339 829
Refuse	696 663	600 156
Sewerage	1 662 902	806 454
Other	256 510	72 125
	3 998 379	2 818 564

Trade Receivables from non exchange transactions

Rates	346 617	69 233
Traffic Fines	3 779 586	5 974 153
	4 126 203	6 043 386

35 CONTRACTED SERVICES

Outsourced Services	121 768	817 234
Consultants and Professional Services	1 499 337	1 277 425
Contractors	3 492 927	3 427 308
Total Contracted Services	5 114 033	5 521 967

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
36 DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	4 577 971	5 211 913
Intangible Assets	22 158	19 442
Investment Property carried at cost	6 696	6 696
Heritage Assets	11 358	11 358
Total Depreciation and Amortisation	4 618 183	5 249 408
37 FINANCE COSTS		
Long-term Borrowings	-	9 969
Non-current Provisions	673 804	1 189 517
Total Finance Costs	673 804	1 199 487
38 BULK PURCHASES		
Electricity	11 377 110	10 393 472
Total Bulk Purchases	11 377 110	10 393 472
39 INVENTORY CONSUMED		
Materials and Supplies	98 143	362 301
Consumables at Standard Rated	510 635	456 764
	608 778	819 064
40 TRANSFERS AND SUBSIDIES		
Operational	1 225 386	604 062
Monetary Allocations	1 225 386	604 062
Bursaries	17 500	108 080
Non-profit Institutions	1 207 886	495 982
Total Transfers and Subsidies	1 225 386	604 062

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
41 OPERATIONAL COSTS		
Advertising, Publicity and Marketing	73 563	127 083
Audit Fees	3 062 066	2 945 421
Bank Charges, Facility and Card Fees	197 133	255 307
Commission	368 175	328 272
Communication	695 329	699 174
Deeds	13 184	12 711
Entertainment	67 891	75 168
External Computer Service	1 894 112	2 004 937
Hire Charges	10 661	68 080
Indigent Relief	24 041	48 860
Insurance Underwriting	361 290	222 660
Levies Paid - Water Resource Management Charges	76 171	58 111
Licences	81 422	30 265
Management Fees (Library)	109 618	-
Municipal Services	555 192	406 761
Printing, Publications and Books	206 941	228 258
Professional Bodies, Membership and Subscription	500 900	506 630
Registration Fees	-	1 287
Remuneration to Ward Committees	192 850	148 982
Signage	24 175	23 853
Skills Development Fund Levy	141 036	141 144
Travel and Subsistence	1 189 970	1 452 328
Uniform and Protective Clothing	50 786	55 649
Vehicle Tracking	34 007	17 220
Wet Fuel	930 526	850 472
Workmen's Compensation Fund	2 723	-
Total Operational Costs	10 863 762	10 708 635
42 DISCLOSURE IN TERMS OF MFMA 123 (1) (c)		
Operating grant expenditure per vote		
Vote 1 - EXECUTIVE AND COUNCIL	21 765 335	20 064 538
Vote 2 - DIRECTOR FINANCE	2 184 372	2 390 349
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	-	-
Vote 4 - DIRECTOR COMMUNITY	1 764 000	1 712 000
Vote 5 - DIRECTOR TECHNICAL SERVICES	1 180 000	1 141 000
Total Operating grant expenditure per vote	26 893 707	25 307 888
43 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Property, Plant and Equipment	(55 071)	(153 079)
Total Loss on Disposal of Property plant and equipment	(55 071)	(153 079)
The disposal of PPE items were not due to the sale thereof, but rather written off as a result of a redundancy.		
44 (IMPAIRMENT LOSS)/REVERSAL OF IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT		
Property, Plant and Equipment		
Addition of impairment on Landfill site	(337 254)	11 327
<i>a new General valuation was performed in the 2016-2017 financial year with an effective date of 01 July 2017. This lead some properties that decreased in value which in turn lead to an impairment adjustment.</i>	-	-
	(337 254)	11 327
Total Reversal of Impairment / (Impairment Loss) on Property plant and equipment	(337 254)	11 327

RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2019 audited amounts can be summarised as follows:

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Position			
Capital Replacement Reserve	9 500 000	-	9 500 000
Accumulated Surplus	141 929 679	-	141 929 679
Non-current Provisions	20 675 809	-	20 675 809
Non-current Employee Benefits	6 725 943	-	6 725 943
Consumer Deposits	479 350	-	479 350
Current Employee Benefits	1 950 656	-	1 950 656
Trade and Other Payables from Exchange Transactions	3 057 790	-	3 057 790
Unspent Conditional Government Grants and Receipts	5 142 804	-	5 142 804
Current Portion of Long-term Liabilities	4 750	-	4 750
Property, Plant and Equipment	127 604 706	-	127 604 706
Investment Property	13 625 453	-	13 625 453
Intangible Assets	134 054	-	134 054
Heritage Assets	1 130 092	-	1 130 092
Inventory	568 795	-	568 795
Receivables from exchange transactions	2 117 721	-	2 117 721
Receivables from non-exchange transactions	1 378 533	-	1 378 533
Operating Lease Asset	69 196	-	69 196
Taxes	3 394 448	-	3 394 448
Cash and Cash Equivalents	33 084 271	-	33 084 271
		-	
		-	

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Performance			
Property Rates	3 430 556	-	3 430 556
Government Grants and Subsidies - Capital	8 942 324	-	8 942 324
Government Grants and Subsidies - Operating	25 475 064	-	25 475 064
Actuarial Gains	59 331	-	59 331
Fines	6 407 687	-	6 407 687
Service in kind	3 331 179	-	3 331 179
Service Charges	23 159 507	-	23 159 507
Sales of Goods and Rendering of Services	330 615	-	330 615
Rental from Investment properties	500 091	-	500 091
Interest Earned - external investments	2 834 918	-	2 834 918
Interest Earned - Exchange Transactions	835 907	-	835 907
Licences and Permits	281 783	224 246	57 537
Agency Services	-	(224 246)	224 246
Operational Revenue	152 160	-	152 160
Employee related costs	20 591 417	(56 131)	20 647 548
Remuneration of Councillors	3 032 941	-	3 032 941
Contracted Services	5 468 783	(135 134)	5 603 917
Depreciation and Amortisation	5 273 896	-	5 273 896
Actuarial Losses	37 242	-	37 242
Finance Costs	1 199 487	-	1 199 487
Bulk Purchases	10 393 472	-	10 393 472
Inventory Consumed	1 024 620	205 556	819 064
Transfers and Subsidies	428 080	(175 982)	604 062
Operational Costs	10 752 173	161 691	10 590 482
Reversal of Impairment Loss on Receivables	8 861 949	-	8 861 949
Gains on Sale of Property plant and equipment	153 079	-	153 079
(Impairment Loss) on Property plant and equipment	(11 327)	-	(11 327)
Net Surplus/(Deficit) for the year	8 535 310	-	8 535 310

