

PRINCE ALBERT MUNICIPALITY



AUDITED

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2022

PRINCE ALBERT LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

Ms M.D. Jaftha

DEPUTY MAYOR

Ms L. Jaquet

SPEAKER

Mr S Botes

MEMBERS OF THE EXECUTIVE COMMITTEE

Executive Mayor
Speaker

Ms M.D. Jaftha
Ms S Botes

MUNICIPAL MANAGER

Mr Al Hendricks (Acting)

CHIEF FINANCIAL OFFICER

PW Erasmus

REGISTERED OFFICE

23 Church Street
Prince Albert
6730

Private Bag X53
PRINCE ALBERT
6730

AUDITORS

Office of the Auditor-General (Western Cape)

PRINCE ALBERT LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

GENERAL INFORMATION

PRINCIPLE BANKERS

ABSA Bank, Prince Albert

ATTORNEYS

No appointed attorneys

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)
South African Local Bargaining Council 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)

COUNCILORS OF THE PRINCE ALBERT LOCAL MUNICIPALITY

WARD

1
2
3
4
Proportional
Proportional
Proportional

COUNCILLOR

Ms E Maans
Ms L Jaquet
Mr SD Koonthea
Ms MD Jaftha
Mr S Botes
A Mackay
K Baaidjies

PRINCE ALBERT LOCAL MUNICIPALITY

Index

<i>Contents</i>	<i>Pages</i>
General Information	1
Approval of the Financial Statements	4
Statement of Financial Position	5
Statement of Financial Performance	6
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
Statement of Segmental Reporting	12
Accounting Policies	17
Notes to the Financial Statements	58
APPENDICES	
A Schedule of External Loans	116
B Segmental Statement of Financial Performance - GFS Classifications	117
C Segmental Statement of Financial Performance - Municipal Votes	118
D Segmental Analysis of Property, Plant and Equipment - GFS Classifications	119
E Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	120
F Appropriation Statements	121

PRINCE ALBERT LOCAL MUNICIPALITY

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2022, which are set out on pages 3 to 127 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 2022 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

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

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, 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 and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.



Mr Al Hendricks
Municipal Manager (Acting)

30 November 2022

Date

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

	Notes	2022 R	2021 R
ASSETS			
Non-Current Assets		191 155 618	184 705 602
Property, Plant and Equipment	2	175 673 249	169 705 478
Investment Property	3	13 605 195	13 611 976
Intangible Assets	4	632 173	143 148
Heritage Assets	5	1 245 000	1 245 000
Current Assets		53 775 000	56 812 615
Inventory	7	546 554	605 249
Receivables from Exchange Transactions	8	5 767 206	3 689 596
Receivables from Non-exchange Transactions	9	495 317	435 354
Unpaid Transfers and Subsidies	21	953 002	-
Operating Lease Asset	6	151 906	145 497
Cash and Cash Equivalents	10	1 504 385	607 626
Short-term Investments	10.2	44 356 630	51 329 293
Total Assets		244 930 618	241 518 216
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		27 836 386	28 661 691
Long-term Borrowings	11	43 042	141 375
Non-current Provisions	12	21 862 045	21 314 841
Non-current Employee Benefits	13	5 931 300	7 205 475
Current Liabilities		12 256 586	21 589 349
Consumer Deposits	14	648 030	589 196
Current Employee Benefits	15	2 484 539	2 277 064
Trade and Other Payables from Exchange Transactions	16	4 735 945	13 001 334
Unspent Transfers and Subsidies	17	2 916 310	5 238 152
Taxes	18	1 373 429	391 899
Current Portion of Long-term Borrowings	15	98 333	91 704
Total Liabilities		40 092 972	50 251 040
Net Assets		204 837 646	191 267 176
Capital Replacement Reserve	19	10 500 000	10 500 000
Accumulated Surplus/(Deficit)		194 337 646	180 767 176
Total Net Assets and Liabilities		244 930 618	241 518 216

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 R	2021 R
REVENUE			
Revenue from Non-exchange Transactions		59 114 871	60 327 955
Taxation Revenue		4 380 380	4 004 457
Property Rates	20	4 380 380	4 004 457
Transfer Revenue		45 904 869	52 108 014
Government Grants and Subsidies - Operating	21	30 740 896	31 583 389
Government Grants and Subsidies - Capital	21	12 746 124	17 813 786
Service in kind	22	2 417 849	2 710 839
Other Revenue		8 829 622	4 215 484
Actuarial Gains	13	1 717 585	531 946
Fines, Penalties and Forfeits		6 910 063	3 506 650
Interest Earned - Non-exchange Transactions		201 975	176 889
Revenue from Exchange Transactions		36 063 703	33 024 070
Service Charges	24	30 552 368	27 805 660
Sales of Goods and Rendering of Services	25	435 593	434 103
Rent on Land	26	201 400	111 860
Rental from Fixed Assets	27	268 128	303 924
Interest Earned - External Investments	28	2 346 796	2 321 430
Interest Earned - Exchange Transactions	29	1 730 930	1 503 321
Licences and Permits	23	137 351	123 702
Agency Services		285 790	281 092
Operational Revenue	30	105 346	138 977
Total Revenue		95 178 574	93 352 025
EXPENDITURE			
Employee related costs	31	25 266 418	24 540 855
Remuneration of Councillors	32	3 141 826	3 154 954
Bad Debts Written Off		1 046 392	329 561
Contracted Services	33	6 147 067	5 945 189
Depreciation and Amortisation	34	5 363 450	5 428 563
Actuarial Losses	13	171 404	-
Finance Costs	35	1 940 350	818 150
Bulk Purchases	36	15 796 235	12 097 619
Inventory Consumed	7	532 751	619 592
Transfers and Subsidies	37	621 046	320 000
Operational Costs	38	11 693 928	10 703 207
Reversal of Impairment Loss/(Impairment Loss) on Receivables	39	9 925 224	9 212 809
Total Expenditure		81 646 091	73 170 498
Operating Surplus/(Deficit) for the Year		13 532 483	20 181 526
Gains/(Loss) on Sale of Fixed Assets	40	(448 740)	150 856
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	41	486 727	491 664
NET SURPLUS/(DEFICIT) FOR THE YEAR		13 570 470	20 824 046

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R
Balance at 1 July 2020	10 500 000	159 574 227	170 074 227
Correction of Error note 43	-	343 798	343 798
Restated balance	10 500 000	159 918 026	170 418 026
Net Surplus/(Deficit) for the year	-	20 849 150	20 849 150
Net Surplus/(Deficit) previously reported	-	21 764 504	21 764 504
Effects of Correction of Errors - note 43		(915 354)	(915 354)
Transfer to/from CRR	-	-	-
Balance at 30 June 2021	10 500 000	180 767 176	191 267 176
Restated balance	10 500 000	180 767 176	191 267 176
Net Surplus/(Deficit) for the year	-	13 570 470	13 570 470
Balance at 30 June 2022	10 500 000	194 337 646	204 837 646

