

PRINCE ALBERT

MUNICIPALITY



AUDITED ANNUAL FINANCIAL STATEMENTS

30 JUNE 2019

PRINCE ALBERT LOCAL MUNICIPALITY

Index

General Information	1
Approval of the Financial Statements	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes In Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Position	9
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Performance	10
Statement of Comparison of Budget and Actual Amounts - Cash Flow Statement	11
Accounting Policies	12 - 50
Notes to the Financial Statements	51 - 91

APPENDICES

A	Schedule of External Loans	92
B	Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	93
C	National Treasury Appropriation Statements	
	- Revenue and Expenditure (Standard Classification)	94
	- Revenue and Expenditure (Municipal Vote Classification)	96
	- Revenue and Expenditure (Revenue by Source and Expenditure by Type)	97
	- Capital Expenditure by Vote, Standard Classification and Funding	99
	- Cash Flows	101
D	Deviations from Supply chain management policy	102

PRINCE ALBERT LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GENERAL INFORMATION

NATURE OF BUSINESS

PRINCE ALBERT Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 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 2019

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. Jaftha
E. Maans
L. Jaquet
S. Piedt
S. Botes
R.M. Steyn

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 2019, which are set out on pages 1 to 102 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 2020 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

29/11/19

Date

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Notes	2019 Final R	2018 Restated R
ASSETS			
Non-Current Assets		148 794 719	141 563 941
Property, Plant and Equipment	2	133 905 120	126 669 940
Investment Property	3	13 625 453	13 632 149
Intangible Assets	4	134 054	120 402
Heritage Assets	5	1 130 092	1 141 450
Current Assets		40 672 061	34 868 460.33
Inventory	7	568 795	715 375
Receivables from Exchange Transactions	8	2 117 721	1 731 584
Receivables from Non-exchange Transactions	9	1 378 533	1 432 077
Unpaid Transfers and Subsidies	17	59 096	1 895 217
Operating Lease Asset	6	69 196	41 199
Value Added Tax	18	3 394 448	3 638 916
Cash and Cash Equivalents	10	33 084 271	25 414 091
Total Assets		189 466 781	176 432 401
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		27 401 752	25 341 350
Long-term Borrowings	11	-	4 750
Non-current Provisions	12	20 675 809	19 032 273
Non-current Employee Benefits	13	6 725 943	6 304 327
Current Liabilities		10 635 350	8 196 681
Consumer Deposits	14	479 350	447 761
Current Employee Benefits	15	1 950 656	2 144 228
Trade and Other Payables from Exchange Transactions	16	3 057 790	3 225 064
Unspent Transfers and Subsidies	17	5 142 804	2 318 472
Current Portion of Long-term Borrowings	11	4 750	61 155
Total Liabilities		38 037 103	33 538 031
Net Assets		151 429 679	142 894 368
Capital Replacement Reserve	19	9 500 000	13 160 543
Accumulated Surplus		141 929 679	129 733 826
Total Net Assets and Liabilities		189 466 781	176 432 401

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 R	2018 Previous	Reclassification to mSCOA	2018 Reclassified	Correction of Error	2018 Restated
REVENUE							
Revenue from Non-exchange Transactions		47 646 141	50 820 806	-	50 820 806	24 380	50 796 427
Taxation Revenue		3 430 556	3 299 241	-	3 299 241	24 380	3 274 861
Property Rates	20	3 430 556	3 165 947	-	3 165 947	-	3 165 947
Surcharges and Taxes		-	133 293	-	133 293	24 380	108 914
Transfer Revenue		37 748 567	40 745 637	-	40 745 637	-	40 745 637
Government Grants and Subsidies - Operating	21	25 475 064	23 890 867	-	23 890 867	-	23 890 867
Government Grants and Subsidies - Capital	21	8 942 324	10 725 785	-	10 725 785	-	10 725 785
Public Contributions and Donations	22	-	5 000	-	5 000	-	5 000
Service in kind	55	3 331 179	3 585 511	-	3 585 511	-	3 585 511
Contributed Property, Plant and Equipment	22	-	2 538 473	-	2 538 473	-	2 538 473
Other Revenue		6 467 018	6 775 929	-	6 775 929	-	6 775 929
Actuarial Gains	13	59 331	263 831	-	263 831	-	263 831
Fines, Penalties and Forfeits	23	6 407 687	6 512 098	-	6 512 098	-	6 512 098
Revenue from Exchange Transactions		28 094 982	25 674 860	-	25 674 860	-	25 674 860
Service Charges	25	23 159 507	21 203 159	-	21 203 159	-	21 203 159
Rendering of Services	26	330 615	266 166	-	266 166	-	266 166
Rent on Land		-	-	-	-	-	-
Rental from Fixed Assets	27	500 091	486 690	-	486 690	-	486 690
Interest Earned - External Investments	28	2 834 918	2 588 273	-	2 588 273	-	2 588 273
Interest Earned - Exchange Transactions	29	835 907	573 253	-	573 253	-	573 253
Licences and Permits	24	281 783	261 966	-	261 966	-	261 966
Operational Revenue	30	152 160	295 353	-	295 353	-	295 353
Total Revenue		75 741 123	76 495 666	-	76 495 666	24 380	76 471 286

Notes	2019 R	2018 Previous	Reclassification to mSCOA	2018 Reclassified	Correction of Error	2018 Restated
EXPENDITURE						
Employee related costs	20 591 417	20 337 691	(68 340)	20 269 351	-	20 269 351
Remuneration of Councillors	3 032 941	2 928 174	-	2 928 175	-	2 928 175
Contracted Services	5 468 783	7 150 151	(1 590 459)	5 559 692	-	5 559 692
Depreciation and Amortisation	5 273 896	5 463 061	-	5 463 061	(1 856)	5 461 206
Actuarial Losses	37 242	55 252	-	55 252	-	55 252
Finance Costs	1 199 487	1 158 097	-	1 158 097	22 556	1 180 653
Bulk Purchases	10 393 472	9 522 208	-	9 522 208	-	9 522 208
Inventory Consumed	1 024 620	1 178 371	-	1 178 371	-	1 178 371
Transfers and Subsidies	428 080	380 000	-	380 000	-	380 000
Operational Costs	10 752 173	8 666 143	1 658 799	10 324 942	29 763	10 354 705
Total Expenditure	58 202 112	56 839 147	-	56 839 148	50 463	56 889 611
Operating Surplus for the Year	17 539 011	19 656 518	-	19 656 518	74 843	19 581 675
Contribution to Impairment Loss on Receivables	(8 861 949)	(8 657 614)	-	(8 657 614)	-	(8 657 614)
Loss on Disposal of Property plant and equipment	(153 079)	(703 583)	-	(703 583)	-	(703 583)
Impairment Gain / (Loss) on Property plant and equipment	11 327	(1 227 592)	-	(1 227 592)	-	(1 227 592)
NET SURPLUS FOR THE YEAR	8 535 310	9 067 729	-	9 067 729	74 843	8 992 886

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Capital Replacement Reserve	Accumulated Surplus	Total
	R	R	R
Balance at 1 July 2017	1 211 687	132 276 926	133 488 613
Effects of Correction of Errors - note 45	-	(35 987)	(35 987)
Restated balance	1 211 687	132 240 939	133 452 626
Restated Net Surplus for the year	-	8 992 886	8 992 886
Net Surplus previously reported	-	9 067 729	9 067 729
Effects of Correction of Errors - note 45	-	(74 843)	(74 843)
Transfer to/from CRR	11 500 000	(11 500 000)	-
Asset Disposals	448 856	-	448 856
Balance at 30 June 2018	13 160 543	129 733 826	142 894 368
Restated balance	13 160 543	129 733 826	142 894 368
Net Surplus for the year	-	8 535 310	8 535 310
Transfer to/from CRR	(3 660 543)	3 660 543	-
Balance at 30 June 2019	9 500 000	141 929 679	151 429 679

PRINCE ALBERT LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 R	2018 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Ratepayers and Other	46	28 504 059	25 445 121
Government - Operating		26 184 288	23 890 867
Government - Capital		13 005 000	10 725 785
Interest	28 & 29	3 670 825	3 161 526
Cash payments			
Suppliers and Employees	46	(51 254 812)	(54 164 891)
Finance Charges	36	(9 969)	(18 216)
Transfers and subsidies	39	(428 080)	(380 000)
Net Cash from Operating Activities	46	19 671 312	8 660 192
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	2	(11 938 469)	(11 031 198)
Proceeds on Disposal of Property plant and equipment	2	-	448 856
Purchase of Intangible Assets	4	(33 094)	(20 770)
Net Cash from Investing Activities		(11 971 563)	(10 603 119)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans Repaid	11	(61 155)	(69 296)
Increase in Consumer Deposits	14	31 590	14 806
Net Cash from Financing Activities		(29 566)	(54 489)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		7 670 181	(1 997 418)
Cash and Cash Equivalents at the beginning of the year		25 414 091	27 411 509
Cash and Cash Equivalents at the end of the year	10	33 084 272	25 414 091
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		7 670 181	(1 997 418)

**PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019**

	Original Budget	Budget Adjustments (i.e. 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 300,000.00
			R	R	R	R	R	R				
ASSETS												
Current Assets												
Cash	31 147 346	(9 529 584)	21 617 762	21 617 762	33 084 271	11 466 509	53% Adjustment budget not correctly budgeted for.					
Consumer Debtors	3 597 360	(1 418 087)	2 179 273	2 179 273	2 117 721	(61 552)	-3% Decrease in debtors due to an increase in provision for bad debts.					
Other Debtors	4 030 171	3 714 205	7 744 376	7 744 376	4 842 177	(2 902 199)	-37% Decrease in debtors due to an increase in provision for bad debts.					
Unpaid Transfers and Subsidies		-	-	-	59 096	59 096	0% Trivial.					
Inventory	570 000	188 298	758 298	758 298	568 795	(189 503)	-25% Difference not material.					
Total Current Assets	39 344 877	(7 045 168)	32 299 709	32 299 709	40 672 061	8 372 352	26%					
Non-Current Assets												
Investment Property	13 288 164	337 289	13 625 453	13 625 453	13 625 453	(0)	0% Trivial.					
Property, Plant and Equipment	128 002 279	15 981 157	143 983 436	143 983 436	133 905 120	(10 078 316)	-7% Not budgeted for correctly.					
Intangible Assets	95 300	7 627	103 127	103 127	134 054	30 927	30% Trivial.					
Heritage Assets	-	-	-	-	1 130 092	1 130 092	0% Re-classified from PPE					
Total Non-Current Assets	141 385 743	16 326 273	157 712 016	157 712 016	148 794 719	(8 917 297)	-6%					
TOTAL ASSETS	180 730 620	9 281 105	190 011 725	190 011 725	189 466 781	(544 944)	0%					
LIABILITIES												
Current Liabilities												
Borrowing	57 296	(52 546)	4 750	4 750	4 750	(0)	0% Trivial.					
Consumer Deposits	471 921	2 706	474 627	474 627	479 350	4 723	1% Trivial.					
Trade and Other Payables	8 110 063	(4 978 807)	3 131 256	3 131 256	8 200 594	5 069 338	162% Increase in Unspent due to capital projects not completed and to be rolled over.					
Provisions	327 569	2 138 293	2 465 862	2 465 862	1 950 656	(515 206)	-21% Decrease in provision due to an decrease in employee benefit provision.					
Total Current Liabilities	8 966 849	(2 890 354)	6 076 495	6 076 495	10 635 350	4 558 855	75%					
Non-Current Liabilities												
Borrowing	12 000	(12 000)	-	-	-	-	0%					
Provisions	26 825 999	(444 408)	26 381 591	26 381 591	27 401 752	1 020 161	4% Increase in Provision for Landfill site not correctly budgeted for.					
Total Non-Current Liabilities	26 837 999	(456 408)	26 381 591	26 381 591	27 401 752	1 020 161	4%					
TOTAL LIABILITIES	35 804 848	(3 346 762)	32 458 086	32 458 086	38 037 103	5 579 017	17%					
NET ASSETS												
Accumulated Surplus	135 425 772	8 967 324	144 393 096	144 393 096	141 929 679	(2 463 417)	-2% CRR spent decreased accumulated Surplus.					
Reserves	9 500 000	3 660 543	13 160 543	13 160 543	9 500 000	(3 660 543)	-28% Management did not allocate more savings towards the CRR.					
TOTAL NET ASSETS	144 925 772	12 627 867	157 553 639	157 553 639	151 429 679	(6 123 960)	-4%					

PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	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							
REVENUE															
Property Rates	3 452 872	250 000	3 702 872	3 702 872	3 702 872	3 430 556	(272 316)	-7%	Increase not budgeted for correctly.						
Service Charges - Electricity Revenue	14 331 000	707 000	15 038 000	15 038 000	15 038 000	14 199 484	(838 516)	-6%	Less electricity sold than budgeted for.						
Service Charges - Water Revenue	3 583 900	136 000	3 719 900	3 719 900	3 719 900	4 019 546	299 646	8%	Drought tariffs implemented from March 2019 onwards that resulted in an increase in revenue.						
Service Charges - Sanitation Revenue	2 906 000	200 000	3 106 000	3 106 000	3 106 000	3 286 019	180 019	6%	N/A						
Service Charges - Refuse Revenue	1 622 000	500	1 622 500	1 622 500	1 622 500	1 654 458	31 958	2%	Trivial						
Rental of Facilities and Equipment	461 500	(74 500)	387 000	387 000	387 000	500 091	113 091	29%	Trivial						
Interest Earned - External Investments	2 280 000	550 000	2 830 000	2 830 000	2 830 000	2 834 918	4 918	0%	Trivial						
Interest Earned - Outstanding Debtors	698 000	127 000	825 000	825 000	825 000	835 907	10 907	1%	Trivial						
Service in kind	-	-	-	-	-	3 331 179	3 331 179	100%	Service in kind not budgeted for correctly.						
Fines	3 712 800	(170 000)	3 542 800	3 542 800	3 542 800	6 407 687	2 864 887	81%	Revenue on fines not realised as expected.						
Agency Services	220 000	-	220 000	220 000	220 000	281 783	61 783	28%	Trivial						
Transfers Recognised - Operational	43 823 250	(1 427 984)	42 395 266	42 395 266	42 395 266	25 475 064	(16 920 202)	-40%	Housing subsidy not transferred to the municipality for this financial year.						
Other Revenue	5 272 500	(2 665 500)	2 607 000	2 607 000	2 607 000	542 106	(2 064 894)	-79%	Other revenue not budgeted correctly.						
Total Revenue (excluding capital transfers and contributions)	82 363 822	(2 367 484)	79 996 338	79 996 338	79 996 338	66 798 799	(13 197 539)	-16%							
EXPENDITURE															
Employee Related Costs	21 838 908	1 212 270	23 051 178	23 051 178	23 051 178	20 591 417	(2 459 761)	-11%	Vacant positions budgeted for, but not filled.						
Remuneration of Councillors	3 085 800	-	3 085 800	3 085 800	3 085 800	3 032 941	(52 859)	-2%	Trivial						
Debt Impairment	5 930 000	-	5 930 000	5 930 000	5 930 000	8 861 949	2 931 949	49%	Unforeseen increase in debt impairment not budgeted for correctly regarding traffic fines.						
Depreciation and Asset Impairment	2 978 000	310 000	3 288 000	3 288 000	3 288 000	5 273 896	1 985 896	60%	Depreciation charge for landfill site not budgeted for.						
Actuarial Losses	-	-	-	-	-	37 242	37 242	100%	Trivial						
Finance Charges	55 000	-	55 000	55 000	55 000	1 199 487	1 144 487	2081%	Landfill site finance charges not budgeted for.						
Bulk Purchases	9 800 000	700 000	10 500 000	10 500 000	10 500 000	10 393 472	(106 528)	-1%	Less electricity sold than budgeted for.						
Other Materials	638 810	51 190	690 000	690 000	690 000	334 620	(355 380)	48%	Trivial						
Contracted Services	6 808 560	14 305 326	21 113 886	21 113 886	21 113 886	5 468 783	(15 645 103)	-74%	Housing subsidy not transferred to Municipality.						
Transfers and Grants	-	1 236 000	1 236 000	1 236 000	1 236 000	428 080	(807 920)	100%	Less spent than what was budgeted for.						
Other Expenditure	31 206 680	(20 327 270)	10 879 410	10 879 410	10 879 410	10 752 173	(127 237)	-1%	Less spent than what was budgeted for.						
Loss on Disposal of Property plant and equipment	-	-	-	-	-	141 752	141 752	100%	Trivial						
Total Expenditure	82 341 758	(2 512 484)	79 829 274	79 829 274	79 829 274	67 205 812	(12 623 462)	-16%							
Surplus	22 064	145 000	167 064	167 064	167 064	(407 013)	(574 077)	-344%							
Transfers Recognised - Capital	12 399 750	2 068 008	14 467 758	14 467 758	14 467 758	8 942 324	(5 525 435)	-38%	Less spent than what was budgeted for.						
Surplus after Capital Transfers & Contributions	12 421 814	2 213 008	14 634 822	14 634 822	14 634 822	8 535 310	(6 099 512)	-42%							

**PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

	Original Budget	Budget Adjustments (into s28 and s31 of the MFMA)		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				
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Ratepayers and Other	28 638 741	(1 637 110)	27 001 631	28 504 059	1 502 428	6%	Cashflow not budgeted for correctly due to msco amendments / challenges.			
Government - Operating	43 823 250	(1 427 984)	42 395 266	26 184 288	(16 210 978)	-38%	Cashflow not budgeted for correctly due to msco amendments / challenges.			
Government - Capital	12 399 750	2 068 008	14 467 758	13 005 000	(1 462 758)	100%	Cashflow not budgeted for correctly due to msco amendments / challenges.			
Interest	2 873 300	657 950	3 531 250	3 670 825	139 575	4%	Trivial			
Payments										
Suppliers and Employees	(71 363 078)	3 457 363	(67 905 715)	(51 254 812)	16 650 903	-25%	Cashflow not budgeted for correctly due to msco amendments / challenges.			
Finance costs	(55 000)	-	(55 000)	(9 969)	45 031	-82%	Trivial			
Transfers and Grants	-	(1 236 000)	(1 236 000)	(428 080)	807 920	100%	Cashflow not budgeted for correctly due to msco amendments / challenges.			
Net Cash from/(used) Operating Activities	16 316 964	1 882 226	18 199 190	19 671 312	1 472 122	8.09%				
CASH FLOW FROM INVESTING ACTIVITIES										
Receipts										
Purchase of Property, Plant and Equipment	-	-	-	(11 938 469)	(11 938 469)	100%	Cashflow not budgeted for correctly due to msco amendments / challenges.			
Purchase of Intangible Assets	(15 584 332)	(6 376 898)	(21 961 230)	(33 094)	21 928 136	100%	Cashflow not budgeted for correctly due to msco amendments / challenges.			
Net Cash from/(used) Investing Activities	(15 584 332)	(6 376 898)	(21 961 230)	(11 971 563)	9 989 667	100%				
CASH FLOW FROM FINANCING ACTIVITIES										
Receipts										
Short Term Loans	-	-	-	(61 155)	(61 155)	100%	Trivial			
Increase in Consumer Deposits	38 966	(12 100)	26 866	31 590	4 724	100%	Trivial			
Payments										
Repayment of Borrowing	(24 251)	(36 904)	(61 155)	-	-	100%	Trivial			
Net Cash from/(used) Financing Activities	14 715	(49 004)	(34 289)	(29 566)	(56 432)	100%				
NET INCREASE/(DECREASE) IN CASH HELD	747 346	(4 543 675)	(3 796 329)	7 670 183	11 405 357	-302.04%				
Cash and Cash Equivalents at the year begin:	30 400 000	(4 985 909)	25 414 091	25 414 091	0	100%				
Cash and Cash Equivalents at the year end:	31 147 346	(9 529 584)	21 617 762	33 084 274	11 405 357	53.04%				

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 – March 2015) 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 2019

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 6.2, on which the municipality was required to transacted for periods after 1 July 2018. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2018 audited amounts is set out in note 44 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 2019

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 20 (Original – Jun 2011)	<u>Related Party Disclosure</u> The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.	1 April 2019
GRAP 32 (Original – Aug 2013)	<u>Service Concession Arrangements: Grantor</u> The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity. No significant impact expected as no such transactions or events are expected in the foreseeable future.	1 April 2019
GRAP 104 (Revised – April 2019)	<u>Financial Instruments</u> The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.	Unknown

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	
GRAP 108 (Original – Sept 2013)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	1 April 2019
GRAP 109	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2019
GRAP 110	<p><u>Living and non-living resources</u></p> <p>The objective of this Standard is to prescribe 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 arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
IGRAP 18	<p><u>Recognition and Derecognition of Land</u></p> <p>The Interpretation provide guidance on when an entity should recognise and derecognise land as an asset in its financial statements.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.</p>	1 April 2019
IGRAP 19	<p><u>Liabilities to Pay Levies</u></p> <p>The Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.</p>	1 April 2019

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	No such transactions or events are expected in the foreseeable future.	
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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 2019

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 2019

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 2019

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 2019

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 2019

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 2019

(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 2019

(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 2019

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:

Infrastructure

Roads and Paving	60
Pedestrian Malls	30
Electricity	60
Water	60
Sanitation	60
Sewerage	60
Housing	95

Community

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 2019

<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

Finance lease assets

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 2019

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 2019

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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- 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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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;

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- 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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- 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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- 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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- 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:

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- 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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 2019

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.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2019

	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	Opening Balance	Depreciation	Re-classification	Disposals/ Impairment		Closing Balance
Infrastructure																	
Roads	28 584 990	-	-	4 283 883	-	-	32 868 873	-	-	-	-	5 178 201	658 417	-	-	5 836 618	27 032 255
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	11 603 913	-	-	563 345	121 306	-	12 288 564	-	-	-	-	1 552 911	230 126	-	-	1 783 037	10 505 527
Water Supply	38 961 244	-	-	2 491 742	943 107	-	42 396 093	-	-	-	-	4 993 710	809 088	-	-	5 802 798	36 593 295
Sanitation	29 778 387	-	-	17 385	168 679	-	29 964 452	-	-	-	-	3 533 391	768 808	-	-	4 302 199	25 662 253
Solid Waste	575 246	-	-	-	-	-	575 246	-	-	-	-	239 603	8 353	-	-	247 956	327 290
Landfill Site	9 897 001	-	-	674 863	-	-	10 571 863	(21 266)	-	(11 327)	(32 593)	5 844 665	1 872 647	-	-	7 717 312	2 887 144
	119 400 781	-	-	8 031 218	1 233 093	-	128 665 091	(21 266)	-	(11 327)	(32 593)	21 342 480	4 347 440	-	-	25 689 920	103 007 764
Community Assets																	
Community Facilities																	
Halls	6 118 179	-	-	-	-	-	6 118 179	35 400	-	-	35 400	357 496	61 850	-	-	419 346	5 663 433
Libraries	1 199 428	-	-	-	-	-	1 199 428	652 400	-	-	652 400	107 681	12 456	-	-	120 137	426 892
Cemeteries/Crematoria	51 650	-	-	-	-	-	51 650	-	-	-	-	-	-	-	-	-	51 650
Parks	116 500	-	-	-	-	-	116 500	96 500	-	-	96 500	-	-	-	-	-	20 000
Outdoor Facilities	13 611 574	-	-	198 193	433 523	-	14 243 290	185 000	-	-	185 000	76 930	98 494	-	-	175 424	13 882 866
	21 097 332	-	-	198 193	433 523	-	21 729 047	969 300	-	-	969 300	542 107	172 800	-	-	714 907	20 044 841

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

30 JUNE 2019 (Continue)

	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	Opening Balance	Depreciation	Re-classification	Disposals/ Impairment		Closing Balance
Other Assets																	
Land	3 586 671	-	-	-	-	-	3 586 671	2 270 955	-	-	2 270 955	-	-	-	-	-	1 315 716
Operational Buildings	4 036 378	-	-	-	-	-	4 036 378	320 500	-	-	320 500	303 742	42 220	-	-	345 962	3 369 917
Specialised Vehicles	1 860 195	-	-	1 569 565	-	-	3 429 760	-	-	-	-	493 147	289 137	-	-	782 284	2 647 475
Computer Equipment	1 035 762	-	-	33 861	-	(8 208)	1 061 415	-	-	-	-	413 568	80 189	-	(8 015)	485 741	575 674
Furniture and Office Equipment	1 270 909	-	-	13 842	-	(27 230)	1 257 521	-	-	-	-	722 063	59 805	-	(22 896)	758 972	498 550
Machinery and Equipment	724 066	-	-	350 992	-	(19 615)	1 055 443	-	-	-	-	397 694	62 006	-	(15 668)	444 033	611 411
Transport Assets	1 807 050	-	-	749 046	-	(150 925)	2 405 171	-	-	-	-	469 653	116 167	-	(6 321)	579 500	1 825 672
	14 321 031	-	-	2 717 306	-	(205 978)	16 832 359	2 591 455	-	-	2 591 455	2 799 867	649 523	-	(52 899)	3 396 491	10 844 413
Leases																	
Furniture and Office Equipment	255 037	-	-	-	-	(74 015)	181 022	-	-	-	-	180 294	66 638	-	(74 015)	172 917	8 104
	255 037	-	-	-	-	(74 015)	181 022	-	-	-	-	180 294	66 638	-	(74 015)	172 917	8 104
Total	155 074 180	-	-	10 946 717	1 666 615	(279 993)	167 407 519	3 539 489	-	(11 327)	3 528 162	24 864 749	5 236 400	-	(126 914)	29 974 235	133 905 122

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2.2 30 JUNE 2018

	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	Additions	Reversal	Closing Balance	Opening Balance	Depreciation	Re-classification	Disposals/ Impairment	Closing Balance	
Infrastructure																	
Roads	28 632 390	(1 803 344)	-	1 755 944	-	-	28 584 990	-	-	-	-	4 567 885	610 316	-	-	5 178 201	23 406 789
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	8 562 242	-	-	512 962	2 528 709	-	11 603 913	-	-	-	-	1 387 870	165 041	-	-	1 552 911	10 051 002
Water Supply	32 922 079	1 803 344	-	276 617	3 959 205	-	38 961 244	-	-	-	-	4 276 509	717 201	-	-	4 993 710	33 967 534
Sanitation	29 336 906	-	-	441 482	-	-	29 778 387	-	-	-	-	2 771 941	761 450	-	-	3 533 391	26 244 997
Solid Waste	555 256	19 990	-	-	-	-	575 246	-	-	-	-	231 250	8 353	-	-	239 603	335 643
Landfill Site	10 482 505	-	-	-	-	(585 504)	9 897 001	(43 981)	22 715	-	(21 266)	3 572 225	2 272 440	-	-	5 844 665	4 073 602
	110 491 376	19 990	-	2 987 004	6 487 914	(585 504)	119 400 781	(43 981)	22 715	-	(21 266)	16 807 679	4 534 801	-	-	21 342 480	98 079 567
Community Assets																	
Community Facilities																	
Halls	6 057 279	60 900	-	-	-	-	6 118 179	35 400	-	-	35 400	295 646	61 850	-	-	357 496	5 725 283
Museums	1 137 000	(1 137 000)	-	-	-	-	-	-	-	-	-	92 193	11 358	(103 550)	-	-	-
Libraries	1 189 278	13 200	-	-	-	(3 050)	1 199 428	-	652 400	-	652 400	95 472	13 733	-	(1 525)	107 681	439 348
Cemeteries/Crematoria	51 650	-	-	-	-	-	51 650	-	-	-	-	-	-	-	-	-	51 650
Parks	-	116 500	-	-	-	-	116 500	101 500	-	(5 000)	96 500	-	-	-	-	-	20 000
Outdoor Facilities	10 821 975	84 570	189 805	2 538 473	-	(23 250)	13 611 574	-	185 000	-	185 000	24 649	63 906	-	(11 624)	76 930	13 349 644
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	19 257 183	(861 830)	189 805	2 538 473	-	(26 300)	21 097 332	136 900	837 400	(5 000)	969 300	507 960	150 847	(103 550)	(13 149)	542 107	19 585 925