46 CORRECTION OF ERROR IN TERMS OF GRAP 3

	2019 Re-classified	Adjustments of errors	2019 Restated
STATEMENT OF FINANCIAL POSITION			
Property, Plant and Equipment	133 905 120	(9 598 244)	143 503 364
Investment Property	13 625 453	-	13 625 453
Intangible Assets	134 054	-	134 054
Heritage Assets	1 130 092	-	1 130 092
Inventory	568 795	(91 550)	660 345
Receivables from Exchange Transactions	2 117 721	-	2 117 721
Receivables from Non-exchange Transactions	1 378 533	-	1 378 533
Unpaid Transfers and Subsidies	59 096	-	59 096
Operating Lease Asset	69 196	-	69 196
Value Added Tax	3 394 448	3 662 610	(268 162)
Cash and Cash Equivalents	33 084 271	-	33 084 271
Non-current Provisions	(20 675 809)	-	(20 675 809)
Non-current Employee Benefits	(6 725 943)	-	(6 725 943)
Consumer Deposits	(479 350)	-	(479 350)
Current Employee Benefits	(1 950 656)	-	(1 950 656)
Trade and Other Payables from Exchange Transactions	(3 057 791)	121 640	(3 179 431)
Unspent Transfers and Subsidies	(5 142 804)	-	(5 142 804)
Current Portion of Long-term Borrowings	(4 750)	-	(4 750)
Capital Replacement Reserve	(9 500 000)	-	(9 500 000)
Accumulated Surplus	(141 929 679)	5 905 542	(147 835 221)
Total Net Assets and Liabilities	-	-	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2019 Re-classified	Adjustments of errors	2019 Restated
REVENUE			
Property Rates	3 430 556	-	3 430 556
Government Grants and Subsidies - Operating	25 475 064	-	25 475 064
Government Grants and Subsidies - Capital	8 942 324	-	8 942 324
Service in kind	3 331 179	-	3 331 179
Contributed Property, Plant and Equipment	-	9 573 757	9 573 757
Actuarial Gains	59 331	-	59 331
Fines, Penalties and Forfeits	6 407 687	-	6 407 687
Service Charges	23 159 507	-	23 159 507
Rendering of Services	330 615	-	330 615
Rental from Fixed Assets	500 091	-	500 091
Interest Earned - External Investments	2 834 918	-	2 834 918
Interest Earned - Exchange Transactions	835 907	-	835 907
Licences and Permits	57 537	-	57 537
Operational Revenue	152 160	-	152 160
Total Revenue	75 741 123	9 573 757	85 314 880
EXPENDITURE			
Employee related costs	20 647 548	(6 112)	20 641 436
Remuneration of Councillors	3 032 941	-	3 032 941
Contracted Services	5 603 917	(81 950)	5 521 967
Depreciation and Amortisation	5 273 896	(24 487)	5 249 408
Actuarial Losses	37 242	-	37 242
Finance Costs	1 199 487	-	1 199 487
Bulk Purchases	10 393 472	-	10 393 472
Inventory Consumed	819 064	-	819 064
Transfers and Subsidies	604 062	-	604 062
Operational Costs	10 590 482	118 153	10 708 635
Total Expenditure	58 202 112	5 604	58 207 715
Operating Surplus for the Year	17 539 011	9 568 153	27 107 165
Contribution to Impairment Loss on Receivables	(8 861 949)	-	(8 861 949)
Loss on Disposal of Property plant and equipment	(153 079)	-	(153 079)
Impairment Gain / (Loss) on Property plant and equipment	11 327	-	11 327
NET SURPLUS FOR THE YEAR	8 535 310	9 568 153	18 103 464



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
46.1 Contributed Property, Plant and Equipment		
Balance previously reported		-
Correcting Infrastructure not brought in on 2018-2019		9 573 757
Restated Balance		<u>9 573 757</u>
46.2 Contracted Services		
Balance previously reported		5 603 917
Commission recognised after year end		7 830
Repairs performed in the prior year		1 770
Inventory restated to correct opening balance		(91 550)
Restated Balance		<u>5 521 967</u>
46.3 Operational Costs		
Balance previously reported		10 590 482
IT Consultancy invoices relating to prior year		35 980
Courier cost relating to prior year		6 668
Driver license cards cost relating to prior year		395
System expenses relating to prior year		75 111
Restated Balance		<u>10 708 635</u>
46.4 Employee related costs		
Balance previously reported		20 647 548
Correction on Bonusses paid to MM and CFO		(6 112)
Restated Balance		<u>20 641 436</u>
46.5 Inventory		
Balance previously reported		568 795
Inventory restated to correct opening balance		91 550
Restated Balance		<u>660 345</u>
46.6 Value Added Tax		
Balance previously reported		3 394 448
Restatement of VAT to correct opening Balance		(3 662 610)
Restated Balance		<u>(268 162)</u>
46.7		
Balance previously reported		(3 057 791)
Debtors Interest Control Restated		(121 640)
Restated Balance		<u>(3 179 431)</u>
46.9 Accumulated Surplus		
Balance previously reported		(141 929 679)
Correcting Infrastructure not brought in on 2018-2019		(9 573 757)
Depreciation charge for First time recognised assets and restatement		(24 487)
Inventory restated to correct opening balance		(91 550)
Restatement of VAT to correct opening Balance		3 662 610
Restatement of Trade and Other Payables from Exchange Transactions		121 640
Restated Balance		<u>(147 835 221)</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
46.10 Property, Plant and Equipment		
Balance previously reported		133 905 120
Correcting Infrastructure not brought in on 2018-2019		9 573 757
Depreciation charge for First time recognised assets and restatement		24 487
Restated Balance		143 503 364
46.11 Depreciation and Amortisation		
Balance previously reported		5 273 896
Depreciation charge for First time recognised assets and restatement		(24 487)
Restated Balance		5 249 409
47 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus for the year	11 511 207	18 103 464
Adjustments for:		
Depreciation and Amortisation	4 618 183	5 249 408
Loss on Sale of Property plant and equipment	55 071	153 079
Impairment Loss/(Reversal of Impairment Loss)	337 254	(11 327)
Contributed Property, Plant and Equipment	-	(9 573 757)
Contribution to provisions – Bad Debt	8 124 583	8 861 949
Repaid to National Revenue Fund	(4 737 565)	(111 448)
Change in Provision for Rehabilitation Cost	673 805	968 673
Government Grants and Subsidies received	56 465 296	39 189 288
Government Grants and Subsidies recognised as revenue	(40 298 827)	(34 417 387)
Contribution from/to provisions - Non-Current Employee Benefits	556 736	443 705
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	32 409	37 242
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(224 890)	(59 331)
Operating Surplus/(Deficit) before changes in working capital	37 113 261	28 833 558
Changes in working capital	(5 196 054)	(9 162 246)
(Decrease)/Increase in Trade and Other Payables	2 632 296	(45 634)
(Decrease) in Taxes	571 528	244 468
Decrease/(Increase) in Operating lease asset	(44 158)	(27 997)
Decrease/(Increase) in Inventory	(11 217)	55 030
(Increase) in Gross Debtors from exchange and non exchange	(8 763 290)	(9 194 543)
(Decrease)/Increase in Employee benefits	418 786	(193 571)
Cash generated by operations	31 917 208	19 671 312
48 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 10	45 169 184	30 206 669
Call Deposits and Investments - Note 10	6 794 693	2 874 553
Cash Floats - Note 10	3 050	3 050
Total cash and cash equivalents	51 966 927	33 084 272