PRINCE ALBERT LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 R	2021 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Taxation		4 185 018	3 910 415
Service Charges		26 153 743	22 873 023
Other Revenue		1 754 965	2 375 756
Government - Operating		30 931 326	33 403 322
Government - Capital		10 360 850	11 592 850
Interest		2 346 796	2 321 430
Cash payments			
Suppliers		(39 998 462)	(27 389 033)
Employee related costs		(27 928 764)	(27 140 964)
Finance Charges		(13 408)	(8 697)
Transfers and Grants		(621 046)	(320 000)
Net Cash from Operating Activities	44	7 171 018	21 618 102
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(12 639 855)	(21 811 198)
Proceeds on Disposal of Fixed Assets		-	253 668
Purchase of Intangible Assets		(515 363)	(39 969)
Net Cash from Investing Activities		(13 155 217)	(21 597 499)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Borrowing		(91 704)	(50 612)
Net Cash from Financing Activities		(91 704)	(50 612)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(6 075 904)	(30 009)
Cash and Cash Equivalents at the beginning of the year		51 936 919	51 966 927
Cash and Cash Equivalents at the end of the year	45 & 46	45 861 016	51 936 919
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(6 075 904)	(30 009)

PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022

National Treasury Budget Schedules Classification Format	GRAP Annual Financial Statements Classification Format	Notes	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final Adjustment Budget	Final Budget	Actual Outcome 2021/22	Variance between Final Budget and Actual	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget	Explanations for material variances more than 10%
			R	R	R	R	R	R	%	%	
ASSETS											
Current Assets											
Cash			41 341 418	(364 300)	40 977 118	40 977 118	45 861 016	4 883 898	110.93%	111.92%	Cash not correctly budgeted for. Some Capital projects also did not occur so the Grant funds were still with the municipality at year end.
	Cash and cash equivalents						1 504 385				
	Add:										
	Short-term Investments						44 356 630				
Consumer Debtors			10 481 262	(8 306 870)	2 174 392	2 174 392	8 175 130	6 000 738	78.00%	375.97%	Consumer debtors were not correctly budgeted for.
	Receivables from Exchange Transactions						5 767 206				
	Add:										
	Receivables from Non-exchange Transactions: Rates						2 407 923				
Other Debtors			7 400 456	(4 904 712)	2 495 744	2 495 744	(807 699)	(3 303 443)	-10.91%	-32.36%	Other Debtors not correctly budgeted for.
	Receivables from Non-exchange Transactions						495 317				
	Less:										
	Receivables from Non-exchange Transactions: Rates						(2 407 923)				
	Add:										
	Unpaid Transfers and Subsidies						953 002				
	Operating Lease Asset						151 906				
Inventory	Inventory		1 883 703	(1 278 454)	605 249	605 249	546 554	(58 695)	29.01%	90.30%	
Total Current Assets		49.2.1	61 106 839	(14 854 336)	46 252 503	46 252 503	53 775 000	7 522 497	88.00%	116.26%	
Non-Current Assets											
Investment Property	Investment Property		18 836 149	(5 230 869)	13 605 280	13 605 280	13 605 195	(85)	72.23%	100.00%	No explanation needed.
Property, Plant and Equipment	Property, Plant and Equipment		167 354 246	17 082 062	184 436 308	184 436 308	175 673 249	(8 763 059)	104.97%	95.25%	
Intangible Assets	Intangible Assets		111 136	9 092	120 228	120 228	632 173	511 945	568.83%	525.81%	Intangible assets were not correctly budgeted for in the statement of financial position.
Other non-current assets	Heritage Assets		1 118 735	114 908	1 233 643	1 233 643	1 245 000	11 357	111.29%	100.92%	No explanation needed.
Total Non-Current Assets		49.2.2	187 420 266	11 975 193	199 395 459	199 395 459	191 155 618	(8 239 841)	101.99%	95.87%	
TOTAL ASSETS			248 527 105	(2 879 143)	245 647 962	245 647 962	244 930 618	(717 344)	98.55%	99.71%	
LIABILITIES											
Current Liabilities											
Current Portion of Long-term Borrowings	Current Portion of Long-term Borrowings		4 750	86 954	91 704	91 704	98 333	6 629	2070.18%	107.23%	No explanation needed.
Consumer Deposits	Consumer Deposits		531 536	57 660	589 196	589 196	648 030	58 834	121.92%	109.99%	No explanation needed.
Trade and Other Payables			14 514 400	360 583	14 874 983	14 874 983	9 025 684	(5 849 299)	62.18%	60.68%	Decrease is due to the balance of Creditors being less than what it was in the previous financial year. The budgeted amount were based on the previous financial year's balance.
	Trade and Other Payables from Exchange Transactions						4 735 945				
	Add:										
	Unspent Transfers and Subsidies						2 916 310				
	Transfers and Subsidies Payable						-				
	Taxes						1 373 429				
Provisions			25 107 071	(22 565 483)	2 541 588	2 541 588	2 484 539	(57 049)	9.90%	97.76%	No explanation needed.
	Provisions						-				
	Current Employee Benefits						2 484 539				
Total Current Liabilities		49.2.3	40 157 757	(22 060 286)	18 097 471	18 097 471	12 256 586	(5 840 885)	30.52%	67.73%	
Non-Current Liabilities											
Borrowing	Long-term Borrowings		(4 810)	146 185	141 375	141 375	43 042	(98 333)	-894.83%	30.44%	Long term borrowings not correctly budgeted for.
Provisions			7 745 054	21 686 043	29 431 097	29 431 097	27 793 345	(1 637 752)	358.85%	94.44%	
	Non-current Provisions						21 862 045				
	Non-current Employee Benefits						5 931 300				
Total Non-Current Liabilities		49.2.4	7 740 244	21 832 228	29 572 472	29 572 472	27 836 386	(1 736 086)	359.63%	94.13%	
TOTAL LIABILITIES			47 898 001	(228 058)	47 669 943	47 669 943	40 092 972	(7 576 971)	83.70%	84.11%	
NET ASSETS											
Accumulated Surplus/(Deficit)	Accumulated Surplus/(Deficit)		191 129 104	(3 651 085)	187 478 019	187 478 019	194 337 646	6 859 627	101.68%	103.66%	No explanation needed.
Reserves	Capital Replacement Reserve		9 500 000	1 000 000	10 500 000	10 500 000	10 500 000	-	110.53%	100.00%	No explanation needed.
TOTAL NET ASSETS		49.2.5	200 629 104	(2 651 085)	197 978 019	197 978 019	204 837 646	6 859 627	102.10%	103.46%	

The MBRR requires a comparison to be disclosed between the budgeted and actual figures of the municipality. There are however differences in classification of items due to the disclosure requirement of National treasury not being in complete alignment with GRAP. Hence the need to show a reconciliation of the different classifications above.

PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

National Treasury Budget Schedules Classification Format	GRAP Annual Financial Statements Classification Format	Notes	Budget		Final Adjustment Budget	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome 2021/22	Variance between Final Budget and Actual	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget	Explanations for material variances more than 10% of a specific line item
			Original Budget	Adjustments (i.t.o. s28 and s31 of the MFMA)								
REVENUE												
Property Rates	Property Rates		5 348 400	(961 470)	4 386 930	-	4 386 930	4 380 380	(6 550)	82.02%	99.85%	No explanation needed.
Service Charges			31 578 100	(2 632 403)	28 945 697	-	28 945 697	30 552 368	1 606 671	91.66%	105.55%	Increase in services charges not correctly budgeted for.
Service Charges - Electricity Revenue			18 927 900	(24 482)	18 903 418	-	18 903 418					
Service Charges - Water Revenue			6 190 100	(2 015 657)	4 174 443	-	4 174 443					
Service Charges - Sanitation Revenue			4 165 700	(186 769)	3 978 931	-	3 978 931					
Service Charges - Refuse Revenue			2 294 400	(405 495)	1 888 905	-	1 888 905					
	Service Charges Availability Charges							30 552 368				
Rental of Facilities and Equipment			367 500	-	367 500	37 100	404 600	469 528	64 928	127.76%	116.05%	Increase budgeted for differed, 5% increase instead of 10%, from that of the signed contracts.
	Rent on Land							201 400				
	Rental from Fixed Assets							268 128				
Interest Earned - External Investments	Interest Earned - External Investments		2 340 000	-	2 340 000	-	2 340 000	2 346 796			100.29%	
Interest Earned - Outstanding Debtors			1 834 000	-	1 834 000	-	1 834 000	1 932 905	98 905	105.39%	105.39%	No explanation needed.
	Interest Earned - Exchange Transactions							1 730 930				
	Interest Earned - Non-exchange Transactions							201 975				
Dividends Received												#DIV/0!
Fines, penalties and forfeits	Fines, Penalties and Forfeits		2 194 300	(2 000 000)	194 300	-	194 300	6 910 063	6 715 763	314.91%	356.39%	An effort to recover more fines was attempted in the latter part of the financial year giving rise to an increase in fines.
Licences and Permits	Licences and Permits		123 300	-	123 300	-	123 300	137 351	14 051	111.40%	111.40%	Increase in license and permits not correctly budgeted for.
Agency Services	Agency Services		110 000	-	110 000	-	110 000	285 790	175 790	259.81%	259.81%	Renewal of licences increased after the pandemic and are back to normal.
Transfers Recognised - Operational	Government Grants and Subsidies - Operating		33 001 500	(1 877 916)	31 123 584	-	31 123 584	30 740 896	(382 688)	98.77%	98.77%	No explanation needed.
Service in kind			-	-	-	-	-	2 417 849	2 417 849	#DIV/0!	#DIV/0!	Service in kind not budgeted for.
Other Revenue			952 300	-	952 300	(37 100)	915 200	540 939	(374 261)	56.80%	59.11%	Other Revenue not realised as intended.
	Sales of Goods and Rendering of Services							435 593				
	Operational Revenue							105 346				
Gains			-	-	-	100 000	100 000	1 717 585	1 617 585	#DIV/0!	1717.58%	Not correctly budgeted for.
	Actuarial Gains							1 717 585				
	Gains/(Loss) on Sale of Fixed Assets											
Total Revenue (excluding capital transfers and contributions)		49.2.6	77 849 400	(7 471 789)	70 377 611	100 000	70 477 611	82 432 450	9 530 194	105.89%	116.96%	
EXPENDITURE												
Employee Related Costs	Employee related costs		28 162 300	133 200	28 295 500	(1)	28 295 499	25 266 418	(3 029 081)	89.72%	89.29%	Certain vacancies have not been filled, but were budgeted for. The CFO position is such an example. The CFO was only appointed in May 2022.
Remuneration of Councillors	Remuneration of Councillors		3 349 300	(25 300)	3 324 000	-	3 324 000	3 141 826	(182 174)	93.81%	94.52%	No explanation needed.
Debt Impairment			5 251 600	-	5 251 600	-	5 251 600	1 046 392	(4 205 208)	19.93%	19.93%	Impairment of old debt was not correctly budgeted for and more debt were written off due to the Pandemic and a loss of income by the community.
	Bad Debts Written Off							1 046 392				
	Reversal of Impairment Loss/(Impairment Loss) on Receivables							-				
Depreciation and Asset Impairment			5 843 396	-	5 843 396	-	5 843 396	4 876 723	(966 673)	83.46%	83.46%	Depreciation budgeted for are based on the spending of the total capital budget which did not occur. There was also budgeted too much for depreciation.
	Depreciation and Amortisation							5 363 450				
	Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets							(486 727)				
Finance Charges	Finance Costs		459 000	34 200	493 200	39 000	532 200	1 940 350	1 408 150	422.73%	364.59%	Increase in finance charges for Landfill sites not correctly budgeted for.
Bulk Purchases	Bulk Purchases		15 276 600	1 000 000	16 276 600	-	16 276 600	15 796 235	(480 365)	103.40%	97.05%	No explanation needed.
Inventory consumed	Inventory Consumed		785 000	(1 000)	784 000	(35 000)	749 000	532 751	(216 249)	67.87%	71.13%	Less inventory consumed than budgeted for.
Contracted Services	Contracted Services		8 597 000	(776 900)	7 820 100	(1 000)	7 819 100	6 147 067	(1 672 033)	71.50%	78.62%	Stronger controls implemented over the use of contractors implemented during the course of the year.
Transfers and Grants	Transfers and Subsidies		386 100	35 200	421 300	-	421 300	621 046	199 746	160.85%	147.41%	Bursaries to prospective students to the amount of R 231 046.00 was budgeted for under other expenditure and not Transfers & Grants.
Other Expenditure	Operational Costs		11 256 000	671 084	11 927 084	(3 000)	11 924 084	11 693 928	(230 156)	103.89%	98.07%	Less spent than budgeted for by means of stronger controls over spending council funds.
Losses			-	-	-	100 000	100 000	620 145	520 145	#DIV/0!	620.14%	No losses were budgeted for.
	Actuarial Losses							171 404				
	Gains/(Loss) on Sale of Fixed Assets							448 740				
Total Expenditure		49.2.7	79 366 296	1 070 484	80 436 780	99 999	80 536 779	71 682 880	(8 853 899)	90.32%	89.01%	
Surplus/(Deficit)			(1 516 896)	(8 542 273)	(10 059 169)	1	(10 059 168)	10 749 570	20 808 738	-708.66%	-106.86%	
Transfers Recognised - Capital			9 882 100	5 736 069	15 618 169	(5 376)	15 612 793	12 746 124	(2 866 669)	128.98%	81.64%	RSEP project did not realise and caused an under spending of capital funds. Some CRR projects also did not realise.
Surplus/(Deficit) after Capital Transfers & Contributions			8 365 204	(2 806 204)	5 559 000	(5 375)	5 553 625	23 495 694	17 942 069	280.87%	423.07%	
Surplus/(Deficit) after Taxation			8 365 204	(2 806 204)	5 559 000	(5 375)	5 553 625	23 495 694	17 942 069	280.87%	423.07%	
Surplus/(Deficit) Attributable to Municipality			8 365 204	(2 806 204)	5 559 000	(5 375)	5 553 625	23 495 694	17 942 069	280.87%	423.07%	
Surplus/(Deficit) for the year			8 365 204	(2 806 204)	5 559 000	(5 375)	5 553 625	23 495 694	17 942 069	280.87%	423.07%	

PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

National Treasury Budget Schedules Classification Format	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Final Budget	Actual Outcome 2021/22	Actual Outcome as % of Final Budget	Explanations for material variances more than 10% of a specific line item
		R	R	R	R	R	%	
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Taxation		5 251 400	(915 320)	4 336 080	4 336 080	4 185 018	-3.48%	Not correctly budgeted for.
Service Charges		28 907 500	(1 944 247)	26 963 253	26 963 253	26 153 743	-3.00%	Not correctly budgeted for.
Other Revenue		1 699 765	(200 000)	1 499 765	1 499 765	1 754 965	17.02%	No explanation needed.
Government - Operating		30 201 500	900 000	31 101 500	31 101 500	30 931 326	-0.55%	No explanation needed.
Government - Capital		9 882 100	2 000 000	11 882 100	11 882 100	10 360 850	-12.80%	RSEP Project that could not have been finished in time.
Interest		2 340 000	-	2 340 000	2 340 000	2 346 796	0.29%	No explanation needed.
Payments								
Suppliers and Employees		(63 659 913)	(5 072 067)	(68 731 980)	(68 731 980)	(67 927 226)	-1.17%	Certain vacancies have not been filled, but were budgeted for. The CFO position is such an example. The CFO was only appointed in May 2022.
Finance costs		(59 000)	(34 200)	(93 200)	(93 200)	(13 408)	-85.61%	No explanation needed.
Transfers and Grants		(386 100)	(35 200)	(421 300)	(421 300)	(621 046)	47.41%	Classifications corrected during the completion of the AFS.
Net Cash from/(used) Operating Activities	49.2.8	14 177 252	(5 301 034)	8 876 218	8 876 218	7 171 018	-19.21%	
CASH FLOW FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE		-	-	-	-	-	100.00%	
Payments								
Capital Assets		(10 292 100)	(9 543 919)	(19 836 019)	(19 836 019)	(13 155 217)	-33.68%	Not all CRR projects were completed in time therefore the capital budget was not spent in total.
Net Cash from/(used) Investing Activities	49.2.9	(10 292 100)	(9 543 919)	(19 836 019)	(19 836 019)	(13 155 217)	-33.68%	
CASH FLOW FROM FINANCING ACTIVITIES								
Receipts								
Increase/(Decrease) in Consumer Deposits		-	-	-	-	-	#DIV/0!	
Payments								
Repayment of Borrowing		-	-	-	-	(91 704)	100.00%	Not correctly budgeted for.
Net Cash from/(used) Financing Activities	49.2.10	-	-	-	-	(91 704)	#DIV/0!	
NET INCREASE/(DECREASE) IN CASH HELD								
Cash and Cash Equivalents at the year begin:		3 885 152	(14 844 953)	(10 959 801)	(10 959 801)	(6 075 904)	-44.56%	
Cash and Cash Equivalents at the year end:		37 456 266	14 480 653	51 936 919	51 936 919	51 936 919	0.00%	
		41 341 418	(364 300)	40 977 118	40 977 118	45 861 015	11.92%	

PRINCE ALBERT LOCAL MUNICIPALITY

PRIMARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2022

For management purposes, the municipality is organised and operates in key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level.

Management receives on a monthly basis a C Schedule that provides actual amounts at that time per both the department and function.

The key functional segments comprise of:

PRIMARY SEGMENTS

Functional Segments	Sub vote	Aggregation	Reportable Segment	Types of Goods/Services delivered
Vote 1 - Executive & Council	1.1 - Municipal Manager	Aggregated	Governance and Administration	Supporting service departments
	1.2 - Council General Expenses	Aggregated	Governance and Administration	Supporting service departments
Vote 2 - Director Finance	2.1 - Financial Services	Aggregated	Governance and Administration	Supporting service departments
	2.2 - Property Rates	Aggregated	Governance and Administration	Supporting service departments
Vote 3 - Director Corporate	3.1 - IDP	Aggregated	Governance and Administration	Supporting service departments
	3.2 - Strategic Services	Aggregated	Governance and Administration	Supporting service departments
	3.3 - Corporate Services	Aggregated	Governance and Administration	Supporting service departments
Vote 4 - Director Community	4.1 - Cemeteries	Aggregated	Community and Public Safety	Cleansing Services provided as well as Library services, community hall rentals, Recreation centers, Airfield Rental
	4.2 - Library	Aggregated	Community and Public Safety	
	4.3 - Disaster Management	Aggregated	Community and Public Safety	
	4.4 - Community Halls	Aggregated	Community and Public Safety	
	4.5 - Traffic Control	Aggregated	Community and Public Safety	
	4.6 - Housing	Aggregated	Community and Public Safety	
	4.7 - Sport and Recreation	Aggregated	Community and Public Safety	
	4.8 - Tourism	Aggregated	Community and Public Safety	
Vote 5 - Director Technical Services	5.1 - Electricity Services	Aggregated	Technical Services	Maintenance of infrastructure and management of services for basic service delivery
	5.2 - Water Services	Aggregated	Technical Services	
	5.3 - Sewerage	Aggregated	Technical Services	
	5.4 - Refuse	Aggregated	Technical Services	
	5.5 - Public Works	Aggregated	Technical Services	

SECONDARY SEGMENTS

Mscoc Functional Segments identified	Aggregation	Aggregation	Reportable Segment	Types of Goods/Services delivered
• Governance and Administration	Executive and council	Aggregated	Governance and Administration	Supporting service departments
	Finance and administration	Aggregated	Governance and Administration	Supporting service departments
• Community and public safety	Community and social services	Aggregated	Community and public safety	Library services, Community halls rentals and recreation centers
	Sport and recreation	Aggregated	Community and public safety	
	Public safety	Aggregated	Governance and Administration	Traffic and Fire Services
• Economic and environmental services	Planning and development	Aggregated	Economic and environmental services	Building plans
	Road transport	Aggregated	Governance and Administration	Maintenance of roads
• Trading services	Energy sources	Individually Reported	Energy sources	Electricity services
	Water management	Individually Reported	Water management	Water management
	Waste water management	Individually Reported	Waste water management	Waste water management
	Waste management	Individually Reported	Waste management service	Waste management service
• Other	Tourism	Aggregated	Governance and Administration	Tourism

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does not monitor performance geographically as it does not at present have reliable separate financial information for decision making purposes. The Cost to develop this separately would be excessive.

PRINCE ALBERT LOCAL MUNICIPALITY

PRIMARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Executive and Council	Director Finance	Director Corporate	Director Community	Director Technical Services	Total
	R	R	R	R	R	R
SEGMENT REVENUE						
External revenue from exchange transactions	-	2 405 189	678 294	696 834	32 283 385	36 063 703
Service Charges - Electricity Revenue	-	-	-	-	18 916 478	18 916 478
Service Charges - Water Revenue	-	-	-	-	5 853 722	5 853 722
Service Charges - Sanitation Revenue	-	-	-	-	3 896 878	3 896 878
Service Charges - Refuse Revenue	-	-	-	-	1 885 289	1 885 289
Rental of Facilities and Equipment	-	-	321 087	148 441	-	469 528
Interest Earned - External Investments	-	2 346 796	-	-	-	2 346 796
Interest Earned - Outstanding Debtors	-	-	-	-	1 730 930	1 730 930
Licences and Permits	-	-	-	137 351	-	137 351
Agency Services	-	-	-	285 790	-	285 790
Other Revenue	-	58 393	357 207	125 252	87	540 939
External revenue from non-exchange transactions	24 575 445	9 194 384	1 005 509	9 329 813	1 814 857	45 920 007
Property Rates	-	4 380 380	-	-	-	4 380 380
Fines	-	-	-	6 910 063	-	6 910 063
Interest Earned - Outstanding Debtors	-	201 975	-	-	-	201 975
Licences and Permits	-	-	-	-	-	-
Agency Services	-	-	-	-	-	-
Transfers Recognised - Operational	24 575 445	1 881 046	49 799	2 419 750	1 814 857	30 740 896
Transfers Recognised - Operational (Allocations-in-Kind)	-	1 462 139	955 710	-	-	2 417 849
Gains	-	1 268 844	-	-	-	1 268 844
Total Segment Revenue (excluding capital transfers and contributions)	24 575 445	11 599 573	1 683 803	10 026 647	34 098 242	81 983 710
SEGMENT EXPENDITURE						
Employee Related Costs	2 053 494	4 294 925	4 780 340	3 818 347	10 133 313	25 080 418
Remuneration of Councillors	3 141 826	-	-	-	-	3 141 826
Debt Impairment	-	1 684 085	-	6 521 911	2 765 620	10 971 616
Depreciation and Asset Impairment	40 502	293 272	60 353	529 208	3 953 388	4 876 723
Finance Charges	-	-	1 931	(2 840)	1 941 260	1 940 350
Bulk Purchases	-	-	-	-	15 796 235	15 796 235
Other Materials	-	18 563	-	281 904	450 043	750 510
Contracted Services	674 429	1 920 727	64 789	451 032	3 004 332	6 115 308
Transfers and Grants	351 046	-	-	270 000	-	621 046
Other Expenditure	635 807	5 704 809	1 928 045	501 657	2 923 609	11 693 928
Losses	-	171 404	-	-	-	171 404
Internal charges	-	-	-	-	-	-
Total Segment Expenditure	6 897 103	14 087 787	6 835 456	12 371 219	40 967 799	81 159 364
Surplus/(Deficit)	17 678 342	(2 488 214)	(5 151 653)	(2 344 572)	(6 869 557)	824 346
Transfers Recognised - Capital	2 419 797	-	-	-	10 326 327	12 746 124
Surplus/(Deficit) after Capital Transfers & Contributions	20 098 139	(2 488 214)	(5 151 653)	(2 344 572)	3 456 770	13 570 470
Surplus/(Deficit) after Taxation	20 098 139	(2 488 214)	(5 151 653)	(2 344 572)	3 456 770	13 570 470
Surplus/(Deficit) Attributable to Municipality	20 098 139	(2 488 214)	(5 151 653)	(2 344 572)	3 456 770	13 570 470
Surplus/(Deficit) for the year	20 098 139	(2 488 214)	(5 151 653)	(2 344 572)	3 456 770	13 570 470