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

30 JUNE 2018 (Continue)

	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	Additions	Reversal	Closing Balance	Opening Balance	Depreciation	Re-classification		Disposals/ Impairment	Closing Balance
Other Assets																	
Other Land	3 956 771	(370 100)	-	-	-	-	3 586 671	1 407 985	911 970	(49 000)	2 270 955	-	-	-	-	-	1 315 716
Operational Buildings	4 020 549	(33 062)	-	59 895	-	(11 004)	4 036 378	468 087	35 700	(183 287)	320 500	262 103	41 639	-	-	303 742	3 412 136
Specialised Vehicles	2 465 824	-	-	-	-	(605 630)	1 860 195	109 176	-	(109 176)	-	526 554	335 912	-	(369 319)	493 147	1 367 047
Computer Equipment	910 070	12 646	6 281	264 784	-	(158 020)	1 035 762	-	-	-	-	481 376	73 105	-	(140 914)	413 568	622 194
Furniture and Office Equipment	1 338 561	(12 644)	8 742	108 004	-	(171 754)	1 270 909	-	-	-	-	811 471	63 253	-	(152 661)	722 063	548 847
Machinery and Equipment	731 959	-	-	85 091	-	(92 984)	724 066	-	-	-	-	398 459	64 387	-	(65 152)	397 694	326 372
Transport Assets	1 171 655	-	-	848 700	-	(213 304)	1 807 050	49 538	-	(49 538)	-	495 520	84 235	-	(110 102)	469 653	1 337 397
	14 595 390	(403 160)	15 023	1 366 474	-	(1 252 696)	14 321 031	2 034 786	947 670	(391 001)	2 591 455	2 975 483	662 532	-	(838 148)	2 799 867	8 929 708
Leases																	
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	255 037	-	-	-	-	-	255 037	-	-	-	-	91 240	89 054	-	-	180 294	74 742
	255 037	-	-	-	-	-	255 037	-	-	-	-	91 240	89 054	-	-	180 294	74 742
Total	144 598 985	-	204 828	6 891 952	6 487 914	(1 864 500)	155 074 180	2 127 705	1 807 785	(396 001)	3 539 489	20 382 362	5 437 234	(103 550)	(851 297)	24 864 749	126 669 942

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:

	2019 R	2020 R	2021 R
	-77 860	422 846	422 863

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
2.3 Expenditure incurred to repair and maintain Property, Plant and Equipment:		
Other materials	271 712	611 627
Contracted Services on Maintenance of Unspecified Assets	1 054 595	282 257
Contracted Services on Maintenance of Buildings and Facilities	261 966	-
Contracted Services on Maintenance of Equipment	211 515	10 138
Total Repairs and Maintenance	1 799 789	904 023
3 INVESTMENT PROPERTY		
3.1 Net Carrying amount at 1 July	13 632 149	13 728 153
Cost	14 639 586	14 913 086
Accumulated Depreciation	(60 383)	(53 687)
Accumulated Impairment Loss	(947 053)	(1 131 245)
Depreciation for the year	(6 696)	(6 696)
Impairment loss	-	184 192
Disposal	-	(273 500)
Net Carrying amount at 30 June	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)
3.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property	500 091	486 690
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	120 402	119 289
Cost	157 610	150 715
Accumulated Amortisation	(37 208)	(31 426)
Additions	33 094	20 770
Amortisation	(19 442)	(17 275)
Disposals	-	(2 381)
Net Carrying amount at 30 June	134 054	120 402
Cost	190 704	157 610
Accumulated Amortisation	(56 649)	(37 208)

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
5 HERITAGE ASSETS		
5.1 Net Carrying amount at 1 July	1 141 450	1 044 808
Cost	1 245 000	1 137 000
Accumulated Depreciation	(103 550)	(92 192)
Additions	-	108 000
Depreciation for the year	(11 358)	(11 358)
Net Carrying amount at 30 June	1 130 092	1 141 450
Cost	1 245 000	1 245 000
Accumulated Depreciation	(114 908)	(103 550)

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	69 196	41 199
<u>Disclosed as follows:</u>		
Non-Current Operating Lease Asset	-	-
Current Operating Lease Asset	69 196	41 199
	69 196	41 199

Reconciliation

Balance at the beginning of the year	41 199	5 493
Movement during the year	27 997	35 707
Balance at the end of the year	69 196	41 199

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	119 001	170 287
1 to 5 Years	656 061	556 514
More than 5 Years	307 091	453 898
Total Operating Lease Arrangements	1 082 154	1 180 699

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

7 INVENTORY

Consumables	313 908	453 852
Land	219 420	219 420
Materials and Supplies	10 800	10 800
Water	24 667	31 304
Total Inventory	568 795	715 375

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 2019

	2019 R	2018 R
8 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	1 663 133	1 684 095
Water	5 054 505	3 237 523
Property Rentals	419 649	326 796
Waste Management	2 188 592	1 461 542
Waste Water Management	2 700 929	1 692 359
Creditors with Debit Balances	-	57 735
Debtors with credit balances	380 634	411 203
Other Arrears	157 465	118 897
Total: Receivables from exchange transactions (before provision)	12 564 907	8 990 152
Less: Provision for Debt Impairment	(10 447 186)	(7 258 568)
Total: Receivables from exchange transactions (after provision)	2 117 722	1 731 584

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.

The fair value of receivables approximate their carrying value.

(Electricity): Ageing

Current (0 - 30 days)	515 132	556 003
31 - 60 Days	183 626	198 182
61 - 90 Days	100 418	86 226
+ 90 Days	863 958	843 685
Total	1 663 133	1 684 095

(Water): Ageing

Current (0 - 30 days)	337 549	228 718
31 - 60 Days	257 045	158 454
61 - 90 Days	225 977	181 997
+ 90 Days	4 233 935	2 668 355
Total	5 054 505	3 237 523

(Property Rentals): Ageing

Current (0 - 30 days)	21 964	13 706
31 - 60 Days	21 694	11 798
61 - 90 Days	29 811	11 424
+ 90 Days	346 180	289 868
Total	419 649	326 796

(Waste Management): Ageing

Current (0 - 30 days)	157 983	130 287
31 - 60 Days	108 405	118 694
61 - 90 Days	94 397	93 949
+ 90 Days	1 827 809	1 118 612
Total	2 188 592	1 461 542

(Waste Water Management): Ageing

Current (0 - 30 days)	139 584	90 065
31 - 60 Days	153 417	157 470
61 - 90 Days	125 301	108 717
+ 90 Days	2 282 627	1 351 036
Total	2 700 929	1 707 289

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<u>(Other): Ageing</u>		
Current (0 - 30 days)	(2 132)	(13 943)
31 - 60 Days	1 514	69
61 - 90 Days	18	-
+ 90 Days	158 065	132 772
Total	157 465	118 897

(Total): Ageing

Current (0 - 30 days)	1 170 079	1 004 836
31 - 60 Days	725 700	644 667
61 - 90 Days	575 921	482 313
+ 90 Days	9 712 573	6 404 326
Total	12 184 273	8 536 143

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	7 258 568	4 071 810
Contribution to provision	3 234 470	3 186 758
Reversal of provision	(45 852)	-
Balance at end of year	10 447 186	7 258 568

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

Electricity	702 489	926 227
Water	4 663 043	2 951 231
Refuse	2 040 789	1 350 610
Sewerage	2 549 766	1 622 344
Other	491 099	408 156
Balance at end of year	10 447 186	7 258 568

Summary of impairment by customer classification

Government	44 120	27 927
Commercial	205 844	106 169
Other Municipalities	886	-
Residential	9 788 548	6 021 790
Other	407 788	1 102 682
Balance at end of year	10 447 186	7 258 568

The total amount of this provision is R 10447185.66 and consist of:

Services	9 956 086	6 850 412
Other Debtors	491 099	408 156
Total Provision for Debt Impairment on Receivables from exchange transactions	10 447 186	7 258 568

Ageing of amounts past due but not impaired:

1 month past due	725 700	644 667
2+ months past due	10 288 494	6 886 639
	11 014 195	7 531 306

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.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
9 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Taxes - Rates	1 377 903	1 141 867
Fines	31 985 164	26 294 865
Other Receivables	911 316	848 347
	<hr/>	<hr/>
	34 274 383	28 285 079
Less: Provision for Debt Impairment	(32 895 849)	(26 853 002)
	<hr/>	<hr/>
Total Receivables from non-exchange transactions	1 378 533	1 432 077
	<hr/> <hr/>	<hr/> <hr/>

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	26 853 002	20 994 280
Fines Written off during the year	(538)	(115)
Contribution to provision	6 043 386	5 858 837
	<hr/>	<hr/>
Balance at end of year	32 895 849	26 853 002
	<hr/> <hr/>	<hr/> <hr/>

(Rates): Ageing

Current (0 - 30 days)	(23 655)	(6 046)
31 - 60 Days	42 162	37 322
61 - 90 Days	24 604	25 553
+ 90 Days	1 334 793	1 085 039
	<hr/>	<hr/>
Total	1 377 903	1 141 867
	<hr/> <hr/>	<hr/> <hr/>

The total amount of this provision consist of:

Taxes	1 117 015	1 048 321
Fines	31 778 834	25 804 681
	<hr/>	<hr/>
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	32 895 849	26 853 002
	<hr/> <hr/>	<hr/> <hr/>

Ageing of amounts past due but not impaired:

1 month past due	42 162	37 322
2+ months past due	1 312 086	1 098 499
	<hr/>	<hr/>
	1 354 248	1 135 821
	<hr/> <hr/>	<hr/> <hr/>

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.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
10	BANK ACCOUNTS		
10.1	<u>Cash and Cash Equivalents</u>		
	Current Accounts	30 206 669	336 491
	Call Deposits and Investments	2 874 553	25 074 550
	Cash On-hand	3 050	3 050
	Total Cash and Cash Equivalents - Assets	<u>33 084 272</u>	<u>25 414 091</u>
	 A Bank Guarantee is retained for ESKOM by ABSA Bank	 9 960	 9 960
	The municipality has the following bank accounts:		
	<u>Current Accounts</u>		
	Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):	30 100 311	213 490
	Prince Albert ABSA Bank - Account Number 4063942217 (Traffic Account):	106 358	123 001
		<u>30 206 669</u>	<u>336 491</u>
	<u>Call Deposits and Investments</u>		
	Prince Albert ABSA Bank - Account Number 9287334653 (Savings Account):	2 874 553	25 074 550
		<u>2 874 553</u>	<u>25 074 550</u>
	Details of current accounts are as follow:		
	<i>Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):</i>		
	Cash book balance at beginning of year	213 490	(847 182)
	Cash book balance at end of year	30 100 311	213 490
		<u>30 100 311</u>	<u>213 490</u>
	Bank statement balance at beginning of year	216 477	545 401
	Bank statement balance at end of year	30 245 407	216 477
		<u>30 245 407</u>	<u>216 477</u>
	<i>Prince Albert ABSA Bank - Account Number 4063942217 (Traffic Account):</i>		
	Cash book balance at beginning of year	123 001	983 718
	Cash book balance at end of year	106 358	123 001
		<u>106 358</u>	<u>123 001</u>
	Bank statement balance at beginning of year	113 001	979 318
	Bank statement balance at end of year	106 658	113 001
		<u>106 658</u>	<u>113 001</u>
	<i>Prince Albert ABSA Bank - Account Number 9287334653 (Savings Account):</i>		
	Cash book balance at beginning of year	25 074 550	26 223 827
	Cash book balance at end of year	2 874 553	25 074 550
		<u>2 874 553</u>	<u>25 074 550</u>
	Bank statement balance at beginning of year	25 074 550	26 223 827
	Bank statement balance at end of year	2 855 796	25 074 550
		<u>2 855 796</u>	<u>25 074 550</u>
	<i>Prince Albert ABSA Bank - Account Number 4086370253 (Smart Meter Account):</i>		
	Cash book balance at beginning of year	-	1 048 296
	Cash book balance at end of year	-	-
		<u>-</u>	<u>-</u>
	Bank statement balance at beginning of year	-	949 681
	Bank statement balance at end of year	-	-
		<u>-</u>	<u>-</u>

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
11 LONG-TERM BORROWINGS		
Capitalised Lease Liability - At amortised cost	4 750	65 905
	4 750	65 905
Less: Current Portion transferred to Current Liabilities	(4 750)	(61 155)
Capitalised Lease Liability - At amortised cost	(4 750)	(61 155)
	-	4 750
Total Long-term Borrowings	-	4 750

11.1 The obligations under finance leases are scheduled below:

	Minimum payments	
Amounts payable under annuity loans:		
Payable within one year	67 771	87 511
Payable within two to five years	-	72 596
	67 771	160 106
Less: Future finance obligations	(63 021)	(94 201)
Present value of annuity loans obligations	4 750	65 905