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2020 R	2019 R
49	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents - Note 48	51 966 927	33 084 272
	Less:	(16 512 612)	(5 142 805)
	Unspent Transfers and Subsidies - Note 17	(16 512 612)	(5 142 805)
	Net cash resources available for internal distribution	35 454 315	27 941 467
	Allocated to:		
	Capital Replacement Reserve	(10 500 000)	(9 500 000)
	Resources available for working capital requirements	24 954 315	18 441 467

50	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
	Long-term Liabilities - Note 11	-	4 750
	Used to finance property, plant and equipment - at cost	-	(4 750)
		-	-
	Cash set aside for the repayment of long-term liabilities		
	Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

51 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

51.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	683 879	5 116 614
Unauthorised expenditure current year - operational	508 470	659 294
Unauthorised expenditure current year - capital	-	24 585
Approved by Council	(683 879)	(5 116 614)
	508 470	683 879

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings			
<i>Provision for landfill site incorrectly budgeted for</i>	None	-	659 294	
<i>Prepaid electricity Server and printers purchased due to emergency</i>	None	-	24 585	
<i>Over expenditure of approved budget - the over-expenditure of the approved budget, for both FinanceVote as well as Technical/Services Vote, relates to an increase in the provision for debt impairment, due to the impact of COVID-19 (non cash-flow items)</i>	None	508 470		
		508 470	683 879	

	2020 Actual R	2020 Final Budget R	2020 Variance R	2020 Unauthorised R
Unauthorised expenditure current year - operating				
Vote 1 - EXECUTIVE AND COUNCIL	7 594 663	8 500 345	(905 682)	-
Vote 2 - DIRECTOR FINANCE	13 143 217	12 738 968	404 249	404 249
Vote 3 - DIRECTOR CORPORATE	6 180 838	8 894 868	(2 714 030)	-
Vote 4 - DIRECTOR COMMUNITY	8 667 733	9 061 416	(393 683)	-
Vote 5 - DIRECTOR TECHNICAL SERVICES	34 196 992	34 092 771	104 221	104 221
	69 783 443	73 288 368	(3 504 925)	508 470



NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 Actual R	2020 Final Budget R	2020 Variance R	2020 Unauthorised R
Unauthorised expenditure current year - capital				
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-
Vote 2 - DIRECTOR FINANCE	103 026	276 000	(172 974)	-
Vote 3 - DIRECTOR CORPORATE	34 357	1 358 348	(1 323 991)	-
Vote 4 - DIRECTOR COMMUNITY	2 382 082	8 315 459	(5 933 377)	-
Vote 5 - DIRECTOR TECHNICAL SERVICES	10 543 916	23 084 204	(12 540 288)	-
	<u>13 063 381</u>	<u>33 034 011</u>	<u>(19 970 630)</u>	<u>-</u>

51.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance		22 556	1 494
Fruitless and wasteful expenditure current year		6 659	28 103
Condoned or written off by Council		(29 215)	(7 041)
Fruitless and wasteful expenditure awaiting condonement		-	<u>22 556</u>

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings	2020 R	2019 R
Interest on a payment of legal fees	None	6 659	-
Attorney Appointed for a rescission of Judgement	None		5 547
Interest & Penalty on late submissions of PAYE, UIF and SDL returns dating back to 2014 & 2015	None	-	22 556
		<u>6 659</u>	<u>28 103</u>

51.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance		8 415 819	24 286
Irregular expenditure current year		3 501 100	2 589 139
Irregular expenditure identified in the current year relating to prior years.		-	5 826 680
Written off by council relating to SCM non-compliance		(8 415 819)	(24 286)
Irregular expenditure awaiting further action		<u>3 501 100</u>	<u>8 415 819</u>

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings	2020 R	2019 R
Non compliance with SCM Regulation(s) 12.1 (c) & 40.1	None		253 486
Non compliance with SCM Regulation(s) 12.1 (c) - Irregular expense due to impact of Covid-19 on prepaid electricity sales.	None	18 533	-
Non-compliance with MFMA Circular 62 - Contract was cancelled due to poor performance of contractor	None	46 837	-
Tender extension approved by Council in terms of Section 116 of MFMA, but the expenditure incurred on the extension exceeded the variation of 15%	None	105 509	-
Irregular Expenditure i.t.o. Covid-19 Procurement	None	17 300	-
Non compliance with Section 32 per the AG & NT - Current year: the expenditure incurred is on existing contracts which could not be cancelled without paying possible legal costs and penalties. No new piggy bank contracts were entered into.	None	3 312 921	2 335 653
Non compliance with Section 32 per the AG & NT - Identified in current year, but relating to prior years.	None	-	5 826 680
		<u>3 501 100</u>	<u>8 415 819</u>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

52 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

52.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

Opening balance	-	-
Council subscriptions	500 000	500 000
Amount paid - current year	(500 000)	(500 000)
Balance unpaid (included in creditors)	-	-

2020 R 2019 R

52.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	-	-
Current year audit fee	3 062 066	2 945 421
External Audit - Auditor-General	3 062 066	2 945 421
Amount paid - current year	(3 062 066)	(2 945 421)
Balance unpaid (included in creditors)	-	-

52.3 VAT - [MFMA 125 (1)(c)]

Opening balance	518 854	636 722
VAT inputs	5 050 773	4 155 902
VAT outputs	(2 938 193)	(3 214 308)
Paid	144 529	72 884
Received	(2 241 029)	(1 132 347)
Closing balance	534 933	518 854

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

52.4 PAYE and UIF - [MFMA 125 (1)(c)]

Opening balance	-	-
Current year payroll deductions	3 488 305	3 405 591
Amount paid - current year	(3 488 305)	(3 405 591)
Balance unpaid (included in creditors)	-	-

52.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]

Opening balance	-	-
Current year payroll deductions and Council Contributions	2 677 204	2 319 905
Amount paid - current year	(2 677 204)	(2 319 905)
Balance unpaid (included in creditors)	-	-

52.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]

No Councillors had arrear accounts outstanding for more than 90 days during the year.

52.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b) and exclude VAT

	Single Supplier	Type of Deviation		
		Emergency / MFMA circ 102	Impractical	Emergency
Refer to Appendix D for the breakdown of deviations relating to the current financial year	-	790 249	349 476	233 081
	-	790 249	349 476	233 081

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

52.8 Service in State

The following supplier(s) indicated that a family member is in service of the state as required by section 45 of the Supply Chain Management Regulations.