PRINCE ALBERT LOCAL MUNICIPALITY
SECONDARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2022

	Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services				Other	Total
				Energy Sources	Water Management	Waste water management	Waste management		
	R	R	R	R	R	R	R	R	
SEGMENT REVENUE									
External revenue from exchange transactions	3 083 483	696 834	87	19 123 422	6 572 147	4 348 977	2 238 752	-	36 063 703
Service Charges - Electricity Revenue	-	-	-	18 916 478	-	-	-	-	18 916 478
Service Charges - Water Revenue	-	-	-	-	5 853 722	-	-	-	5 853 722
Service Charges - Sanitation Revenue	-	-	-	-	-	3 896 878	-	-	3 896 878
Service Charges - Refuse Revenue	-	-	-	-	-	-	1 885 289	-	1 885 289
Rental of Facilities and Equipment	321 087	148 441	-	-	-	-	-	-	469 528
Interest Earned - External Investments	2 346 796	-	-	-	-	-	-	-	2 346 796
Interest Earned - Outstanding Debtors	-	-	-	206 944	718 425	452 098	353 463	-	1 730 930
Licences and Permits	-	137 351	-	-	-	-	-	-	137 351
Other Revenue	415 600	125 252	87	-	-	-	-	-	540 939
External revenue from non-exchange transactions	34 725 539	9 329 813	1 864 656	-	-	-	-	-	45 920 007
Property Rates	4 380 380	-	-	-	-	-	-	-	4 380 380
Fines	-	6 910 063	-	-	-	-	-	-	6 910 063
Transfers Recognised - Operational	26 456 491	2 419 750	1 864 656	-	-	-	-	-	30 740 896
Transfers Recognised - Operational (Allocations-in-Kind)	2 417 849	-	-	-	-	-	-	-	2 417 849
Gains	1 268 844	-	-	-	-	-	-	-	1 268 844
Total Segment Revenue (excluding capital transfers and contributions)	37 809 022	10 026 647	1 864 743	19 123 422	6 572 147	4 348 977	2 238 752	-	81 983 710
SEGMENT EXPENDITURE									
Employee Related Costs	10 464 920	3 818 347	6 749 338	379 431	1 580 061	936 171	1 152 149	-	25 080 418
Remuneration of Councillors	3 141 826	-	-	-	-	-	-	-	3 141 826
Debt Impairment	1 684 085	6 521 911	-	(631 809)	1 571 729	1 135 147	690 553	-	10 971 616
Depreciation and Asset Impairment	(92 601)	529 208	1 092 388	337 244	1 266 177	1 394 790	349 516	-	4 876 723
Finance Charges	1 931	(2 840)	14 318	-	-	-	1 926 942	-	1 940 350
Bulk Purchases	-	-	-	15 796 235	-	-	-	-	15 796 235
Other Materials	18 563	281 904	-	75 885	168 070	8 054	198 035	-	750 510
Contracted Services	2 659 944	451 032	1 587 144	651 910	391 120	127 300	246 858	-	6 115 308
Transfers and Grants	351 046	-	-	-	-	-	-	270 000	621 046
Other Expenditure	8 169 435	501 657	1 157 994	659 417	566 881	431 049	207 494	-	11 693 928
Total Segment Expenditure	26 570 554	12 101 219	10 601 182	17 268 313	5 544 038	4 032 511	4 771 547	270 000	81 159 364
Surplus/(Deficit)	11 238 469	(2 074 572)	(8 736 440)	1 855 109	1 028 110	316 466	(2 532 795)	(270 000)	824 346
Transfers Recognised - Capital	2 419 797	-	-	-	10 326 327	-	-	-	12 746 124
Surplus/(Deficit) after Capital Transfers & Contributions	13 658 265	(2 074 572)	(8 736 440)	1 855 109	11 354 436	316 466	(2 532 795)	(270 000)	13 570 470
Surplus/(Deficit) after Taxation	13 658 265	(2 074 572)	(8 736 440)	1 855 109	11 354 436	316 466	(2 532 795)	(270 000)	13 570 470
Surplus/(Deficit) Attributable to Municipality	13 658 265	(2 074 572)	(8 736 440)	1 855 109	11 354 436	316 466	(2 532 795)	(270 000)	13 570 470
Surplus/(Deficit) for the year	13 658 265	(2 074 572)	(8 736 440)	1 855 109	11 354 436	316 466	(2 532 795)	(270 000)	13 570 470