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	20 675 809	19 032 273
Total Non-current Provisions	20 675 809	19 032 273

12.1 Landfill Sites

Balance 1 July	19 032 273	18 998 008
Contribution for the year	1 643 536	34 266
Total provision 30 June	20 675 809	19 032 273
Balance 30 June	20 675 809	19 032 273

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)	23504m ²	13775m ²	5232m 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 2019

		2019	2018
Location	Estimated decommission date	R	R
Prince Albert	2021	10 153 057	9 167 899
Leeu Gamka	2025	6 834 889	6 332 363
Klaarstroom	2036	3 687 864	3 532 011
		20 675 809	19 032 273
13	NON-CURRENT EMPLOYEE BENEFITS		
Provision for Post Retirement Health Care Benefits		5 488 372	5 115 307
Provision for Ex-Gratia Pension Benefits		6 472	41 328
Provision for Long Service Awards		1 231 099	1 147 692
Total Non-current Employee Benefits		6 725 943	6 304 327
<u>Post Retirement Health Care Benefits</u>			
Balance 1 July		5 363 141	4 564 718
Contribution for the year		170 769	837 235
Interest Cost		499 961	428 869
Expenditure for the year		(238 849)	(203 850)
Actuarial Loss/(Gain)		(54 632)	(263 831)
Total provision 30 June		5 740 390	5 363 141
Less: Transfer of Current Portion to Current Provisions - Note 15		(252 017)	(247 827)
Balance 30 June		5 488 372	5 115 314
<u>Ex-Gratia Pensions</u>			
Balance 1 July		42 104	38 895
Interest Cost		3 724	3 414
Expenditure for the year		(776)	(648)
Actuarial Loss/(Gain)		(4 699)	443
Total provision 30 June		40 353	42 104
Less: Transfer of Current Portion to Current Provisions - Note 15		(33 881)	(776)
Balance 30 June		6 472	41 328
<u>Long Service Awards</u>			
Balance 1 July		1 313 079	1 246 392
Contribution for the year		111 379	96 802
Interest Cost		105 627	95 903
Expenditure for the year		(215 649)	(180 827)
Actuarial Loss/(Gain)		37 242	54 809
Total provision 30 June		1 351 678	1 313 079
Less: Transfer of Current Portion to Current Provisions - Note 15		(120 579)	(165 387)
Balance 30 June		1 231 099	1 147 692
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		19	19
In-service (employee) non-members		33	34
Continuation members (e.g. Retirees, widows, orphans)		7	7
Total Members		59	60

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
The liability in respect of past service has been estimated to be as follows:		
In-service members	2 001 036	2 226 921
In-service non-members	355 769	528 559
Continuation members	3 383 584	2 607 661
Total Liability	5 740 389	5 363 141

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

	2017 R	2016 R	2015 R
In-service members	1 733 106	2 429 405	2 107 493
In-service non-members	505 872	529 906	460 862
Continuation members	2 325 739	1 546 482	1 734 575
Total Liability	4 564 718	4 505 793	4 302 930

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:	2019 %	2018 %
i) Rate of interest		
Discount rate	9.48%	9.54%
Health Care Cost Inflation Rate	6.90%	7.35%
Net Effective Discount Rate	2.41%	2.05%

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	5 740 390	5 363 141
	<u>5 740 390</u>	<u>5 363 141</u>
Net liability	<u>5 740 390</u>	<u>5 363 141</u>

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	5 363 141	4 564 718
Total expenses	431 881	1 062 254
Current service cost	170 769	837 235
Interest Cost	499 961	428 869
Benefits Paid	(238 849)	(203 850)
Actuarial (gains)/losses	(54 632)	(263 831)
Present value of fund obligation at the end of the year	<u>5 740 390</u>	<u>5 363 141</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2019

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Assumption			
Central Assumptions	2.357	3.384	5.741

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%	2.883	3.799	6.682	16%
Health care inflation	-1%	1.948	3.039	4.987	-13%
Discount rate	1%	1.960	3.049	5.009	-13%
Discount rate	-1%	2.875	3.792	6.667	16%
Post-retirement mortality	-1 year	2.425	3.492	5.917	3%
Average retirement age	-1 year	2.407	3.384	5.791	1%
Continuation of membership at retirement	-10%	1.877	3.384	5.261	-8%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2020

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	128 000	532 500	660 500

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%	165 100	621 700	786 800	19%
Health care inflation	-1%	100 100	461 100	561 200	-15%
Discount rate	1%	101 800	512 000	613 800	-7%
Discount rate	-1%	163 000	554 900	717 900	9%
Post-retirement mortality	-1 year	131 600	549 200	680 800	3%
Average retirement age	-1 year	126 000	537 300	663 300	0%
Continuation of membership at retirement	-10%	99 100	487 000	586 100	-11%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 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.	<u>55</u>	<u>53</u>
Key actuarial assumptions used:	%	%
i) Rate of interest		
Discount rate	8.19%	8.57%
General Salary Inflation (long-term)	5.57%	6.18%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.48%	2.25%
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	<u>1 351 678</u>	<u>1 313 079</u>
	<u>1 351 678</u>	<u>1 313 079</u>
Net liability	<u>1 351 678</u>	<u>1 313 079</u>
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	1 313 079	1 246 392
Total expenses	1 357	11 878
Current service cost	111 379	96 802
Interest Cost	105 627	95 903
Benefits Paid	(215 649)	(180 827)
Actuarial (gains)/losses	<u>37 242</u>	<u>54 809</u>
Present value of fund obligation at the end of the year	<u>1 351 678</u>	<u>1 313 079</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2019

Assumption	Change	Liability (Rm)	% change
Central assumptions		1.352	
General salary inflation	1%	1.446	7%
General salary inflation	-1%	1.266	-6%
Discount rate	1%	1.264	-7%
Discount rate	-1%	1.450	7%
Average retirement age	-2 yrs	1.299	-4%
Average retirement age	2 yrs	1.529	13%
Withdrawal rates	-50%	1.547	14%

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2020

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions	132 300	105 900	238 200

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Health care inflation	1%	144 300	113 600	257 900	8%
Health care inflation	-1%	121 700	98 900	220 600	-7%
Discount rate	1%	122 600	110 800	233 400	-2%
Discount rate	-1%	143 400	100 000	243 400	2%
Post-retirement mortality	-1 year	124 700	101 500	226 200	-5%
Average retirement age	-1 year	147 600	120 400	268 000	13%
Withdrawal Rate	-50%	163 600	123 500	287 100	21%
				2019 Rm	2018 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	7
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Key actuarial assumptions used:

i) Rate of interest

Discount rate	8.13%	8.92%
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2019 R	2018 R
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	40 353	42 104
	<u>40 353</u>	<u>42 104</u>
Net liability	<u>40 353</u>	<u>42 104</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	42 104	38 895
Total expenses	2 948	2 766
Interest Cost	3 724	3 414
Benefits Paid	(776)	(648)
Actuarial Gains / losses	(4 699)	443
Present value of fund obligation at the end of the year	<u>40 353</u>	<u>42 104</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Sensitivity Analysis on the Accrued Liability on 30 June 2019

	Change	Liability (Rm)	% change
Assumption			
Central assumptions		40 353	
Discount rate	1%	39 834	-1%
Discount rate	-1%	40 932	1%
Average retirement age	-1 yrs	40 571	1%

Sensitivity Analysis on Interest Cost for the year ending 30 June 2020

	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.

	2019 R	2018 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 2015 revealed that the fund is in a sound financial position with a funding level of 101.7% (30 June 2013 - 99.2%).		
Contributions paid recognised in the Statement of Financial Performance	1 696 022	1 582 925

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 2015 revealed that the fund is in a sound financial position with a funding level of 118% (30 June 2014 - 101.7%).

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 2019

	2019 R	2018 R
14 CONSUMER DEPOSITS		
Electricity	258 348	255 957
Rental Properties	7 488	7 488
Water	213 515	184 316
Total Consumer Deposits	479 350	447 761

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

15 CURRENT EMPLOYEE BENEFITS		
Performance Bonuses		
Staff Bonuses	578 287	585 926
Staff Leave	965 893	1 144 306
Current Portion of Non-Current Provisions	406 477	413 990
Current Portion of Post Retirement Benefits - Note 13	252 017	247 827
Current Portion of Ex-Gratia Pension Provisions - Note 13	33 881	776
Current Portion of Long-Service Provisions - Note 13	120 579	165 387
Total Provisions	1 950 656	2 144 222

15.1 Staff Bonuses

Balance at beginning of year	585 926	456 247
Contribution to current portion	881 534	999 100
Expenditure incurred	(889 174)	(869 422)
Balance at end of year	578 287	585 926

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.

15.2 Staff Leave

Balance at beginning of year	1 144 306	879 312
Contribution to current portion	188 365	398 859
Expenditure incurred	(366 779)	(133 866)
Balance at end of year	965 893	1 144 306

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.

16 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	1 779 900	2 520 543
Retentions	449 982	189 805
Western Cape Housing Subsidy	372 002	2
Other Payables	75 273	103 512
Debtors with credit balances	380 634	411 203
Total Trade Payables	3 057 791	3 225 065

Payables are being recognised net of any discounts.

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.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
17 UNSPENT TRANSFERS AND SUBSIDIES		
Unspent Transfers and Subsidies	5 142 805	2 318 472
National Government Grants	2 524 766	-
Provincial Government Grants	2 618 039	2 318 472
Less: Unpaid Transfers and Subsidies	(59 096)	(1 895 217)
National Government Grants	-	(1 895 217)
Provincial Government Grants	(59 096)	-
Total Unspent Transfers and Subsidies	5 083 709	423 255

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.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

18 VALUE ADDED TAX		
18.1 VAT Payable	-	-
VAT Output in Suspense	(387 378)	(530 916)
Total VAT Payable	(387 378)	(530 916)
18.2 VAT Receivable	518 854	606 959
VAT Input in Suspense	3 262 973	3 562 873
Total VAT Receivable	3 781 826	4 169 833
18.3 Net VAT Receivable	3 394 448	3 638 916

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

19 NET ASSET RESERVES		
RESERVES	9 500 000	13 160 543
Opening Balance	13 160 543	1 211 687
Contribution to Capital Replacement Reserve	(3 660 543)	11 500 000
Sale of Assets	-	448 856
Total Net Asset Reserve and Liabilities	9 500 000	13 160 543

The Capital Replacement Reserve will be used to finance the rehabilitation of landfill sites.

20 PROPERTY RATES		
Actual		
Rateable Land and Buildings	4 075 779	3 765 799
Residential Properties	4 075 779	3 765 799
Less: Revenue Forgone	(645 223)	(599 852)
Total Property Rates	3 430 556	3 165 948

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
<u>Valuations - 1 July 2018</u>		
Rateable Land and Buildings	1 958 948 000	1 962 008 000
Prince Albert: Land and Buildings	841 474 000	841 674 000
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	1 062 500 000
Total Assessment Rates	1 958 948 000	1 962 008 000

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	0.355	0.330
Agricultural	0.089	0.083
Vacant Land	0.450	0.419

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	25 475 064	23 890 867
Equitable Share	19 317 000	17 652 000
Expanded Public Works Programme Integrated Grant	1 042 000	1 000 000
Local Government Financial Management Grant	1 700 000	1 700 000
Municipal Infrastructure Grant (PMU)	375 250	380 450
Western Cape Capacity Building (Sewerage Truck)	99 000	-
Libraries, Archives and Museums	1 602 000	1 505 000
Western Cape Capacity Building	-	120 000
Internship recruitment - WC	56 131	8 526
Western Cape Financial Management Grant	634 218	970 984
Financial Capacity Building Western Cape	108 080	-
<i>mSCOA Grant</i>	330 000	330 000
<i>Community Development Workers</i>	59 096	74 000
<i>SETA</i>	42 288	24 907
Central Karoo District Municipality - mSCOA Grant	-	125 000
Thusong centre repairs - Western Cape Government	110 000	-
Government Grants and Subsidies - Capital	8 942 324	10 725 785
Integrated National Electrification Programme Grant	604 783	2 895 217
Municipal Infrastructure Grant	7 027 276	7 228 550
Additional WC Drought relief for Boreholes	732 557	161 992
Depratment of water affairs	577 708	-
<i>Drought Relief Grant - Western Cape</i>	-	440 026
Total Government Grants and Subsidies	34 417 387	34 616 653

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
21.1 <u>Equitable Share</u>		
Grants received	19 317 000	17 652 000
Conditions met - Operating	(19 317 000)	(17 652 000)
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 <u>Local Government Financial Management Grant (FMG)</u>		
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 <u>Municipal Infrastructure Grant (MIG)</u>		
Opening balance	-	731 469
Grants received	7 505 000	7 609 000
Repaid to National Revenue Fund	-	(731 469)
Conditions met - Operating	(375 250)	(380 450)
Conditions met - Capital	(7 027 276)	(7 228 550)
Conditions still to be met	102 474	-
<p>The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.</p>		
21.4 <u>Integrated National Electrification Grant</u>		
Opening balance	(1 895 217)	-
Grants received	2 500 000	1 000 000
Conditions met - Capital	(604 783)	(2 895 217)
Conditions met	-	(1 895 217)
<p>The National Electrification Grant was used for electrical connections in previously disadvantaged areas.</p>		
21.5 <u>Water Service Infrastructure Grant</u>		
Opening balance	-	-
Grants received	3 000 000	-
Conditions met - Capital	(577 708)	-
Conditions still to be met	2 422 292	-
21.6 <u>Library Grant</u>		
Grants received	1 602 000	1 505 000
Conditions met - Operating	(1 602 000)	(1 505 000)
Conditions still to be met	-	-
<p>The library grant was utilised to maintain the library function of the municipality.</p>		