Company name	Related person	Company Capacity	Capacity at State / Municipality	Relationship	State department	Payments
Jan Nel Elektries	Jan Nel	Owner	Teacher	Spouse	WCED	835 369
JCQ Construction	Nicole Jantjies	Director	PAM Emp.	Spouse	PAM	88 729
Conlog	Nirvasha Moodley	Wife	Health care prof	Spouse	Dpt of Health	47 973
C&C Catering	Nicole Jantjies	Child	PAM Emp.	Daughter	PAM	2 565
					2020	2019
					R	R

52.9 Material losses

Electricity distribution losses

Units purchased (Kwh)	10 126 411	10 749 517
Units lost during distribution (Kwh)	1 301 875	1 280 863
Percentage lost during distribution	12.86%	11.92%
Distribution loss (Rand Value)	1 434 758	1 235 189

Water distribution losses

Kilo litres purified	587 833	614 601
Kilo litres lost during distribution	146 828	154 141
Percentage lost during distribution	24.98%	25.08%
Distribution loss (Rand Value)	671 248	500 739

Normal pipe bursts and field leakages are responsible for water losses.

53

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

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

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

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

	2020 R	2019 R
1% (2019: 1%) Increase in interest rates	519 639	330 765
1% (2019: 1%) Decrease in interest rates	(519 639)	(330 765)

(d) Credit Risk

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

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

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

	2020 %	2020 R	2019 %	2019 R
<u>Non-Current Receivables</u>				
Repay Arrangements	100.00%	-	100.00%	-
<u>Non-exchange Receivables</u>				
Rates	100.00%	1 739 657	100.00%	1 377 903
<u>Exchange Receivables</u>				
Electricity	7.50%	1 080 356	6.72%	702 489
Water	40.89%	5 894 653	44.63%	4 663 043
Refuse	18.82%	2 712 599	19.53%	2 040 789
Sewerage	28.75%	4 144 472	24.41%	2 549 766
Other	4.04%	582 060	4.70%	491 099
	100.00%	14 414 140	100.00%	10 447 186

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 8 and note 9 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different categories of receivables as follow:

	2020 %	2020 R	2019 %	2019 R
Government	0.00%	-	0.42%	44 120
Commercial	2.24%	322 905	1.97%	205 844
Other Municipality	0.00%	-	0.01%	886
Residential	96.52%	13 912 403	93.70%	9 788 548
Other	1.24%	178 832	3.90%	407 788
	100.00%	14 414 140	100.00%	10 447 186

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

<u>Ageing of amounts past due but not impaired are as follow:</u>	Exchange Receivables	Non-exchange Receivables
2020		
1 month past due	1 009 523	90 712
2+ months past due	15 337 957	1 648 945
	<u>16 347 480</u>	<u>1 739 657</u>
2019		
1 month past due	725 700	42 162
2+ months past due	10 288 494	1 312 086
	<u>11 014 195</u>	<u>1 354 248</u>

The municipality only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

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

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

	2020 R	2019 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	17 282 889	12 564 907
Receivables from non-exchange transactions	38 281 663	34 274 383
Cash and Cash Equivalents	51 963 877	33 081 222
	<u>107 528 430</u>	<u>79 920 511</u>

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2020				
Long-term Liabilities	-	-	-	-
Capital repayments	-	-	-	-
Interest	-	-	-	-
Trade and Other Payables	5 811 727			
Unspent conditional government grants and receipts	16 512 613			
Cash and Cash Equivalents	51 966 927			
	<u>74 291 267</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2019				
Long-term Liabilities	4 825	-	-	-
Capital repayments	4 750	-	-	-
Interest	75	-	-	-
Trade and Other Payables	3 179 430			
Unspent conditional government grants and receipts	5 142 804			
Cash and Cash Equivalents	33 084 271			
	<u>41 411 331</u>	<u>-</u>	<u>-</u>	<u>-</u>

54 FINANCIAL INSTRUMENTS

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

54.1 Financial Assets

Classification

		2020 R	2019 R
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	2 270 002	1 663 133
Water	Financial Instruments at amortised cost	5 946 773	5 054 505
Property Rentals	Financial Instruments at amortised cost	287 380	419 649
Waste Management	Financial Instruments at amortised cost	2 623 536	2 188 592
Waste Water Management	Financial Instruments at amortised cost	3 944 032	2 700 929
VAT on Receivables from exchange transactions	Financial Instruments at amortised cost	1 967 837	-
Other Arrears	Financial Instruments at amortised cost	243 329	157 465
Cash and Cash Equivalents			
Bank Balances	Financial Instruments at amortised cost	45 169 184	30 206 669
Call Deposits	Financial Instruments at amortised cost	6 794 693	2 874 553
Total Financial Assets		<u>69 246 766</u>	<u>45 265 495</u>

SUMMARY OF FINANCIAL ASSETS

Financial Instruments at amortised cost:

Receivables from Exchange Transactions	Electricity	2 270 002	1 663 133
Receivables from Exchange Transactions	Water	5 946 773	5 054 505
Receivables from Exchange Transactions	Property Rentals	287 380	419 649
Receivables from Exchange Transactions	Waste Management	2 623 536	2 188 592
Receivables from Exchange Transactions	Waste Water Management	3 944 032	2 700 929
Receivables from Exchange Transactions	VAT on Receivables from exchange transactions	1 967 837	-
Receivables from Exchange Transactions	Other Arrears	243 329	157 465
Cash and Cash Equivalents	Bank Balances	45 169 184	30 206 669
Cash and Cash Equivalents	Call Deposits	6 794 693	2 874 553
		<u>69 246 766</u>	<u>45 265 495</u>

Financial Instruments at fair value:

Total Financial Assets		<u>69 246 766</u>	<u>45 265 495</u>
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54.2 Financial Liabilities

Classification

Long-term Liabilities			
Capitalised Lease Liability	Financial Instruments at amortised cost	-	4 750
Trade and Other Payables			
Trade Payables	Financial Instruments at amortised cost	4 515 891	1 779 900
Retentions	Financial Instruments at amortised cost	131 463	449 982
Other Payables	Financial Instruments at amortised cost	572 808	196 914
Debtors with credit balances	Financial Instruments at amortised cost	219 563	380 634