PRINCE ALBERT LOCAL MUNICIPALITY
PRIMARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Executive and Council	Director Finance	Director Corporate	Director Community	Director Technical Services	Total
SEGMENT REVENUE						
External revenue from exchange transactions	-	2 417 879	581 255	715 824	29 309 112	33 024 070
Service Charges - Electricity Revenue	-	-	-	-	16 483 399	16 483 399
Service Charges - Water Revenue	-	-	-	-	5 517 086	5 517 086
Service Charges - Sanitation Revenue	-	-	-	-	3 852 863	3 852 863
Service Charges - Refuse Revenue	-	-	-	-	1 952 312	1 952 312
Rental of Facilities and Equipment	-	-	365 498	50 286	-	415 784
Interest Earned - External Investments	-	2 321 430	-	-	-	2 321 430
Interest Earned - Outstanding Debtors	-	-	-	-	1 503 321	1 503 321
Licences and Permits	-	-	-	123 702	-	123 702
Agency Services	-	-	-	281 092	-	281 092
Other Revenue	-	96 449	215 757	260 744	130	573 081
External revenue from non-exchange transactions	26 607 322	8 251 178	927 018	5 696 650	1 032 000	42 514 169
Property Rates	-	4 004 457	-	-	-	4 004 457
Fines	-	-	-	3 506 650	-	3 506 650
Transfers Recognised - Operational	26 607 322	1 720 150	33 916	2 190 000	1 032 000	31 583 389
Transfers Recognised - Operational (Allocations-in-Kind)	-	1 817 737	893 102	-	-	2 710 839
Gains	-	531 946	-	-	-	531 946
Total Segment Revenue (excluding capital transfers and contributions)	26 607 322	10 669 057	1 508 274	6 412 474	30 341 112	75 538 238
SEGMENT EXPENDITURE						
Employee Related Costs	2 012 574	4 927 781	4 552 436	4 091 501	8 956 562	24 540 855
Remuneration of Councillors	3 154 954	-	-	-	-	3 154 954
Debt Impairment	-	896 318	-	3 399 441	5 246 611	9 542 370
Depreciation and Asset Impairment	-	268 594	-	242 626	4 425 679	4 936 899
Finance Charges	-	95 722	4 444	1 460	716 524	818 150
Bulk Purchases	-	-	-	-	12 097 619	12 097 619
Other Materials	-	29 381	-	45 540	579 671	654 592
Contracted Services	939 376	1 432 664	130 197	241 382	3 166 570	5 910 189
Transfers and Grants	120 000	-	-	200 000	-	320 000
Other Expenditure	717 150	5 345 204	1 708 452	406 896	2 525 506	10 703 207
Losses	-	(150 856)	-	-	-	(150 856)
Total Segment Expenditure	6 944 054	12 844 807	6 395 528	8 628 846	37 714 743	72 527 978
Surplus/(Deficit)	19 663 268	(2 175 750)	(4 887 255)	(2 216 372)	(7 373 631)	3 010 260
Transfers Recognised - Capital	2 305 156	-	-	-	15 508 630	17 813 786
Surplus/(Deficit) after Capital Transfers & Contributions	21 968 424	(2 175 750)	(4 887 255)	(2 216 372)	8 134 999	20 824 046
Surplus/(Deficit) after Taxation	21 968 424	(2 175 750)	(4 887 255)	(2 216 372)	8 134 999	20 824 046
Surplus/(Deficit) Attributable to Municipality	21 968 424	(2 175 750)	(4 887 255)	(2 216 372)	8 134 999	20 824 046
Surplus/(Deficit) for the year	21 968 424	(2 175 750)	(4 887 255)	(2 216 372)	8 134 999	20 824 046

PRINCE ALBERT LOCAL MUNICIPALITY
SECONDARY REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Governance and Administration	Economic and Environmental Services	Economic and Environmental Services	Trading Services				Other	Total
				Energy Sources	Water Management	Waste water management	Waste management		
				R	R	R	R		
SEGMENT REVENUE	R	R	R	R	R	R	R	R	R
External revenue from exchange transactions	2 999 134	715 824	130	16 682 795	6 130 042	4 235 867	2 260 277	-	33 024 070
Service Charges - Electricity Revenue	-	-	-	16 483 399	-	-	-	-	16 483 399
Service Charges - Water Revenue	-	-	-	-	5 517 086	-	-	-	5 517 086
Service Charges - Sanitation Revenue	-	-	-	-	-	3 852 863	-	-	3 852 863
Service Charges - Refuse Revenue	-	-	-	-	-	-	1 952 312	-	1 952 312
Rental of Facilities and Equipment	365 498	50 286	-	-	-	-	-	-	415 784
Interest Earned - External Investments	2 321 430	-	-	-	-	-	-	-	2 321 430
Interest Earned - Outstanding Debtors	-	-	-	199 396	612 956	383 004	307 965	-	1 503 321
Licences and Permits	-	123 702	-	-	-	-	-	-	123 702
Agency Services	-	281 092	-	-	-	-	-	-	281 092
Other Revenue	312 206	260 744	130	-	-	-	-	-	573 081
External revenue from non-exchange transactions	35 751 602	5 696 650	1 065 916	-	-	-	-	-	42 514 169
Property Rates	4 004 457	-	-	-	-	-	-	-	4 004 457
Fines	-	3 506 650	-	-	-	-	-	-	3 506 650
Transfers Recognised - Operational	28 327 472	2 190 000	1 065 916	-	-	-	-	-	31 583 389
Transfers Recognised - Operational (Allocations-in-Kind)	2 710 839	-	-	-	-	-	-	-	2 710 839
Gains	531 946	-	-	-	-	-	-	-	531 946
Total Segment Revenue (excluding capital transfers and contributions)	38 750 736	6 412 474	1 066 047	16 682 795	6 130 042	4 235 867	2 260 277	-	75 538 238
SEGMENT EXPENDITURE									
Employee Related Costs	10 931 998	4 091 501	6 109 649	334 066	1 268 647	827 330	977 664	-	24 540 855
Remuneration of Councillors	3 154 954	-	-	-	-	-	-	-	3 154 954
Debt Impairment	896 318	3 399 441	-	263 811	2 874 451	1 179 933	928 415	-	9 542 370
Depreciation and Asset Impairment	(223 069)	242 626	1 141 062	255 194	1 146 405	1 215 166	1 159 516	-	4 936 899
Finance Charges	100 166	1 460	2 793	-	-	-	713 731	-	818 150
Bulk Purchases	-	-	-	12 097 619	-	-	-	-	12 097 619
Other Materials	29 381	45 540	-	73 822	268 050	18 179	219 620	-	654 592
Contracted Services	2 502 236	241 382	1 607 921	627 450	445 810	231 306	254 083	-	5 910 189
Transfers and Grants	120 000	-	-	-	-	-	-	200 000	320 000
Other Expenditure	7 701 557	406 896	986 308	608 528	474 726	360 613	164 578	-	10 703 207
Losses	(150 856)	-	-	-	-	-	-	-	(150 856)
Total Segment Expenditure	25 062 684	8 428 846	9 847 733	14 260 491	6 478 090	3 832 527	4 417 606	200 000	72 527 978
Surplus/(Deficit)	13 688 052	(2 016 372)	(8 781 686)	2 422 304	(348 048)	403 340	(2 157 330)	(200 000)	3 010 260
Transfers Recognised - Capital	2 305 156	-	-	-	15 508 630	-	-	-	17 813 786
Surplus/(Deficit) after Capital Transfers & Contributions	15 993 208	(2 016 372)	(8 781 686)	2 422 304	15 160 583	403 340	(2 157 330)	(200 000)	20 824 046
Surplus/(Deficit) after Taxation	15 993 208	(2 016 372)	(8 781 686)	2 422 304	15 160 583	403 340	(2 157 330)	(200 000)	20 824 046
Surplus/(Deficit) Attributable to Municipality	15 993 208	(2 016 372)	(8 781 686)	2 422 304	15 160 583	403 340	(2 157 330)	(200 000)	20 824 046
Surplus/(Deficit) for the year	15 993 208	(2 016 372)	(8 781 686)	2 422 304	15 160 583	403 340	(2 157 330)	(200 000)	20 824 046

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an 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 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 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.

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.

1.3. GOING CONCERN ASSUMPTION

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 are 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.

1.5. CONSISTENT AND NEW ACCOUNTING POLICIES

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. For the financial year, no new standards became effective.

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 based on 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 the National Treasury. The comparisons of budget and actual amounts are 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.

Comparable information includes the following:

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

Explanations is provided in the budget comparison regarding classification differences between the approved budget and the actual figure.

Explanations for material differences between the final budget amounts and actual amounts are included in the budget comparison statements.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

Explanatory comments are provided for variances between the actual and final budget of more than 10% of the budgeted value, provided that such variances exceed R300 000.

All variances less than R300 000 is considered immaterial.