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
21.7 Other Grants		
Opening balance	2 318 473	1 050 691
Grants received	6 896 468	8 479 418
Repaid to National Revenue Fund	(111 448)	(370 690)
Conditions met - Operating	(5 811 993)	(6 238 928)
Conditions met - Capital	(732 557)	(602 018)
Conditions still to be met	2 558 943	2 318 473
Various grants from National and Provincial Treasury. Refer to Appendix E for more information.		
21.8 Total Grants		
Opening balance	423 255	1 782 160
Grants received	42 520 468	37 945 418
Repaid to National Revenue Fund	(111 448)	(1 102 159)
Conditions met - Operating	(28 806 243)	(27 476 378)
Conditions met - Capital	(8 942 324)	(10 725 785)
Conditions still to be met/(Grant expenditure to be recovered)	5 083 708	423 255
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	5 142 805	2 318 472
Unpaid Conditional Government Grants and Receipts	(59 096)	(1 895 217)
Total	5 083 708	423 255
22 PUBLIC CONTRIBUTIONS AND DONATIONS		
Public Contributions - Conditional	-	2 538 473
Donations	-	5 000
Total Public Contributions and Donations	-	2 543 473
23 FINES, PENALTIES AND FORFEITS		
Traffic fines	6 399 600	6 502 440
Other fines	8 087	9 658
Total Fines	6 407 687	6 512 098
<i>Additional information to enable better understandings by user</i>		
Provision for debt impairment	(5 974 153)	(5 563 380)
<i>Recoverable fines</i>	433 534	948 718
24 LICENCES AND PERMITS		
Road and Transport	281 783	261 966
Total Licences and Permits	281 783	261 966
<u>Disclosed as follows:</u>		
Revenue from Exchange Transactions	281 783	261 966
Total Licences and Permits	281 783	261 966

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
25 SERVICE CHARGES		
Electricity	14 199 484	13 441 061
Service Charges	14 855 136	13 972 273
Less: Revenue Forgone	(655 652)	(531 212)
Water	4 019 546	3 318 827
Service Charges	5 316 408	4 407 322
Less: Revenue Forgone	(1 296 862)	(1 088 495)
Waste Management	1 654 458	1 537 441
Service Charges	2 509 599	2 182 184
Less: Revenue Forgone	(855 141)	(644 744)
Waste Water Management	3 286 019	2 905 830
Service Charges	4 684 353	3 954 073
Less: Revenue Forgone	(1 398 334)	(1 048 243)
Total Service Charges	23 159 507	21 203 159
<p>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.</p>		
26 RENDERING OF SERVICES		
Building Plan Approval	135 310	83 797
Cemetery and Burial	11 097	14 244
Swimming pool Entrance Fees	21 488	40 688
Fire Services	34 043	51 667
Photocopies and Faxes	257	2 671
Tender documents	4 087	6 404
Stone and Gravel	835	702
Town Planning and Servitudes	105 343	44 191
Valuation Services	18 155	21 805
Total Sales of Goods and Rendering of Services	330 615	266 166
27 RENTAL FROM INVESTMENT PROPERTIES		
Investment Property	500 091	486 690
Total Rental from Investment properties	500 091	486 690
28 INTEREST EARNED - EXTERNAL INVESTMENTS		
Call account and short term investments	2 785 094	2 503 815
Primary bank account	49 824	84 458
Total Interest Earned - External Investments	2 834 918	2 588 273
29 INTEREST EARNED - EXCHANGE TRANSACTIONS		
Trade Receivables	835 907	573 253
Total Interest Earned - Outstanding Receivables	835 907	573 253
30 OPERATIONAL REVENUE		
Administrative Handling Fees	-	15 831
Commission	8 782	5 155
Insurance Refund	143 379	274 367
Total Operational Revenue	152 160	295 353

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

31	EMPLOYEE RELATED COSTS	2019 R	2018 R
	Basic Salaries and Wages	14 489 711	13 426 537
	Pension and UIF Contributions	1 696 022	1 582 925
	Medical Aid Contributions	524 908	523 767
	Overtime	816 594	633 670
	Bonuses	881 534	999 100
	Motor Vehicle Allowance	272 148	400 984
	Cell Phone Allowance	158 200	75 900
	Housing Allowances	108 178	114 556
	Other benefits and allowances	650 318	620 757
	Payments in lieu of leave	102 351	398 859
	Post-retirement Benefit Obligations	891 454	1 492 295
	Total Employee Related Costs	20 591 417	20 269 351

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

Remuneration of the Municipal Manager - H. Mettler

Annual remuneration	384 581	913 901
Car allowance	75 000	148 600
Housing allowance	7 500	18 000
Cell phone allowance	15 000	18 000
Contributions to medical fund	16 349	40 923
Total	498 429	1 139 424

Remuneration of the Municipal Manager - A Vorster

Annual remuneration	128 976	-
Car allowance	30 000	-
Cell phone allowance	6 000	-
Contributions to medical fund	24 329	-
Total	189 306	-

Remuneration of the Chief Financial Officer - JD Neethling

Annual remuneration	698 578	671 716
Car allowance	96 000	96 000
Cell phone allowance	30 000	12 000
Contributions to medical and pension funds	152 407	147 932
Total	976 985	927 648

Remuneration of Director : Corporate Services - A Vorster

Annual remuneration	546 617	580 557
Car allowance	21 180	25 416
Cell phone allowance	25 000	12 000
Contributions to medical and pension funds	103 114	104 500
Total	695 911	722 473

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
32 REMUNERATION OF COUNCILLORS		
Mayor	621 463	591 638
Deputy Mayor	278 107	264 768
Speaker	497 651	473 784
Councillors	791 520	753 784
Car Allowance	533 400	533 400
Cell phone Allowance	285 600	285 600
Data cards	25 200	25 200
Total Councillors' Remuneration	3 032 941	2 928 175

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Cell Phone and Data Allowances	Contributions	Total
Executive Mayor	621 463	153 600	44 400	-	819 463
Deputy-Mayor	278 107	67 800	44 400	-	390 307
Speaker	497 651	122 400	44 400	-	664 451
Councillors	791 520	189 600	177 600	-	1 158 720
Total Councillors' Remuneration	2 188 741	533 400	310 800	-	3 032 941

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.

33 CONTRIBUTION TO IMPAIRMENT LOSS ON RECEIVABLES

Trade Receivables from exchange transactions - Note 8	2 818 564	2 798 777
Trade Receivables from non-exchange transactions - Note 9	6 043 386	5 858 837
Total Contribution to Impairment Provision	8 861 949	8 657 614

Additional information to enable better understanding by user.

Trade Receivables from exchange transactions

Electricity	(194 555)	289 933
Water	1 534 384	1 144 024
Refuse	600 156	583 118
Sewerage	806 454	669 735
Other	72 125	111 968
	2 818 564	2 798 777

Trade Receivables from non exchange transactions

Rates	69 233	295 457
Traffic Fines	5 974 153	5 563 380
	6 043 386	5 858 837

34 CONTRACTED SERVICES

Outsourced Services	686 395	541 990
Consultants and Professional Services	1 249 465	2 647 980
Contractors	3 532 923	2 369 723
Total Contracted Services	5 468 783	5 559 692

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
35 DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	5 236 400	5 425 877
Intangible Assets	19 442	17 275
Investment Property carried at cost	6 696	6 696
Hertigae Assets	11 358	11 358
Total Depreciation and Amortisation	5 273 896	5 461 206
36 FINANCE COSTS		
Long-term Borrowings	9 969	18 216
Non-current Provisions	1 189 517	1 139 880
Interest on outstanding VAT payment	-	22 556
Total Finance Costs	1 199 487	1 180 653
37 BULK PURCHASES		
Electricity	10 393 472	9 522 208
Total Bulk Purchases	10 393 472	9 522 208
38 INVENTORY CONSUMED		
Materials and Supplies	349 266	647 971
Consumables at Standard Rated	675 354	530 399
	1 024 620	1 178 371
39 TRANSFERS AND SUBSIDIES		
Operational	428 080	380 000
Monetary Allocations	428 080	380 000
Bursaries	108 080	120 000
Non-profit Institutions	320 000	260 000
Total Transfers and Subsidies	428 080	380 000

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
40 OPERATIONAL COSTS		
Advertising, Publicity and Marketing	169 833	85 301
Audit Fees	2 945 421	3 236 991
Bank Charges, Facility and Card Fees	255 307	240 014
Commission	328 272	287 259
Courier and Delivery Services	-	1 996
Communication	830 529	654 873
Deeds	12 711	16 918
Entertainment	75 168	93 291
External Computer Service	1 878 061	1 722 034
Hire Charges	68 080	25 086
Indigent Relief	48 860	48 607
Insurance Underwriting	222 660	216 877
Landfil site compacting	185 114	-
Levies Paid - Water Resource Management Charges	58 111	104 921
Licences	29 870	39 816
Management Fee	-	15 831
Municipal Services	423 717	426 647
Printing, Publications and Books	3 000	14
Professional Bodies, Membership and Subscription	506 630	535 370
Registration Fees	1 287	-
Remuneration to Ward Committees	148 982	183 360
Skills Development Fund Levy	141 144	150 784
Travel and Subsistence	1 496 074	1 463 224
Uniform and Protective Clothing	55 649	68 340
Vehicle Tracking	17 220	-
Wet Fuel	850 472	627 150
Workmen's Compensation Fund	-	110 000
Total Operational Costs	10 752 173	10 354 705
41 DISCLOSURE IN TERMS OF MFMA 123 (1) (c)		
Operating grant expenditure per vote		
Vote 1 - EXECUTIVE AND COUNCIL	20 064 538	17 676 907
Vote 2 - DIRECTOR FINANCE	2 390 349	3 634 960
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	-	-
Vote 4 - DIRECTOR COMMUNITY	1 712 000	1 505 000
Vote 5 - DIRECTOR TECHNICAL SERVICES	1 141 000	1 000 000
Total Operating grant expenditure per vote	25 307 888	23 816 867
42 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT		
Property, Plant and Equipment	(153 079)	(703 583)
Total Loss on Disposal of Property plant and equipment	(153 079)	(703 583)
The disposal of PPE items were not due to the sale thereof, but rather written off as a result of a redundancy.		
43 (IMPAIRMENT LOSS)/REVERSAL OF IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT		
Property, Plant and Equipment		
Addition of impairment on Landfil site	11 327	(22 715)
<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>	-	(1 204 877)
	11 327	(1 227 592)
Total Reversal of Impairment / (Impairment Loss) on Property plant and equipment	11 327	(1 227 592)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

44

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 2018 audited amounts can be summarised as follows:

Statement of Financial Position	Balance previously reported	Adjustments	Restated Balance
Capital Replacement Reserve	13 160 543	-	13 160 543
Accumulated Surplus	129 883 517	-	129 883 517
Long-term Liabilities	4 750	-	4 750
Non-current Provisions	19 032 273	-	19 032 273
Non-current Employee Benefits	6 304 327	-	6 304 327
Consumer Deposits	447 761	-	447 761
Current Employee Benefits	2 144 228	-	2 144 228
Trade and Other Payables from Exchange Transactions	2 954 015	-	2 954 015
Unspent Conditional Government Grants and Receipts	2 318 472	-	2 318 472
Current Portion of Long-term Liabilities	61 155	-	61 155
Property, Plant and Equipment	127 604 706	-	127 604 706
Investment Property	13 632 149	-	13 632 149
Intangible Assets	120 402	-	120 402
Heritage Assets	1 141 450	-	1 141 450
Inventory	715 375	-	715 375
Receivables from exchange transactions	1 746 513	-	1 746 513
Receivables from non-exchange transactions	1 435 797	-	1 435 797
Operating Lease Asset	41 199	-	41 199
Taxes	3 666 732	-	3 666 732
Cash and Cash Equivalents	25 414 091	-	25 414 091
Short-term Investments	-	-	-
		<u> </u>	
		<u> </u>	

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Performance			
Property Rates	3 165 947	-	3 165 947
Government Grants and Subsidies - Capital	10 725 785	-	10 725 785
Government Grants and Subsidies - Operating	23 890 867	-	23 890 867
Contributed Property, Plant and Equipment	2 538 473	-	2 538 473
Actuarial Gains	263 831	-	263 831
Fines	6 512 098	-	6 512 098
Service in kind	3 585 511	-	3 585 511
Service Charges	21 203 159	-	21 203 159
Sales of Goods and Rendering of Services	266 166	-	266 166
Rental of Facilities and Equipment	-	-	-
Rental from Investment properties	486 690	-	486 690
Interest Earned - external investments	2 588 273	-	2 588 273
Interest Earned - Exchange Transactions	573 253	-	573 253
Licences and Permits	261 966	-	261 966
Other Income from Exchange Transactions	-	-	-
Operational Revenue	295 353	-	295 353
Employee related costs	20 337 691	68 340	20 269 351
Remuneration of Councillors	2 928 174	-	2 928 175
Contracted Services	7 150 151	1 590 459	5 559 692
Depreciation and Amortisation	5 463 061	-	5 463 061
Repairs and maintenance	-	-	-
Actuarial Losses	55 252	-	55 252
Finance Costs	1 158 097	-	1 158 097
Bulk Purchases	9 522 208	-	9 522 208
Inventory Consumed	1 178 371	-	1 178 371
Transfers and Subsidies	380 000	-	380 000
Operational Costs	8 666 143	(1 658 798)	10 324 942
Reversal of Impairment Loss on Receivables	8 657 614	-	8 657 614
Gains on Sale of Property plant and equipment	703 583	-	703 583
(Impairment Loss) on Property plant and equipment	1 227 592	-	1 227 592
Net Surplus/(Deficit) for the year	9 067 729	-	9 067 729