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 R	2019 R
Cash and Cash Equivalents	5 439 725	2 812 179
SUMMARY OF FINANCIAL LIABILITIES		
Financial instruments at amortised cost:		
Long-term Liabilities	-	4 750
Trade and Other Payables	4 515 891	1 779 900
Trade and Other Payables	131 463	449 982
Trade and Other Payables	572 808	196 914
Trade and Other Payables	219 563	380 634
	5 439 725	2 812 179
55 STATUTORY RECEIVABLES		
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
Taxes		
VAT Receivable	534 933	518 854
Receivables from Non-Exchange Transactions		
Rates	37 328 931	33 363 067
Fines	1 739 657	1 377 903
	35 589 275	31 985 164
Total Statutory Receivables (before provision)	37 863 864	33 881 920
Less: Provision for Debt Impairment	(37 015 451)	(32 895 849)
Total Statutory Receivables (after provision)	848 414	986 071
56 IN-KIND DONATIONS AND ASSISTANCE		
As per GRAP 23 par 99-107 the following transactions are regarded as service in kind:		
<i>MISA (Municipal Infrastructure Support Agency) advisor and intern</i>	891 102	969 130
<i>The auditor General - Audit fees over and above 1% contributed by National Treasury</i>	2 480 045	2 362 049
Total In-kind Donations and Assistance	3 371 147	3 331 179
57 CONTINGENT LIABILITY		
An excess of the 1% on the municipality's audit fees for 2017/18 and 2018/19 i.r.o. of a letter of demand has recently been issued to the Municipality. Prince Albert Municipality argues that these outstanding fees are not liable by the municipality based on the Public Audit act prescribing National treasury to assist small municipalities with their exuberant audit fees.		
	2 792 044	1 438 142
	2 792 044	1 438 142
58 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure excluding VAT:		
Approved and contracted for:	3 949 537	6 834 413
Total commitments consist out of the following:		
Water Services Infrastructure Grant	-	2 422 292
Waste Water treatment works Klaarstroom	2 665 415	3 306 670
Iron Removal Plant in Prince Albert	1 284 122	-
Drought relief from Provincial Treasury	-	1 105 452
	3 949 537	6 834 413
This expenditure will be financed from:		
Government Grants	3 949 537	6 834 413
	3 949 537	6 834 413

59	RELATED PARTIES	2020 R	2019 R
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		

59.1 Related Party Transactions

		Outstanding balances on municipal accounts	
<u>Councillors</u>			
G. Lottering	Mayor	-	-
S. Botes	Speaker	-	-
L. Jaquet	Deputy Mayor	-	-
M.D. Jaftha	Councillor	-	-
S. Piedt	Councillor	-	-
E. Maans	Councillor	-	-
R. Steyn	Councillor	-	-
S. Koonthea	Councillor	-	-
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>

Key Management

Municipal Manager - A. Vorster
Chief Financial Officer - J.D. Neethling

Please note not all related parties have municipal accounts

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

59.2 Related Party Loans

No loans were granted to councillors or senior management employees.

59.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 32 to the Annual Financial Statements.

59.4 Other related party transactions

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

Company Name	Related Party	Service Capacity	Relationship		
Prince Alert advice centre	G Lottering	Mayor	Director	-	4 560
				<hr/>	<hr/>
				-	4 560
				<hr/>	<hr/>

COVID-19 - Background

The coronavirus outbreak has been international news since December 2019, but the South African National Institute for Communicable Diseases only confirmed the first positive case of COVID-19 in South Africa on 5 March 2020. On the 23rd of March 2020 President Cyril Ramaphosa announced the nationwide lockdown. On 30 March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

COVID-19 - Impact on Municipality

Due to the national state of disaster, various regulatory requirements were instituted in order to ensure that the impact of the spread of the virus is limited. The impact has been devastating to the most vulnerable in our community. As far as possible the Municipality factored in the effect of the lockdown regulations on our economic environment. At this stage, it is still uncertain how long the pandemic will remain or how long the economy will take to recover from the lockdown levels.

The Municipality assessed the impact of COVID-19 pandemic by comparing the financial indicators of 2019

Cash available for working capital requirement	2.18	3.39
Current Ratio (norm - 2:1)	6	5
Cash coverage ratio (3 months or more)	51	22
Creditors days (norm - 30 days or less)	76%	86%
Debtors collection rate (95% or more)		

When analysing the results of the ratios, it can be concluded that the COVID-19 pandemic had an adverse effect from a financial sustainability perspective. The results are not solely due to the effects of COVID-19 and subsequent lockdown regulations, but has been significantly impacted by the pandemic. The results are still however reasonable within the norms. The municipality has assessed that no going concern issues has been noted and that the municipality can continue in operational existence for the foreseeable future.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

COVID-19 - Response Expenditure

There are no prior year information available regarding expenditure in lieu of Covid-19. The summary below indicates the total Covid-19 response expenditure for the period ending 30 June 2020.

<u>Type of expenditure</u>	<u>Nature of expenditure</u>	<u>Supplier</u>	2020 R	2019 R
Awareness	Inventory consumed	AY Jay's Enterprise	3 600	-
Sanitizer	Inventory consumed	RJL General Trading	3 080	-
Protective clothing	Inventory consumed	RJL General Trading	920	-
Sanitizer	Inventory consumed	Klein Karoo Agri	10 071	-
Food Parcels	Inventory consumed	Prince Albert Partners	282 107	-
Sanitizer	Inventory consumed	C Jafta	938	-
Sanitizer	Inventory consumed	Uber Technologies	3 043	-
Protective clothing	Inventory consumed	Jaylin Campher	40 050	-
Food Parcels	Inventory consumed	National Garage	508 142	-
			<u>851 951</u>	<u>-</u>
The Covid-19 response expenditure is funded from the following sources:				
			451 951	-
Own Revenue			-	-
Public contributions and donations			400 000	-
Grant Funding			<u>851 951</u>	<u>-</u>

60. **EVENTS AFTER REPORTING PERIOD**

Within the municipal space, the effects of COVID-19 is likely to be a current period event which will require ongoing evaluation to determine the extent to which developments after the reporting date, should be recognised in the current reporting period. No additional funds have been budgeted to battle the epidemic for the 2020-2021 financial year however, an increase in the impairment provision of doubtful debtors have been raised as well as an increase in indigents.

As per Government Gazette no.43582 dated 5 August 2020, National Treasury has granted municipalities and municipal entities a two-month extension regarding the submission of Annual Financial Statements to the Auditor-General. The municipality has taken advantage of this exemption

In terms of Section 13G, read with regulation 12 of the B-BBEE Regulations, all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports.

APPENDIX A
PRINCE ALBERT LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2020

EXTERNAL LOANS	Balance at 30 June 2019	Received during the period	Redeemed written off during the period	Balance at 30 June 2020	Carrying Value of Property, Plant & Equipment
LEASE LIABILITY					
Minolta Bizhub C284E	-	-	-	-	-
Minolta B287	1 744	-	(1 744)	-	-
Minolta B554E	3 006	-	(3 006)	-	-
Total Lease Liabilities	4 750	-	(4 750)	-	-
TOTAL EXTERNAL LOANS	4 750	-	(4 750)	-	-

**APPENDIX B
PRINCE ALBERT LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 June 2019	Restated Balance 30 June 2019	Contributions during the year	Repaid to National / Provincial Treasuries	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2020	Unspent 30 June 2020 (Creditor)	Unpaid 30 June 2020 (Debtor)
National Government Grants									
Equitable Share	-	-	21 355 000.00	-	(21 355 000.00)	-	-	-	-
Finance Management Grant	-	-	1 700 000.00	-	(1 700 000.00)	-	-	-	-
Water Service Infrastructure Grant	2 422 291.60	2 422 291.60	-	(2 422 291.60)	-	-	-	-	-
Municipal Infrastructure Grant	102 473.85	102 473.85	15 502 000.00	(102 473.85)	(378 039.00)	11 267 601.90	11 267 601.90	-	-
Integrated National Electrification Grant	-	-	1 100 000.00	-	-	117 326.32	117 326.32	-	-
EPWP	-	-	1 180 000.00	-	(1 180 000.00)	-	-	-	-
COVID 19 pandemic grant	-	-	400 000.00	-	(400 000.00)	-	-	-	-
Municipal disaster relief grant	-	-	209 000.00	-	-	33 346.52	33 346.52	-	-
Total National Government Grants	2 524 765.45	2 524 765.45	41 446 000.00	(2 524 765.45)	(25 013 039.00)	(5 014 686.26)	11 418 274.74	11 418 274.74	-
Provincial Government Grants									
Library	0.82	0.82	1 664 000.00	-	(1 663 999.99)	-	0.83	0.83	-
RSEP (Municipal Project)	-	-	1 500 000.00	-	-	-	1 500 000.00	1 500 000.00	-
WC Capacity building (Bursaries)	491 920.00	491 920.00	380 000.00	(131 920.00)	(17 500.00)	-	722 500.00	722 500.00	-
WC Capacity building (Corporate Director Salary)	-	-	100 000.00	-	(100 000.00)	-	-	-	-
Internship recruitment	15 868.87	15 868.87	80 000.00	-	(75 718.86)	-	20 150.01	20 150.01	-
Western Cape fire truck grant	-	-	830 000.00	-	-	(830 000.00)	-	-	-
Thusong service centre	-	-	100 000.00	-	(100 000.00)	-	-	-	-
CDW	(59 096.34)	(59 096.34)	148 000.00	-	(88 903.66)	-	-	-	-
Municipal Drought Relief Grant	840 000.00	840 000.00	8 450 000.00	-	-	(6 878 311.27)	1 571 688.73	1 571 688.73	-
Western Cape Helix Innovative Government Programme	29 370.35	29 370.35	1 335 000.00	(840 000.00)	(484 372.00)	-	879 998.35	879 998.35	-
Western Cape Financial Management Grant	-	-	-	-	-	-	-	-	-
Financial Capacity - MSCOA	135 427.50	135 427.50	-	(135 427.50)	-	-	-	-	-
Financial Capacity - SDBJP	1 105 451.78	1 105 451.78	-	(1 105 451.78)	-	-	-	-	-
Capacity Building	-	-	-	-	-	-	-	-	-
Additional WC Drought relief for Boreholes	-	-	-	-	-	-	-	-	-
Western Cape Housing	-	-	-	-	-	-	-	-	-
Total Provincial Government Grants	2 558 942.98	2 558 942.98	14 587 000.00	(2 212 799.28)	(2 530 494.51)	(7 708 311.27)	4 694 337.92	4 694 337.92	-
District Municipality									
Central Karoo District Municipality	-	-	400 000.00	-	-	-	400 000.00	400 000.00	-
Total District Municipality Grants	-	-	400 000.00	-	-	-	400 000.00	400 000.00	-
Other Grant Providers									
Allocations in kind - NT contribution on audit fees	-	-	2 480 044.97	-	(2 480 044.97)	-	-	-	-
Allocations in kind - MISA - Engineering services	-	-	891 102.00	-	(891 102.00)	-	-	-	-
SETA	-	-	32 295.84	-	(32 295.84)	-	-	-	-
Total Other Grant Providers	-	-	3 403 442.81	-	(3 403 442.81)	-	-	-	-
Total Grants	5 083 708.43	5 083 708.43	59 836 442.81	(4 737 564.73)	(30 946 976.32)	(12 722 997.53)	16 512 612.66	16 512 612.66	-

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.

**APPENDIX C(1) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

Description	2019/20						2018/19	
	1	2	3	4	6	7	8	
R thousand	Original Budget	Budget Adjustments (i.l.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Revenue - Standard								
Governance and administration	37 416	23 555	60 971	40 995	(19 976)	67.2%	109.6%	51 697
Executive and council	23 293	608	23 900	22 748	(1 152)	95.2%	97.7%	20 065
Finance and administration	14 123	22 947	37 070	18 247	(18 823)	49.2%	129.2%	31 632
Community and public safety	6 929	(800)	6 129	6 970	841	113.7%	100.6%	8 650
Community and social services	2 822	(845)	1 977	1 903	(74)	96.3%	67.4%	1 910
Sport and recreation	22	-	22	13	(9)	61.3%	61.3%	21
Public safety	3 085	1 045	4 130	5 053	923	122.4%	163.8%	6 718
Housing	1 000	(1 000)	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Economic and environmental services	1 505	(1 276)	229	1 069	840	466.6%	71.0%	1 132
Planning and development	74	74	148	89	(59)	60.1%	120.1%	59
Road transport	1 431	(1 350)	81	980	899	1209.5%	68.5%	1 073
Environmental protection	-	-	-	-	-	-	-	-
Trading services	45 291	(11 655)	33 636	32 262	(1 374)	95.9%	71.2%	23 836
Electricity	17 769	(2 681)	15 088	14 871	(217)	98.6%	83.7%	14 199
Water	22 272	(9 043)	13 229	11 482	(1 747)	86.8%	51.6%	4 597
Waste water management	3 417	120	3 537	3 445	(92)	97.4%	100.8%	3 385
Waste management	1 832	(50)	1 782	2 464	681	138.2%	134.5%	1 654
Other	-	-	-	-	-	-	-	-
Total Revenue - Standard	91 140	9 824	100 964	81 295	(19 670)	80.5%	89.2%	85 315

REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2019/20						2018/19	
	1	2	3	4	6	7	8	12
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Expenditure - Standard								
Governance and administration								
Executive and council	27 445	1 818	29 263	26 237	(3 026)	89.7%	95.6%	23 788
Finance and administration	7 832	668	8 500	7 595	(906)	89.3%	97.0%	6 220
	19 613	1 150	20 762	18 642	(2 120)	89.8%	95.1%	17 568
Community and public safety								
Community and social services	9 147	(997)	8 149	9 628	1 478	118.1%	105.3%	11 720
Sport and recreation	3 281	(233)	3 049	3 117	69	102.3%	95.0%	2 605
Public safety	1 215	0	1 216	1 057	(159)	86.9%	86.9%	1 016
Housing	3 650	235	3 885	5 454	1 569	140.4%	149.4%	8 099
Health	1 000	(1 000)	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Economic and environmental services								
Planning and development	7 899	(130)	7 769	8 469	700	109.0%	107.2%	7 497
Road transport	536	336	871	682	(189)	78.3%	127.3%	606
Environmental protection	7 363	(466)	6 897	7 787	889	112.9%	105.8%	6 891
	-	-	-	-	-	-	-	-
Trading services								
Electricity	26 402	(167)	26 235	25 450	(785)	97.0%	96.4%	24 207
Water	14 163	(93)	14 070	13 127	(943)	93.3%	92.7%	11 795
Waste water management	4 803	(124)	4 679	4 634	(45)	99.0%	96.5%	4 353
Waste management	3 376	(265)	3 111	3 615	505	116.2%	107.1%	2 851
	3 860	316	4 176	3 874	(302)	92.8%	100.3%	5 009
Other								
	200	-	200	200	-	100.0%	100.0%	200
Total Expenditure - Standard	70 892	524	71 416	69 783	(1 633)	97.7%	98.4%	67 211
Surplus/(Deficit) for the year	20 248	9 300	29 548	11 511	(18 037)	-17.2%	-9.2%	18 103

**APPENDIX C(2) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Vote Description	2019/20						2018/19	
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	6	7	8	12
Revenue by Vote								
Vote 1 - Executive and Council	23 293	608	23 900	22 748	(1 152)	95.2%	97.7%	20 065
Vote 2 - Director Finance	13 236	2 859	16 095	12 068	(4 027)	75.0%	91.2%	22 305
Vote 3 - Director Corporate	961	750	1 711	1 231	(479)	72.0%	128.1%	584
Vote 4 - Director Community	7 129	872	8 001	6 970	(1 031)	87.1%	97.8%	8 650
Vote 5 - Director Technical Services	46 522	6 407	52 929	38 278	(14 651)	72.3%	82.3%	33 711
Total Revenue by Vote	91 140	11 496	102 636	81 295	(21 342)	80.3%	99.4%	85 315
Expenditure by Vote to be appropriated								
Vote 1 - Executive and Council	7 832	668	8 500	7 595	(906)	89.3%	97.0%	6 220
Vote 2 - Director Finance	12 780	(41)	12 739	13 143	404	103.2%	102.8%	12 275
Vote 3 - Director Corporate	7 309	1 586	8 895	6 181	(2 714)	69.5%	84.6%	5 898
Vote 4 - Director Community	9 347	(286)	9 061	8 668	(394)	95.7%	92.7%	10 878
Vote 5 - Director Technical Services	33 625	467	34 093	34 197	104	100.3%	101.7%	31 940
Total Expenditure by Vote	70 892	2 396	73 288	69 783	(3 505)	0.0%	0.0%	67 211
Surplus/(Deficit) for the year	20 248	9 100	29 348	11 511	(17 837)	0.0%	0.0%	18 103

**APPENDIX C(3) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
REVENUE AND EXPENDITURE**

Description	2019/20						2018/19 Restated Audited Outcome	
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget
	1	2	3	4	6	7		8
Revenue By Source								
Property rates	3 936	-	3 936	3 743	(193)	95.1%	95.1%	3 431
Service charges - electricity revenue	16 549	(1 581)	14 968	14 851	(117)	99.2%	99.7%	14 199
Service charges - water revenue	4 115	(50)	4 065	4 354	289	107.1%	105.8%	4 020
Service charges - sanitation revenue	3 247	120	3 367	3 406	39	101.2%	104.9%	3 286
Service charges - refuse revenue	1 721	(50)	1 671	1 704	33	102.0%	99.0%	1 654
Service charges - other	-	-	-	-	-	-	-	-
Rental of facilities and equipment	397	-	397	489	92	123.3%	123.3%	500
Interest earned - external investments	2 560	1 052	3 612	3 359	(253)	93.0%	131.2%	2 835
Interest earned - outstanding debtors	1 000	-	1 000	892	(108)	89.2%	89.2%	836
Dividends received	-	-	-	-	-	-	-	-
Fines	3 089	-	3 089	3 936	847	127.4%	127.4%	6 408
Licences and permits	-	-	-	-	-	-	-	58
Agency services	200	-	200	292	92	145.8%	145.8%	-
Transfers recognised - operational	31 601	2 809	34 410	27 576	(6 834)	80.1%	87.3%	25 475
Other revenue	2 478	7	2 485	3 969	1 484	159.7%	160.2%	13 447
Gains on disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	70 893	2 307	73 200	68 572	(4 628)	0.0%	0.0%	76 146

Description	2019/20						2018/19	
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	1	2	3	4	6	7	8	12
R thousand								
Expenditure By Type								
Employee related costs	24 675	490	25 165	23 120	(2 045)	91.9%	93.7%	20 417
Remuneration of councillors	3 197	-	3 197	3 127	(70)	97.8%	97.8%	3 033
Debt impairment	5 260	-	5 260	8 630	3 370	164.1%	164.1%	8 862
Depreciation & asset impairment	3 340	-	3 340	4 618	1 278	138.3%	138.3%	5 249
Finance charges	1 055	355	1 410	674	(736)	47.8%	63.9%	1 199
Bulk purchases	12 124	-	12 124	11 377	(747)	93.8%	93.8%	10 393
Other materials	673	1 055	1 727	609	(1 119)	35.2%	90.5%	819
Contracted services	8 589	681	9 270	5 114	(4 156)	55.2%	59.5%	5 522
Transfers and grants	960	176	1 136	1 225	89	107.9%	127.6%	604
Other expenditure	11 020	(561)	10 458	10 896	438	104.2%	98.9%	10 746
Loss on disposal of PPE	-	-	-	392	392	#DIV/0!	#DIV/0!	142
Total Expenditure	70 892	2 196	73 088	69 783	(3 305)	0.0%	0.0%	66 987
Surplus/(Deficit)								
Transfers recognised - capital	-	-	-	-	-	-	-	-
Contributions recognised - capital	20 247	9 189	29 436	12 723	(16 713)	43.2%	62.8%	8 942
Contributed assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions								
Taxation	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation								
Attributable to minorities	-	-	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality								
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	20 248	9 300	29 548	11 511	(18 037)	0.0%	0.0%	18 103

**APPENDIX C(4) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

Vote Description	2019/20							2018/19
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	6	7	8	12
Capital expenditure - Vote Multi-year expenditure								
Vote 1 - Municipal Manager	-	-	-	-	-	0%	0%	-
Vote 2 - Finance	-	-	-	-	-	0%	0%	-
Vote 3 - Corporate Services	-	-	-	-	-	0%	0%	-
Vote 4 - Infrastructure Development	11 500	-	4 509	-	(4 509)	0%	0%	-
Vote 5 - Economic Development	1 100	-	-	-	-	0%	0%	-
Capital multi-year expenditure	12 600	-	4 509	-	(4 509)	0%	0%	-
Single-year expenditure								
Vote 1 - Executive and Council	-	-	8	-	(8)	-	-	5
Vote 2 - Director Finance	360	(84)	276	103	(173)	37%	29%	50
Vote 3 - Director Corporate	1 500	(150)	1 350	34	(1 316)	3%	2%	-
Vote 4 - Director Community	1 361	2 606	3 967	2 382	(1 584)	60%	175%	173
Vote 5 - Director Technical Services	6 310	16 614	22 924	10 544	(12 380)	46%	167%	11 963
Capital single-year expenditure	9 531	18 994	28 525	13 063	(15 462)	0%	0%	12 192
Total Capital Expenditure - Vote	22 131	18 994	33 034	13 063	(19 971)	0%	0%	12 192