45 CORRECTION OF ERROR IN TERMS OF GRAP 3

	2018 Re-classified	Adjustments of errors	2018 Restated
STATEMENT OF FINANCIAL POSITION			
Property, Plant and Equipment	127 604 706	934 766	126 669 940
Investment Property	13 632 149	-	13 632 149
Intangible Assets	120 402	-	120 402
Inventory	715 375	-	715 375
Receivables from Exchange Transactions	1 746 513	14 929	1 731 584
Receivables from Non-exchange Transactions	1 435 797	3 720	1 432 077
Operating Lease Asset	41 199	-	41 199
Value Added Tax	3 666 732	27 816	3 638 916
Cash and Cash Equivalents	25 414 091	-	25 414 091
Long-term Borrowings	(4 750)	-	(4 750)
Non-current Provisions	(19 032 273)	-	(19 032 273)
Non-current Employee Benefits	(6 304 327)	-	(6 304 327)
Consumer Deposits	(447 761)	-	(447 761)
Current Employee Benefits	(2 144 228)	-	(2 144 228)
Trade and Other Payables from Exchange Transactions	(2 954 016)	271 049	(3 225 065)
Unspent Transfers and Subsidies	(2 318 472)	-	(2 318 472)
Operating Lease Liability	(1)	-	(1)
Current Portion of Long-term Borrowings	(61 155)	-	(61 155)
Capital Replacement Reserve	(13 160 543)	-	(13 160 543)
Accumulated Surplus	(129 844 655)	(110 829)	(129 733 826)
Total Net Assets and Liabilities	-	-	-

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2018 Re-classified	Adjustments of errors	2018 Restated
REVENUE			
Property Rates	3 165 947	-	3 165 947
Surcharges and Taxes	133 293	(24 380)	108 914
Government Grants and Subsidies - Operating	23 890 867	-	23 890 867
Government Grants and Subsidies - Capital	10 725 785	-	10 725 785
Public Contributions and Donations	5 000	-	5 000
Service in kind	3 585 511	-	3 585 511
Contributed Property, Plant and Equipment	2 538 473	-	2 538 473
Actuarial Gains	263 831	-	263 831
Fines, Penalties and Forfeits	6 512 098	-	6 512 098
Service Charges	21 203 159	-	21 203 159
Rendering of Services	266 166	-	266 166
Rental from Fixed Assets	486 690	-	486 690
Interest Earned - External Investments	2 588 273	-	2 588 273
Interest Earned - Exchange Transactions	573 253	-	573 253
Licences and Permits	261 966	-	261 966
Operational Revenue	295 353	-	295 353
Total Revenue	76 495 666	(24 380)	76 471 286
EXPENDITURE			
Employee related costs	20 269 351	-	20 269 351
Remuneration of Councillors	2 928 175	-	2 928 175
Contracted Services	5 559 692	-	5 559 692
Depreciation and Amortisation	5 463 061	(1 856)	5 461 206
Actuarial Losses	55 252	-	55 252
Finance Costs	1 158 097	22 556	1 180 653
Bulk Purchases	9 522 208	-	9 522 208
Inventory Consumed	1 178 371	-	1 178 371
Transfers and Subsidies	380 000	-	380 000
Operational Costs	10 324 942	29 763	10 354 705
Total Expenditure	56 839 148	50 463	56 889 611
Operating Surplus for the Year	19 656 518	(74 843)	19 581 675
Contribution to Impairment Loss on Receivables	(8 657 614)	-	(8 657 614)
Loss on Disposal of Property plant and equipment	(703 583)	-	(703 583)
Impairment Gain / (Loss) on Property plant and equipment	(1 227 592)	-	(1 227 592)
NET SURPLUS FOR THE YEAR	9 067 729	(74 843)	8 992 886

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
45.1 Surcharges and Taxes		
Balance previously reported		133 293
Incorrect amount levied on infrastructure allowance repaid		(24 380)
Restated Balance		<u><u>108 913</u></u>
45.2 Operational Costs		
Balance previously reported		10 324 942
Vatable expenses not allowed by SARS		29 763
Restated Balance		<u><u>10 354 705</u></u>
45.3 Finance Costs		
Balance previously reported		1 158 097
Long outstanding PAYE, UIF and SDL payments made		22 556
Restated Balance		<u><u>1 180 653</u></u>
45.4 Receivables from Non-exchange Transactions		
Balance previously reported		1 435 797
Clearing very old control account of Prepaid expense being trivial		(3 719)
Restated Balance		<u><u>1 432 078</u></u>
	2019 R	2018 R
45.5 Value Added Tax		
Balance previously reported		3 666 732
Vatable expenses not allowed by SARS		(27 816)
Restated Balance		<u><u>3 638 916</u></u>
45.6 Trade and Other Payables from Exchange Transactions		
Balance previously reported		(2 954 016)
Clearing of old Salary control accounts not being material		(271 049)
Restated Balance		<u><u>(3 225 065)</u></u>
45.7 Receivables from Exchange Transactions		
Balance previously reported		1 746 513
Receivables on refuse recognised incorrectly in the prior financial years		(14 929)
Restated Balance		<u><u>1 731 584</u></u>
45.8 Accumulated Surplus		
Balance previously reported		(129 844 655)
Receivables on refuse recognised incorrectly in the prior financial years		12 982
Clearing of old Salary control accounts not being material		271 049
Clearing very old control account of Prepaid expense being trivial		3 719
Vatable expenses not allowed by SARS		29 763
Property plant and equipment corrections		(203 327)
Depreciation charge for First time recognised assets and restatement		(3 357)
Restated Balance		<u><u>(129 733 826)</u></u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
45.10 Property, Plant and Equipment		
Balance previously reported		127 604 706
Retention on swimming pool not correctly recognised		189 805
First time recognition on Asset previously disposed and now found		13 521
Heritage Assets re-classified		(1 141 450)
Depreciation charge for First time recognised assets and restatement		3 357
Restated Balance		126 669 940
45.11 Depreciation and Amortisation		
Balance previously reported		5 463 061
Depreciation charge for First time recognised assets and restatement		(1 856)
Restated Balance		5 461 205
	2019 R	2018 R
46 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus for the year	8 535 310	8 992 886
Adjustments for:		
Depreciation and Amortisation	5 273 896	5 461 206
Loss on Sale of Property plant and equipment	153 079	703 583
Impairment Loss/(Reversal of Impairment Loss)	(11 327)	1 227 592
Contributed Property, Plant and Equipment	-	(2 538 473)
Contribution to provisions – Bad Debt	8 861 949	8 657 614
Repaid to National Revenue Fund	(111 448)	(1 102 159)
Change in Provision for Rehabilitation Cost	968 673	34 266
Government Grants and Subsidies received	39 189 288	37 945 418
Government Grants and Subsidies recognised as revenue	(34 417 387)	(38 202 163)
Contribution from/to provisions - Non-Current Employee Benefits	443 705	1 074 219
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	37 242	55 252
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(59 331)	(263 831)
Disposal on landfill site calculation	-	585 504
Operating Surplus/(Deficit) before changes in working capital	28 863 649	22 630 913
Changes in working capital	(9 192 337)	(13 970 721)
(Decrease)/Increase in Trade and Other Payables	(167 275)	(4 840 823)
(Decrease) in Taxes	244 468	(512 671)
Decrease/(Increase) in Operating lease asset	(27 997)	(35 707)
Decrease/(Increase) in Inventory	146 580	(140 939)
(Increase) in Gross Debtors from exchange and non exchange	(9 194 543)	(8 837 939)
(Decrease)/Increase in Employee benefits	(193 571)	397 357
Cash generated by operations	19 671 312	8 660 192
47 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 10	30 206 669	336 491
Call Deposits and Investments - Note 10	2 874 553	25 074 550
Cash Floats - Note 10	3 050	3 050
Total cash and cash equivalents	33 084 272	25 414 091

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
48	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents - Note 47	33 084 272	25 414 091
	Less:	(5 142 805)	(2 318 472)
	Unspent Transfers and Subsidies - Note 17	(5 142 805)	(2 318 472)
	Net cash resources available for internal distribution	27 941 467	23 095 619
	Allocated to:		
	Capital Replacement Reserve	(9 500 000)	(13 160 543)
	Resources available for working capital requirements	18 441 467	9 935 076

49 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 11	4 750	65 905
Used to finance property, plant and equipment - at cost	(4 750)	(65 905)
	-	-
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.

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

50

50.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	5 116 614	6 565 001
Unauthorised expenditure current year - operational	659 294	5 116 614
Unauthorised expenditure current year - capital	24 585	-
Approved by Council	(5 116 614)	(6 565 001)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	683 879	5 116 614

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
<i>Provision for traffic fines incorrectly budgeted for.</i>	None	-	2 142 291
<i>Provision for landfill site incorrectly budgeted for</i>	None	659 294	2 974 323
<i>Prepaid electricity Server and printers purchased due to emergency</i>	None	24 585	
		683 879	5 116 614

	2019 Actual R	2019 Final Budget R	2019 Variance R	2019 Unauthorised R
Unauthorised expenditure current year - operating				
Vote 1 - EXECUTIVE AND COUNCIL	6 225 018	8 251 540	(2 026 522)	-
Vote 2 - DIRECTOR FINANCE	12 158 252	12 327 025	(168 774)	-
Vote 3 - DIRECTOR CORPORATE	5 884 951	7 556 236	(1 671 285)	-
Vote 4 - DIRECTOR COMMUNITY	10 911 654	20 406 503	(9 494 849)	-
Vote 5 - DIRECTOR TECHNICAL SERVICES	32 037 264	31 377 970	659 294	659 294
	67 217 139	79 919 274	(12 702 135)	659 294

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 Actual R	2019 Final Budget R	2019 Variance R	2019 Unauthorised R
Unauthorised expenditure current year - capital				
Vote 1 - EXECUTIVE AND COUNCIL	5 120	-	5 120	5 120
Vote 2 - DIRECTOR FINANCE	50 465	31 000	19 465	19 465
Vote 3 - DIRECTOR CORPORATE	-	-	-	-
Vote 4 - DIRECTOR COMMUNITY	173 353	175 000	(1 647)	-
Vote 5 - DIRECTOR TECHNICAL SERVICES	11 963 469	19 336 758	(7 373 289)	-
	<u>12 192 407</u>	<u>19 542 758</u>	<u>(7 350 351)</u>	<u>24 585</u>

50.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance			1 494	31 136
Fruitless and wasteful expenditure current year			28 103	1 494
Condoned or written off by Council			(7 041)	(31 136)
			<u>22 556</u>	<u>1 494</u>

Fruitless and wasteful expenditure awaiting condonement

2019
R

2018
R

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Interest & Penalty on late payment of May 2017's VAT account.	None	-	1 494
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>28 103</u>	<u>1 494</u>

50.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance		24 286	224 500
Irregular expenditure current year		2 589 139	772 114
Irregular expenditure identified in the current year relating to prior years.		5 826 680	-
Written off by council relating to SCM non-compliance		(24 286)	(222 067)
Written off by council relating to Local content		-	(750 260)
		<u>8 415 819</u>	<u>24 286</u>

Irregular expenditure awaiting further action

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Non compliance with SCM - Local Content	None	-	750 260
Non compliance with SCM	None	253 486	4 407
Non compliance with SCM - Not on CSD	None	-	17 446
Non compliance with Section 32 per the AG & NT - Current year	Possible irregular pending further investigation	2 335 653	-
Non compliance with Section 32 per the AG & NT - Identified in current year, but relating to prior years.	Possible irregular pending further investigation	5 826 680	-
		<u>8 415 819</u>	<u>772 114</u>

Non compliance with Section 32 were triggered by a court finding as well as a circular that was issued in July 2019 by National Treasury. The amount disclosed are for all Section 32 appointments for the last three financial years and were all 'rate' based contracts. No goods were procured on the mentioned contracts. Council will not take any steps against any its employees as this finding is transversal as well as technical in nature.

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.

51 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

51.1 **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)	-	-

2019 R 2018 R

51.2 **Audit fees - [MFMA 125 (1)(c)]**

Opening balance	-	-
Current year audit fee	2 945 421	3 236 991
External Audit - Auditor-General	2 945 421	3 236 991
Amount paid - current year	(2 945 421)	(3 236 991)
Balance unpaid (included in creditors)	-	-

51.3 **VAT - [MFMA 125 (1)(c)]**

Opening balance	636 722	566 998
VAT inputs	4 155 902	3 641 122
VAT outputs	(3 214 308)	(2 787 722)
Paid	72 884	339 235
Received	(1 132 347)	(1 122 910)
Closing balance	518 854	636 722

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.

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

Opening balance	-	-
Current year payroll deductions	3 405 591	3 274 274
Amount paid - current year	(3 405 591)	(3 274 274)
Balance unpaid (included in creditors)	-	-

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

Opening balance	-	-
Current year payroll deductions and Council Contributions	2 319 905	2 041 721
Amount paid - current year	(2 319 905)	(2 041 721)
Balance unpaid (included in creditors)	-	-

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

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

51.7 **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

	<u>Type of Deviation</u>			
	Single Supplier	Impossible	Impractical	Emergency
Refer to Appenix D for the breakdown of deviations relating to the current financial year	-	-	298 575	155 331
	-	-	298 575	155 331

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

51.8 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	823 060
Emmanuel Pinkster	Leonard Jaftha	Owner	Teacher	Spouse	WCED	19 850
					2019	2018
					R	R

51.9 Material losses

Electricity distribution losses

Units purchased (Kwh)	10 749 517	10 455 403
Units lost during distribution (Kwh)	1 280 863	1 400 340
Percentage lost during distribution	11.92%	13.39%
Distribution loss (Rand Value)	1 235 189	1 292 563

Water distribution losses

Kilo litres purified	614 601	547 010
Kilo litres lost during distribution	154 141	91 632
Percentage lost during distribution	25.08%	16.75%
Distribution loss (Rand Value)	500 739	368 359

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

52 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 2019

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

	2019 R	2018 R
The potential impact on the municipality's surplus/(deficit) for the year due to changes in interest rates were as follow:		
1% (2018: 1%) Increase in interest rates	330 765	253 451
1% (2018: 1%) Decrease in interest rates	(330 765)	(253 451)

(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.