Vote Description	2019/20						2018/19	
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand	1	2	3	4	6	7	8	12
Capital Expenditure - Standard								
Governance and administration	1 860	(226)	1 634	34	(1 600)	2%	2%	3 993
Executive and council	-	8	8	-	(8)	-	-	5
Finance and administration	1 860	(234)	1 626	-	(1 626)	-	-	3 987
Corporate services	-	-	-	34	34	#DIV/0!	#DIV/0!	-
Community and public safety	12 861	(4 385)	8 475	2 382	(6 093)	28%	19%	16
Community and social services	-	2 230	2 230	365	(1 865)	16%	#DIV/0!	16
Sport and recreation	12 861	(6 615)	6 245	1 203	(5 042)	19%	9%	-
Public safety	-	-	-	814	814	#DIV/0!	#DIV/0!	-
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Economic and environmental services	-	4 508	4 508	1 416	(3 092)	31%	#DIV/0!	5 678
Planning and development	-	-	-	-	-	-	-	-
Road transport	-	4 508	4 508	1 416	(3 092)	31%	#DIV/0!	5 678
Environmental protection	-	-	-	-	-	-	-	-
Trading services	7 410	11 007	18 417	9 128	(9 288)	50%	123%	2 505
Electricity	1 100	2 527	3 627	924	(2 703)	25%	84%	567
Water	2 560	4 409	6 969	4 477	(2 492)	64%	175%	-
Waste water management	3 750	3 440	7 190	3 686	(3 504)	51%	98%	1 717
Waste management	-	631	631	41	(590)	6%	#DIV/0!	221
Other	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	22 131	10 903	33 034	12 960	(20 074)	0%	0%	8 205
Funded by:								
National Government	16 187	1 287	17 474	4 839	(12 635)	28%	30%	8 210
Provincial Government	4 060	5 397	9 457	7 708	(1 749)	82%	190%	733
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
Transfers recognised - capital	20 247	6 684	26 931	12 547	(14 384)	47%	62%	8 942
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	1 884	-	6 103	413	(5 690)	7%	22%	3 250
Total Capital Funding	22 131	6 684	33 034	12 960	(20 074)	0%	0%	12 192

**APPENDIX C(5) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020
CASH FLOWS**

Description	2019/20					2018/19		
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Revised Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties and collection charges	3 621	-	3 621	25 272	21 650	85.7%	#DIV/0!	28 504
Service charges	21 789	-	21 789	-	(21 789)	#DIV/0!	#DIV/0!	-
Other revenue	3 585	-	3 585	-	(3 585)	#DIV/0!	#DIV/0!	-
Government - operating	31 601	-	31 601	39 663	8 263	20.7%	#DIV/0!	26 184
Government - capital	20 247	-	20 247	16 602	(3 645)	-22.0%	#DIV/0!	13 005
Interest	3 360	-	3 360	3 358	(1)	0.0%	#DIV/0!	3 671
Dividends	-	-	-	-	-	-	-	-
Payments								
Suppliers and employees	(58 933)	-	(58 933)	(51 956)	6 977	-13.4%	#DIV/0!	(51 079)
Finance charges	(1 055)	-	(1 055)	-	1 055	#DIV/0!	#DIV/0!	(10)
Transfers and Grants	(960)	-	(960)	(1 225)	(265)	21.7%	#DIV/0!	(604)
NET CASH FROM/(USED) OPERATING ACTIVITIES	24 256	-	24 256	31 914	8 658	0.0%	0.0%	19 671
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on Disposal of Property plant and equipment	-	-	-	-	-	-	-	-
Purchase of Intangible Assets	-	-	-	(17)	(17)	100.0%	#DIV/0!	(33)
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
Payments								
Capital assets	(22 086)	(10 903)	(32 989)	(13 046)	19 923	-152.7%	-182.7%	(11 938)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(22 086)	(10 903)	(32 989)	(13 063)	19 906	-152.4%	-182.6%	(11 972)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	(5)	(5)	100.0%	#DIV/0!	(61)
Borrowing long term/financing	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	23	-	23	36	13	36.5%	#DIV/0!	32
Payments								
Repayment of borrowing	(5)	-	(5)	-	5	#DIV/0!	#DIV/0!	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	18	-	18	32	13	42.0%	#DIV/0!	(30)
NET INCREASE/(DECREASE) IN CASH HELD	1 208	(10 903)	(9 695)	18 883	25			7 670
Cash/cash equivalents at the year begin:	22 515	(10 903)	22 515	33 084				25 414
Cash/cash equivalents at the year end:	23 723	(21 806)	12 920	51 967	39 147	75.3%	-178.5%	33 084

**APPENDIX D - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
SCHEDULE OF SCM DEVIATIONS FOR THE YEAR ENDED 30 JUNE 2020**

SUPPLIER	GOODS / SERVICES	AMOUNT Exclusive of VAT	REASON
Ay Jay's enterprise CJA Partners Golden dividend 536 Hamse kriel attorneys Jan Abraham Nel Jirah Construction Klein Karoo Agri National Garage Pay Day Software systems (PTY) Ltd Prince Albert Partners RLJ General Trading Short's Nissan Specialist System Engineering Uber Technologies VSR Digging	Covid-19 Awareness Campaign in Municipal Area Building of support wedges at Leeu-Gamka Sportsfield Wall Service of sewage truck - CCA 3813 Legal costs - PA Municipality vs MEC Bredell Repair of Borehole Equipment after flood damage Hire of Sewage Truck to operate in municipal area Purchase of Hygiene Products and Disinfectants Supply of 1 300 Food Parcels Purchase of Laser Payslips Supply of 1 100 Food Parcels Purchase of Hand Sanitizer and Gloves Service of refuse truck - CCA 1626 Repair of Telemetry Equipment after flood damage Covid-19 - Disinfectant Spray Removal of tree across the Department of Agriculture Total	3 600.00 21 600.00 189 355.34 4 895.00 151 765.00 17 900.00 12 316.08 508 141.74 25 472.60 282 106.96 2 460.00 34 943.87 29 105.63 20 143.90 69 000.00 1 372 806	Impractical Impractical Impractical Impractical Emergency Impractical Emergency Emergency Procurement - MFMA Circular 102 Impractical Emergency Procurement - MFMA Circular 102 Impractical Impractical Impractical Impractical Emergency