	2019 %	2019 R	2018 %	2018 R
<u>Non-Current Receivables</u>				
Repay Arrangements	100.00%	-	100.00%	-
<u>Non-exchange Receivables</u>				
Rates	100.00%	1 377 903	100.00%	1 141 867
<u>Exchange Receivables</u>				
Electricity	6.72%	702 489	12.76%	926 227
Water	44.63%	4 663 043	40.66%	2 951 231
Refuse	19.53%	2 040 789	18.61%	1 350 610
Sewerage	24.41%	2 549 766	22.35%	1 622 344
Other	4.70%	491 099	5.62%	408 156
	100.00%	10 447 186	100.00%	7 258 568

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:

	2019 %	2019 R	2018 %	2018 R
Government	0.42%	44 120	0.38%	27 927
Commercial	1.97%	205 844	1.46%	106 169
Other Municipality	0.01%	886	0.00%	-
Residential	93.70%	9 788 548	82.96%	6 021 790
Other	3.90%	407 788	15.19%	1 102 682
	100.00%	10 447 186	100.00%	7 258 568

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

<u>Ageing of amounts past due but not impaired are as follow:</u>	Exchange Receivables	Non-exchange Receivables
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>
2018		
1 month past due	644 667	37 322
2+ months past due	6 886 639	1 098 499
	<u>7 531 306</u>	<u>1 135 821</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.

	2019 R	2018 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	12 564 907	8 990 152
Receivables from non-exchange transactions	34 274 383	28 285 079
Cash and Cash Equivalents	33 081 222	25 411 041
	<u>79 920 512</u>	<u>62 686 271</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
2019				
Long-term Liabilities	4 825	-	-	-
Capital repayments	4 750	-	-	-
Interest	75	-	-	-
Trade and Other Payables	3 057 790			
Unspent conditional government grants and receipts	5 142 804			
Cash and Cash Equivalents	33 084 271			
	<u>41 289 690</u>	<u>-</u>	<u>-</u>	<u>-</u>

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2018				
Long-term Liabilities	67 771	4 825	-	-
Capital repayments	61 155	4 750	-	-
Interest	6 616	75	-	-
Trade and Other Payables	3 225 064			
Unspent conditional government grants and receipts	2 318 472			
Cash and Cash Equivalents	25 414 091			
	<u>31 025 399</u>	<u>4 825</u>	<u>-</u>	<u>-</u>

53 FINANCIAL INSTRUMENTS

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

53.1 Financial Assets

Classification

		2019 R	2018 R
Receivables from Exchange Transactions			
Electricity	Financial Instruments at amortised cost	1 663 133	1 684 095
Water	Financial Instruments at amortised cost	5 054 505	3 237 523
Property Rentals	Financial Instruments at amortised cost	419 649	326 796
Waste Management	Financial Instruments at amortised cost	2 188 592	1 461 542
Waste Water Management	Financial Instruments at amortised cost	2 700 929	1 692 359
Creditors with Debit Balances	Financial Instruments at amortised cost	-	57 735
Other Arrears	Financial Instruments at amortised cost	157 465	118 897

Cash and Cash Equivalents

Bank Balances	Financial Instruments at amortised cost	30 206 669	336 491
Call Deposits	Financial Instruments at amortised cost	2 874 553	25 074 550
Total Financial Assets		45 265 495	33 989 990

SUMMARY OF FINANCIAL ASSETS

Financial Instruments at amortised cost:

Receivables from Exchange Transactions	Electricity	1 663 133	1 684 095
Receivables from Exchange Transactions	Water	5 054 505	3 237 523
Receivables from Exchange Transactions	Property Rentals	419 649	326 796
Receivables from Exchange Transactions	Waste Management	2 188 592	1 461 542
Receivables from Exchange Transactions	Waste Water Management	2 700 929	1 692 359
Receivables from Exchange Transactions	Creditors with Debit Balances	-	57 735
Receivables from Exchange Transactions	Other Arrears	157 465	118 897
Cash and Cash Equivalents	Bank Balances	30 206 669	336 491
Cash and Cash Equivalents	Call Deposits	2 874 553	25 074 550
		<u>45 265 495</u>	<u>33 989 990</u>

Financial Instruments at fair value:

Total Financial Assets		45 265 495	33 989 990
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53.2 Financial Liabilities

Classification

Long-term Liabilities

Capitalised Lease Liability	Financial Instruments at amortised cost	4 750	65 905
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Trade and Other Payables

Trade Payables	Financial Instruments at amortised cost	1 779 900	2 520 543
Retentions	Financial Instruments at amortised cost	449 982	189 805
Other Payables	Financial Instruments at amortised cost	75 273	103 512
Debtors with credit balances	Financial Instruments at amortised cost	380 634	411 203

PRINCE ALBERT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
Cash and Cash Equivalents	<u>2 690 539</u>	<u>3 290 968</u>
SUMMARY OF FINANCIAL LIABILITIES		
Financial instruments at amortised cost:		
Long-term Liabilities	4 750	65 905
Trade and Other Payables	1 779 900	2 520 543
Trade and Other Payables	449 982	189 805
Trade and Other Payables	75 273	103 512
Trade and Other Payables	380 634	411 203
	<u>2 690 539</u>	<u>3 290 968</u>
54 STATUTORY RECEIVABLES		
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:		
Taxes		
VAT Receivable	518 854	606 959
Receivables from Non-Exchange Transactions		
Rates	1 377 903	1 141 867
Fines	31 985 164	26 294 865
Total Statutory Receivables (before provision)	33 881 920	28 043 691
Less: Provision for Debt Impairment	(32 895 849)	(26 853 002)
Total Statutory Receivables (after provision)	<u>986 071</u>	<u>1 190 690</u>
55 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>	969 130	1 083 206
<i>The auditor General - Audit fees over and above 1% contributed by National Treasury</i>	2 362 049	2 327 305
<i>Moore Stephans in SLA with Central Karoo District Municipality</i>	-	175 000
Total In-kind Donations and Assistance	<u>3 331 179</u>	<u>3 585 511</u>
56 CONTINGENT LIABILITY		
The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:		
<i>Overflow of a transfer station at Prince Albert Road lead to the deaths of a farmer's wild oryxes.</i>	-	99 000
	-	<u>99 000</u>
57 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure excluding VAT:		
Approved and contracted for:	6 834 413	5 276 151
Total commitments consist out of the following:		
Water Services Infrastructure Grant	2 422 292	-
Waste Water treatment works Klaarstroom	3 306 670	-
Raw water storage in Prince Albert	-	3 438 142
Drought relief from Provincial Treasury	1 105 452	1 838 008
	<u>6 834 413</u>	<u>5 276 151</u>
This expenditure will be financed from:		
Government Grants	6 834 413	5 276 151
	<u>6 834 413</u>	<u>5 276 151</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
58	RELATED PARTIES		
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
	58.1 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	-	-
		<hr/>	<hr/>
		<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.

58.2 Related Party Loans

No loans were granted to councillors or senior management employees.

58.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 31 to the Annual Financial Statements.

58.4 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	1 700
				<hr/>	<hr/>
				4 560	1 700
				<hr/> <hr/>	<hr/> <hr/>

59 FINANCIAL SUSTAINABILITY

Management is of the opinion that the municipality will continue to operate as a going concern and perform its functions as set out in the Constitution.

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators	2019	2018
The current ratio for the comparative years are: Although the rate declined, it is still above the norm, being 2:1.	3.82	4.25

**APPENDIX A
PRINCE ALBERT LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019**

EXTERNAL LOANS	Balance at 30 June 2018	Received during the period	Redeemed written off during the period	Balance at 30 June 2019	Carrying Value of Property, Plant & Equipment
LEASE LIABILITY					
Minolta Bizhub C284E	9 623	-	(9 623)	-	-
Minolta B287	20 652	-	(18 908)	1 744	1 744
Minolta B554E	35 629	-	(32 624)	3 006	3 006
Total Lease Liabilities	65 905	-	(61 155)	4 750	4 750
TOTAL EXTERNAL LOANS	65 905	-	(61 155)	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 2018	Restated Balance 30 June 2018	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 2019	Unspent 30 June 2019 (Creditor)	Unpaid 30 June 2019 (Debtor)
<u>National Government Grants</u>									
Equitable Share	-	-	19 317 000	-	(19 317 000)	-	-	-	-
Finance Management Grant	-	-	1 700 000	-	(1 700 000)	-	-	-	-
Water Service Infrastructure Grant	-	-	3 000 000	-	-	(577 708)	2 422 292	2 422 292	-
Municipal Infrastructure Grant	-	-	7 505 000	-	(375 250)	(7 027 276)	102 474	102 474	-
Integrated National Electrification Grant	(1 895 217)	(1 895 217)	2 500 000	-	-	(604 783)	-	-	-
EPWP	-	-	1 042 000	-	(1 042 000)	-	-	-	-
Total National Government Grants	(1 895 217)	(1 895 217)	35 064 000	-	(22 434 250)	(8 209 767)	2 524 765	2 524 765	-
<u>Provincial Government Grants</u>									
Library	-	-	1 602 000	-	(1 602 000)	-	-	-	-
Drought Relief	-	-	-	-	-	-	-	-	-
Additional Drought relief for Boreholes	59 974	59 974	-	(59 974)	-	-	-	-	-
Internship recruitment	51 474	51 474	72 000	(51 474)	(56 131)	-	15 869	15 869	-
Western Cape Refuse Truck Grant	-	-	99 000	-	(99 000)	-	-	-	-
Thusong service centre	-	-	110 000	-	(110 000)	-	-	-	-
CDW	-	-	-	-	(59 096)	-	(59 096)	-	(59 096)
Financial Capacity - AFS	83 503	83 503	-	-	(83 503)	-	-	-	-
Western Cape Helix Innovative Government Programme	-	-	840 000	-	-	-	840 000	840 000	-
Financial Capacity - Internal Audit	-	-	470 000	-	(440 630)	-	29 370	29 370	-
Financial Capacity - MSCOA	-	-	330 000	-	(330 000)	-	-	-	-
Financial Capacity - SDBIP	45 513	45 513	200 000	-	(110 085)	-	135 428	135 428	-
Capacity Building	240 000	240 000	360 000	-	(108 080)	-	491 920	491 920	-
Additional WC Drought relief for Boreholes <i>list</i>	1 838 008	1 838 008	-	-	-	(732 557)	1 105 452	1 105 452	-
	-	-	-	-	-	-	-	-	-
Total Provincial Government Grants	2 318 472	2 318 472	4 083 000	(111 448)	(2 998 525)	(732 557)	2 558 942	2 618 039	(59 096)
<u>District Municipality</u>									
Central Karoo District Municipality	-	-	-	-	-	-	-	-	-
Total District Municipality Grants	-	-	-	-	-	-	-	-	-
<u>Other Grant Providers</u>									
Allocations in kind - NT contribution on audit fees	-	-	2 362 049	-	(2 362 049)	-	-	-	-
Allocations in kind - MISA - Engineering services	-	-	969 130	-	(969 130)	-	-	-	-
SETA	-	-	42 288	-	(42 288)	-	-	-	-
Total Other Grant Providers	-	-	3 373 468	-	(3 373 468)	-	-	-	-
Total Grants	423 255	423 255	42 520 468	(111 448)	(28 806 243)	(8 942 324)	5 083 708	5 142 804	(59 096)

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 2019
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

Description	2018/19							2017/18
	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 - Standard								
Governance and administration	45 719	15 292	61 011	42 123	(18 888)	69.0%	92.1%	45 412
Executive and council	32 115	(10 890)	21 225	20 065	(1 161)	94.5%	62.5%	17 682
Finance and administration	13 604	25 751	39 356	21 641	(17 715)	55.0%	159.1%	27 425
Corporate services	-	430	430	417	(13)	97.0%	#DIV/0!	304
Community and public safety	20 606	(14 896)	5 710	8 709	2 999	152.5%	42.3%	8 670
Community and social services	1 976	(86)	1 890	1 969	80	104.2%	99.7%	1 808
Sport and recreation	40	-	40	21	(19)	53.7%	53.7%	41
Public safety	-	3 780	3 780	6 718	2 938	177.7%	#DIV/0!	6 821
Housing	18 590	(18 590)	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Economic and environmental services	5 097	(5 096)	1	1 073	1 072	107288.2%	21.0%	1 187
Planning and development	74	(74)	-	-	-	-	-	-
Road transport	5 023	(5 022)	1	1 073	1 072	107288.2%	21.4%	1 187
Environmental protection	-	-	-	-	-	-	-	-
Trading services	23 341	1 052	24 393	23 848	(546)	97.8%	102.2%	21 180
Electricity	14 715	(2 510)	12 205	14 199	1 995	116.3%	96.5%	13 441
Water	3 854	3 263	7 117	4 597	(2 520)	64.6%	119.3%	3 319
Waste water management	3 020	299	3 319	3 385	66	102.0%	112.1%	2 906
Waste management	1 753	-	1 753	1 666	(87)	95.1%	95.1%	1 515
Other	-	-	-	-	-	-	-	-
Total Revenue - Standard	94 764	(3 649)	91 115	75 752	(15 363)	83.1%	79.9%	76 449

REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2018/19							2017/18
	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
Expenditure - Standard								
Governance and administration	25 335	14 129	39 464	23 850	(15 614)	60.4%	94.1%	26 963
Executive and council	7 422	1 101	8 524	6 481	(2 042)	76.0%	87.3%	6 958
Finance and administration	17 913	7 066	24 979	12 268	(12 711)	49.1%	68.5%	15 474
Corporate services	-	5 961	5 961	5 101	(861)	85.6%	#DIV/0!	4 530
Community and public safety	22 015	(12 804)	9 211	11 920	2 709	129.4%	54.1%	11 534
Community and social services	2 370	850	3 219	2 813	(406)	87.4%	118.7%	2 955
Sport and recreation	1 055	16	1 071	1 016	(55)	94.9%	96.3%	698
Public safety	-	4 920	4 920	8 091	3 171	164.4%	#DIV/0!	7 881
Housing	18 590	(18 590)	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Economic and environmental services	11 711	(4 822)	6 889	7 343	454	106.6%	62.7%	6 821
Planning and development	708	(171)	537	452	(85)	84.2%	63.9%	344
Road transport	11 003	(4 650)	6 352	6 891	538	108.5%	62.6%	6 477
Environmental protection	-	-	-	-	-	-	-	-
Trading services	23 281	703	23 984	24 104	121	100.5%	103.5%	22 138
Electricity	12 082	465	12 547	11 795	(752)	94.0%	97.6%	11 417
Water	4 990	(207)	4 783	4 363	(420)	91.2%	87.4%	3 337
Waste water management	3 744	(580)	3 164	2 926	(238)	92.5%	78.2%	2 401
Waste management	2 315	1 175	3 489	5 020	1 531	143.9%	216.9%	4 983
Other	150	(150)	-	-	-	-	-	-
Total Expenditure - Standard	82 342	(2 794)	79 547	67 217	(12 330)	84.5%	81.6%	67 456
Surplus/(Deficit) for the year	12 422	(854)	11 568	8 535	(3 032)	-1.4%	-1.7%	8 993

**APPENDIX C(2) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Vote Description	2018/19							2017/18
	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	32 115	(10 890)	21 225	20 065	(1 161)	94.5%	62.5%	17 682
Vote 2 - Director Finance	12 860	3 629	16 488	12 731	(3 757)	77.2%	99.0%	18 595
Vote 3 - Director Corporate	819	403	1 222	584	(637)	47.8%	71.4%	819
Vote 4 - Director Community	24 536	(6 438)	18 098	8 650	(9 448)	47.8%	35.3%	8 596
Vote 5 - Director Technical Services	24 434	10 020	34 454	33 722	(732)	97.9%	138.0%	30 758
Total Revenue by Vote	94 764	(3 277)	91 487	75 752	(15 735)	73.1%	81.2%	76 449
Expenditure by Vote to be appropriated								
Vote 1 - Executive and Council	7 422	829	8 252	6 225	(2 027)	75.4%	83.9%	6 558
Vote 2 - Director Finance	11 679	648	12 327	12 158	(169)	98.6%	104.1%	16 534
Vote 3 - Director Corporate	6 942	614	7 556	5 885	(1 671)	77.9%	84.8%	5 382
Vote 4 - Director Community	26 613	(6 207)	20 407	10 912	(9 495)	53.5%	41.0%	11 560
Vote 5 - Director Technical Services	29 686	1 692	31 378	32 037	659	102.1%	107.9%	27 421
Total Expenditure by Vote	82 342	(2 422)	79 919	67 217	(12 702)	0.0%	0.0%	67 456
Surplus/(Deficit) for the year	12 422	(854)	11 568	8 535	(3 032)	0.0%	0.0%	8 993

**APPENDIX C(3) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
REVENUE AND EXPENDITURE**

Description	2018/19							2017/18
	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
R thousand	1	2	3	4	6	7	8	12
Revenue By Source								
Property rates	3 453	250	3 703	3 431	(272)	92.6%	99.4%	3 275
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-
Service charges - electricity revenue	14 331	707	15 038	14 199	(839)	94.4%	99.1%	13 441
Service charges - water revenue	3 584	136	3 720	4 020	300	108.1%	112.2%	3 319
Service charges - sanitation revenue	2 906	200	3 106	3 286	180	105.8%	113.1%	2 906
Service charges - refuse revenue	1 622	1	1 623	1 654	32	102.0%	102.0%	1 537
Service charges - other	-	-	-	-	-	-	-	-
Rental of facilities and equipment	462	(75)	387	500	113	129.2%	108.4%	487
Interest earned - external investments	2 280	550	2 830	2 835	5	100.2%	124.3%	2 588
Interest earned - outstanding debtors	698	127	825	836	11	101.3%	119.8%	573
Dividends received	-	-	-	-	-	-	-	-
Fines	3 713	(170)	3 543	6 408	2 865	180.9%	172.6%	6 512
Licences and permits	-	-	-	-	-	-	-	262
Agency services	220	(220)	-	282	282	#DIV/0!	128.1%	-
Transfers recognised - operational	43 823	(1 428)	42 395	25 475	(16 920)	60.1%	58.1%	23 891
Other revenue	5 273	(2 666)	2 607	3 873	1 266	148.6%	73.5%	6 954
Gains on disposal of PPE	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	82 364	(2 587)	79 776	66 799	(12 978)	0.0%	0.0%	65 746

Description	2018/19							2017/18
	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
R thousand	1	2	3	4	6	7	8	12
Expenditure By Type								
Employee related costs	21 839	1 212	23 051	20 591	(2 460)	89.3%	94.3%	20 269
Remuneration of councillors	3 086	-	3 086	3 033	(53)	98.3%	98.3%	2 928
Debt impairment	5 930	-	5 930	8 862	2 932	149.4%	149.4%	8 658
Depreciation & asset impairment	2 978	310	3 288	5 274	1 986	160.4%	177.1%	5 461
Finance charges	55	-	55	1 199	1 144	2180.9%	2180.9%	1 181
Bulk purchases	9 800	700	10 500	10 393	(107)	99.0%	106.1%	9 522
Other materials	639	51	690	1 025	335	148.5%	160.4%	1 178
Contracted services	6 809	14 305	21 114	5 469	(15 645)	25.9%	80.3%	5 560
Transfers and grants	-	1 236	1 236	428	(808)	34.6%	#DIV/0!	380
Other expenditure	31 207	(20 327)	10 879	10 789	(90)	99.2%	34.6%	10 410
Loss on disposal of PPE	-	-	-	142	142	#DIV/0!	#DIV/0!	1 931
Total Expenditure	82 342	(2 512)	79 829	67 206	(12 623)	0.0%	0.0%	67 478
Surplus/(Deficit)	-	-	-	-	-	-	-	-
Transfers recognised - capital	12 400	2 068	14 468	8 942	(5 525)	61.8%	72.1%	10 726
Contributions recognised - capital	-	-	-	-	-	-	-	-
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	12 422	1 993	14 415	8 535	(5 880)	0.0%	0.0%	8 993

**APPENDIX C(4) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

Vote Description	2018/19							2017/18
	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
Single-year expenditure								
Vote 1 - Executive and Council	20	-	20	5	(15)	26%	26%	86
Vote 2 - Director Finance	-	31	31	50	19	163%	#DIV/0!	419
Vote 3 - Director Corporate	-	185	185	-	(185)	-	-	27
Vote 4 - Director Community	500	210	710	173	(537)	24%	35%	148
Vote 5 - Director Technical Services	15 180	3 517	18 697	11 963	(6 733)	64%	79%	10 701
Capital single-year expenditure	15 700	3 943	19 643	12 192	(7 450)	0%	0%	11 381
Total Capital Expenditure - Vote	15 700	3 943	19 643	12 192	(7 450)	0%	0%	11 381

Vote Description	2018/19							2017/18
	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	20	216	236	3 993	3 757	1692%	19963%	1 140
Executive and council	20	-	20	5	(15)	26%		693
Finance and administration	-	216	216	3 987	3 771	1846%	#DIV/0!	419
Corporate services	-	-	-	-	-	-	-	27
Community and public safety	500	210	710	16	(694)	2%	3%	148
Community and social services	-	-	-	16	16	#DIV/0!	#DIV/0!	88
Sport and recreation	500	210	710	-	(710)	-	-	60
Public safety	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Economic and environmental services	4 366	792	5 158	5 678	520	110%	130%	2 637
Planning and development	-	-	-	-	-	-	-	-
Road transport	4 366	792	5 158	5 678	520	110%	130%	2 637
Environmental protection	-	-	-	-	-	-	-	-
Trading services	10 813	2 725	13 538	2 505	(11 033)	19%	23%	7 456
Electricity	2 250	450	2 700	567	(2 133)	21%	25%	3 037
Water	4 975	2 649	7 624	-	(7 624)	-	-	403
Waste water management	900	226	1 126	1 717	591	153%	191%	3 496
Waste management	2 688	(600)	2 088	221	(1 867)	11%	8%	520
Other	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	15 700	3 943	19 643	12 192	(7 450)	0%	0%	10 934
Funded by:								
National Government	12 400	2 088	14 488	8 210	(6 278)	57%	66%	8 228
Provincial Government	-	-	-	733	733	#DIV/0!	#DIV/0!	2 000
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
Transfers recognised - capital	12 400	2 088	14 488	8 942	(5 545)	62%	72%	10 228
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	3 300	-	5 155	3 250	(1 905)	63%	98%	1 152
Total Capital Funding	15 700	2 088	19 643	12 192	(7 450)	0%	0%	11 381

APPENDIX C(5) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
CASH FLOWS

Description	2018/19							2017/18
	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	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties and collection charges	2 935	212	3 147	28 504	25 357	89.0%	11932.5%	25 445
Service charges	19 076	887	19 963	-	(19 963)	#DIV/0!	-2250.7%	-
Other revenue	6 627	(2 737)	3 891	-	(3 891)	#DIV/0!	142.2%	-
Government - operating	43 823	(1 428)	42 395	26 184	(16 211)	-61.9%	1135.2%	23 891
Government - capital	12 400	2 068	14 468	13 005	(1 463)	-11.2%	-70.7%	10 726
Interest	2 873	658	3 531	3 671	140	3.8%	21.2%	3 162
Dividends	-	-	-	-	-	-	-	-
Payments								
Suppliers and employees	(71 363)	3 457	(67 906)	(51 255)	16 651	-32.5%	481.6%	(54 165)
Finance charges	(55)	-	(55)	(10)	45	-451.7%	#DIV/0!	(18)
Transfers and Grants	-	(1 236)	(1 236)	(428)	808	-188.7%	-65.4%	(380)
NET CASH FROM/(USED) OPERATING ACTIVITIES	16 317	1 882	18 199	19 671	1 472	0.0%	0.0%	8 660
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on Disposal of Property plant and equipment	-	-	-	-	-	-	-	449
Purchase of Intangible Assets	-	-	-	(33)	(33)	100.0%	#DIV/0!	(21)
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
Payments								
Capital assets	(15 584)	-	(21 961)	(11 938)	10 023	-84.0%	#DIV/0!	(11 031)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(15 584)	-	(21 961)	(11 972)	9 990	-83.4%	#DIV/0!	(10 603)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	(61)	(61)	100.0%	#DIV/0!	(69)
Borrowing long term/refinancing	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	39	-	27	32	5	15.0%	#DIV/0!	15
Payments								
Repayment of borrowing	(24)	-	(61)	-	61	#DIV/0!	#DIV/0!	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	15	-	(34)	(30)	5	-16.0%	#DIV/0!	(54)
NET INCREASE/ (DECREASE) IN CASH HELD	747	1 882	(3 796)	7 670				(1 997)
Cash/cash equivalents at the year begin:	30 400	1 882	25 414	25 414				27 412
Cash/cash equivalents at the year end:	31 147	3 764	21 618	33 084	11 467	34.7%	304.6%	25 414

**APPENDIX D - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
SCHEDULE OF SCM DEVIATIONS FOR THE YEAR ENDED 30 JUNE 2019**

SUPPLIER	GOODS / SERVICES	AMOUNT Exclusive of VAT	REASON
PAY DAY SOFTWARE SYSTEMS (PTY) LTD	Annual IRP5 Submission & Support	56 028.00	Impractical
SS SWEIS EN HERSTEL	Repairs on sewerage truck CCA 4495	15 432.16	Emergency
UBERTECH	IT System maintenance (No contract for July & August 2018)	64 860.00	Impractical
GROUP EDITORS	Advert - Financial Intern (3rd round)	2 575.08	Impractical
VSR DIGGING	Installation of vacuum tank on sewerage truck	29 785.00	Emergency
SYNTELL	Security cards (Supplier for prepaid elec.for municipality)	22 425.00	Impractical
MEDIA 24	Advert - Municipal Manager vacancy (National advert)	63 393.75	Impractical
SPECIALIST SYSTEM ENGINEERING	Replacement of Telemetry Equipment	55 049.35	Emergency
JAN NEL ELEKTRIES	Switch for Server Room (Finance Department)	55 064.30	Emergency
DEPT. TRANSPORT & PUBLIC WORKS	Training - Traffic college (Western Cape)	4 723.65	Impractical
TATA GARDEN ROUTE	Repairs on truck CCA 3279	69 273.99	Impractical
UTI SUN COURIERS	Shipping of tender documents (No quote available beforehand)	2 173.47	Impractical
SHORT'S COMMERCIAL VEHICLES	Service for vehicles CCA3813 & CCA1626 (under warranty)	13 121.88	Impractical
	Total	453 906	