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

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

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 25	<p><u>Employee benefits</u></p> <p>The objective of this Standard is to prescribe the accounting and disclosure for employee benefits.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
GRAP 104 (Revised – April 2020)	<p><u>Financial Instruments</u></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
iGRAP 7	<p><u>The limit on a defined benefit asset, minimum funding requirement and their interaction</u></p> <p>This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits.</p> <p>No significant impact is expected as the Municipality does not hold any plan assets.</p>	Unknown
iGRAP 21	<p><u>The Effect of Past Decisions on Materiality</u></p> <p>This interpretation explains the implications of adopting accounting policies for material items based on GRAP standards as well as alternative accounting treatments for immaterial items. Therefore, it is a guide on materiality.</p> <p>No significant impact expected as the Municipality's current treatment is already in line with the Interpretation.</p>	1 April 2023

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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) is credited by a corresponding amount when the amounts in the CRR are utilized.

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 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 leased 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 financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

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 the 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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

1.13. UNSPENT PUBLIC CONTRIBUTIONS

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

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

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.

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 the 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.

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.

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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 contributes to 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 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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 a contribution, and the remaining 30% is 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 finance 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.

These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 financial 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. In terms of the Collective Agreement for Local Government annual leave shall only be accumulated to a maximum of forty-eight (48) working days. The provision for annual leave is limited to a maximum of 48 days per 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 will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(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. Municipal entities' performance bonus

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

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 following items will be regarded as Property, plant and equipment rather than investment property:

- Owner-occupied property (including held for future use);
- Owner-occupied property held for development;
- Property occupied by employees for housing;
- Owner-occupied property held for disposal;
- Property held by the municipality to fulfil their mandated function rather than rental or capital appreciation; and;
- Property held by the municipality for strategic purpose.

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 the 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 are 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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred is 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.

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

Land is not depreciated as it is deemed to have an indefinite useful life. Depreciation on assets other than land 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:

<u>Land and Buildings</u>	Years
Land	Indefinite
Buildings	10-100
<u>Infrastructure</u>	
Roads and Streets	1-90
Electricity Infrastructure	1-60
Water Infrastructure	1-80
Sanitation Infrastructure	1-100
Security measures	14-20
Solid Waste Infrastructure	10-100
Storm Water Infrastructure	1-80
<u>Community</u>	
Airports	1-60
Centres/Halls	1-100
Libraries	1-100

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

Outdoor Facilities	1-100
Parks	1-100
Public Ablution Facilities	1-100
Public Open Spaces	1-100

Finance lease assets

Office equipment	3
------------------	---

Other

Transport Assets	1-15
Furniture and Office Equipment	1-20
Machinery and Equipment	1-15
Computer Equipment	1-10

The depreciation charge is recognised in the Statement of Financial Performance.

Changes to the useful life of assets and residual value 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.

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 30 June 2020. For Other Assets, the depreciation cost method was used to establish the deemed cost as on 30 June 2020.

1.17.6 Decommissioning and restoration asset

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, shall be accounted for as follows:

The related asset (under cost model) is measured as follows:

- Changes in the liability, shall be added or deducted from the asset cost;
- The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit.
- If the adjustment results in an addition to the cost of an asset, the municipality shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the entity shall test the asset for impairment by estimating its recoverable amount or recoverable service amount, and shall account for any impairment loss, in accordance with its impairment policy. Refer to paragraph 1.26 of the policy.

1.17. INTANGIBLE ASSETS

1.17.1. Initial Recognition

An intangible asset is an identifiable 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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 the expenditure attributable to the intangible asset reliably 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 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 annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	1-10

The amortisation charge is recognised in the Statement of Financial Performance.

Changes to the useful life and residual values 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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 30 June 2020.

1.18. INVESTMENT PROPERTY

1.18.1. Initial Recognition

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

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

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

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or held for sale, the land is regarded as held for capital appreciation);
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases;
- A property owned by the municipality and leased out at a below market rental; and
- Property that is being constructed or developed for future use as investment property.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 is 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 the 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.

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. Land is not depreciated as it is deemed to have an indefinite useful life.

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

<u>Investment Property</u>	<u>Years</u>
Buildings	1-100

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 30 June 2020.

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.

1.19.3. Depreciation and Impairment

Heritage assets are not depreciated.

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 30 June 2020.

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

- 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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

date, and reassessing the useful life of an asset as finite rather than indefinite;

- A decision to halt the construction of the asset before it is complete or in a usable condition
- 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 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 assets 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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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;
- 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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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.

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 kilolitre 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, finished goods, 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.

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 telemetry readings and the calculated volume in the distribution network.

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 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 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, the 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.

Receivables payment history are assessed utilising a recoverability % which is based on the payments received during the year versus the debtor's outstanding balance.

1.22.2.2. Payables and Annuity Loans

Financial liabilities consist of trade and other payables and finance lease liabilities. 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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 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: other financial liabilities carried at amortised cost.

1.22.2.4. Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 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.

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. Receivables that arise due to contractual arrangements are accounted for in terms of the accounting policy on Financial Instruments. 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 and recognition criteria of asset is met.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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.

The municipality considers the following as indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied)
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns

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:

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

- (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.

1.23.4. Transitional Provisions

Every effort is made to ensure compliance with the standard, but due to the risk of omission of some items due to a lack of experience with implementing this standard, the municipality is utilising the transitional provisions contained within Directive 4 that grant the municipality a period of three years in order to finalise the classification and measurement for Statutory Receivables. Over time our understanding and insights as to the requirements of a new standard improves, therefore the municipality is choosing to make use of the transitional provision.

The transitional period commences from 1 June 2019 and will be utilised until the period ending 30 June 2022.

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.

Revenue from non-exchange transactions is recognised when:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity and;
- the fair value of the asset can be measured reliably.

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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 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 qualify 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 qualify 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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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
- 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.

Revenue from the sale of goods is recognised when:

- The amount of revenue can be measured reliably;
- It is probable that economic benefits or service potential associated with the transaction will flow to the municipality;
- The stage of completion at the reporting date can be measured reliably;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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.

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 days after the date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed 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.

Service charges relating to sanitation (sewerage) 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.

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 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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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.

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. ACCOUNTING BY PRINCIPALS AND AGENTS

A principal-agent arrangement exists where there is a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

The municipality can be either the agent or the principal in terms of the circumstances of the arrangement.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP 104: Financial Instruments.

Identification

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

Special consideration is given to the classification of an agreement (once the standard is triggered) to carefully consider whether the municipality is an agent. The considerations include (all of) the following:

- Who determines significant terms?
- Who receives the benefit from the transactions?
- Is the municipality exposed to the variability of the outcome?

If these are not met, but the standard is applicable, the municipality would be regarded as the principal in the transaction.

1.26. RELATED PARTIES

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 Municipality. 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.
- 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).

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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.

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.

1.27. UNAUTHORISED EXPENDITURE

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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.

1.28. 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.

1.29. 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.

1.30. 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.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

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

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the carrying amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates, which may be material to the annual financial statements. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual 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 13 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.

Impairment of Statutory Receivables

The calculation in respect of the impairment of Statutory Receivables is based on an assessment of the expected recoverability of each individual receivable based on the history of recoverability of such receivables. When insufficient information is available to assess individual debtors, debtors are grouped into appropriate aggregated grouping levels. Aggregation is based on best practice. Thereafter receivables are assessed based on historical information available.

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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.
- 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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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.

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

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:

- 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.

Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities and assets. 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 are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

- 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 the 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, to a maximum of 48 days per employee, at the 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 historical patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by the Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end, which is still unused. The average pre-paid electricity sold per day during the year under review is used, and the estimate is calculated using the last 5 days' worth of unused electricity.

Componentisation of Infrastructure assets

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.

The IGRAP 1 amendments did not have any impact on Traffic Fines revenue issued in terms of the current Criminal Proceedings Act system, but will only have an effect

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

on fines issued in terms of the Amended Act (AARTO) that is expected to become effective on 1 July 2021. As the legislation is new, the possible impact cannot at this stage be determined. The legislation itself will significantly increase Traffic Fines revenue based on higher fine amounts being pronounced in Schedule 3 of the Amendment Act.

The iGRAP 20 interpretation is not regarded as having an effect, as the principals of revising revenue (for e.g., incorrect tariff or appeal) is already applied by the municipality.

1.32. 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.

1.33. CAPITAL COMMITMENTS

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

1.34. 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 that 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.

1.35. TAXATION

1.36.1 *Current tax assets and liabilities*

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

PRINCE ALBERT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2022

1.36. SEGMENT REPORTING

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available

Management identifies reportable segments in accordance with the monthly section 71 report, which are regularly reviewed by management. Management reviews the performance on an aggregated basis of total revenue and total expenditure.

The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

The measurement basis per the monthly reports is the same as the annual financial statements.

On the first-time adoption of GRAP 18, comparative segment information is not required in terms of the transitional provisions.

1.37. CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2022

Description	Cost										Accumulated Impairment		Accumulated Depreciation and Impairment Losses					Carrying Value				
	Opening Balance				Additions			Transfers	Disposals	Closing Balance	Opening Balance	Closing Balance	Opening Balance	Correction of Error	Re-classification	Depreciation	Disposals		Closing			
Normal	Residuals	WIP	Correction of Error	Re-classification	Opening Balance	Normal	Residuals											Under Construction				
Infrastructure																						
Roads	21 980 077	-	1 491 801	-	12 130	23 484 008	5 506 024	-	748 922	-	-	434 663	29 304 291	1 287 790	1 287 790	5 119 799	-	-	742 692	72 361	5 790 130	22 226 371
Storm Water	12 843 537	-	584 395	-	-	13 427 932	1 941 442	-	-	-	-	82 315	15 287 060	-	-	2 007 050	-	-	328 678	8 181	2 327 547	12 959 513
Electricity	14 736 309	-	854 499	-	22 466	15 613 273	-	-	-	-	-	-	15 613 273	-	-	2 230 618	-	-	337 244	-	2 567 862	13 045 411
Water Supply	52 923 111	-	1 180 816	-	(1 202 219)	52 901 708	9 517	-	868 971	-	-	-	53 780 196	-	-	7 912 714	-	-	1 263 819	-	9 176 533	44 603 664
Sanitation	43 246 588	-	1 336 303	-	1 167 624	45 750 515	171 544	-	233 054	-	-	17 085	46 138 028	163 500	163 500	6 454 162	-	-	972 024	4 781	7 421 406	38 553 122
Solid Waste	221 886	-	876 965	-	-	1 098 851	-	-	-	-	-	-	1 098 851	-	-	314 063	-	-	20 414	-	334 477	764 373
Landfill Site	12 073 958	-	-	-	-	12 073 958	-	-	-	-	-	893 011	11 180 948	304 660	304 660	9 529 653	-	-	329 101	-	9 858 754	1 017 533
	158 025 466	-	6 324 779	-	0	164 350 246	7 628 528	-	1 850 947	-	-	1 427 073	172 402 647	1 755 950	1 755 950	33 568 059	-	-	3 993 974	85 322	37 476 710	133 169 987
Community Assets																						
Community Facilities																						
Halls	6 679 193	-	-	-	-	6 679 193	-	-	-	-	-	-	6 679 193	35 400	35 400	584 576	-	-	71 959	-	656 535	5 987 258
Centres	3 561 795	-	-	-	-	3 561 795	-	-	-	-	-	-	3 561 795	-	-	235 360	-	-	37 006	-	272 365	3 289 430
Testing Stations	-	-	-	-	-	-	-	-	31 597	-	-	-	31 597	-	-	-	-	-	-	-	-	31 597
Libraries	1 199 428	-	-	-	-	1 199 428	-	-	-	-	-	-	1 199 428	652 400	652 400	122 614	-	-	5 019	-	127 633	419 395
Cemeteries/Crematoria	51 650	-	-	-	-	51 650	-	-	-	-	-	-	51 650	-	-	-	-	-	-	-	-	51 650
Parks	813 037	-	-	-	-	813 037	-	-	-	-	-	-	813 037	96 500	96 500	7 066	-	-	37 422	-	44 488	672 048
Public Open Space	1 410 798	-	-	-	-	1 410 798	-	-	-	-	-	-	1 410 798	332 615	332 615	30 553	-	-	29 296	-	59 848	1 018 335
Public Ablution Facilities	175 579	-	-	-	-	175 579	-	-	-	-	-	-	175 579	-	-	4 886	-	-	3 670	-	8 556	167 023
Airports	623 631	-	-	-	-	623 631	-	-	-	-	-	-	623 631	-	-	31 364	-	-	10 576	-	41 940	581 691
Outdoor Facilities	13 827 182	-	642 437	-	-	14 469 619	-	-	-	-	-	-	14 469 619	185 000	185 000	298 603	-	-	115 238	-	413 841	13 870 778
	28 342 294	-	642 437	-	-	28 984 731	-	-	31 597	-	-	-	29 016 328	1 301 915	1 301 915	1 315 022	-	-	310 186	-	1 625 208	26 089 205

30 JUNE 2022 (Continue)

Description	Cost										Accumulated Impairment		Accumulated Depreciation and Impairment Losses					Carrying Value			
	Opening Balance					Additions			Transfers	Disposals	Closing Balance	Opening Balance	Closing Balance	Opening Balance	Correction of Error	Re-classification	Depreciation		Disposals	Closing	
	Normal	Residuals	WIP	Correction of Error	Re-classification	Opening Balance	Normal	Residuals													Under Construction
Other Assets																					
Other Land	1 593 152	-	-	-	-	1 593 152	-	-	-	-	-	-	650 550	650 550	-	-	-	-	-	-	942 602
Operational Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Offices	5 028 160	-	-	-	-	5 028 160	1 930 271	-	-	-	-	6 958 431	157 000	157 000	234 215	-	-	101 789	-	336 003	6 465 427
Computer Equipment	1 252 126	-	-	-	-	1 252 126	280 778	-	504 940	-	-	2 037 844	-	-	610 235	-	-	99 706	-	709 941	1 327 903
Furniture and Office Equipment	1 500 016	-	-	-	-	1 500 016	406 294	-	-	-	-	1 906 310	-	-	880 234	-	-	89 225	-	969 460	936 850
Machinery and Equipment	2 122 409	-	-	-	-	2 122 409	6 500	-	-	-	-	2 128 909	-	-	642 901	-	-	157 198	-	800 098	1 328 810
Transport Assets	6 652 910	1 394 288	-	-	-	8 047 198	-	-	-	-	-	8 047 198	-	-	2 285 494	-	-	483 618	-	2 769 112	5 278 085
	18 148 772	1 394 288	-	-	-	19 543 059	2 623 843	-	504 940	-	-	22 671 843	807 550	807 550	4 653 079	-	-	931 536	-	5 584 615	16 279 678
Leases																					
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	283 691	-	-	-	-	283 691	-	-	-	-	-	283 691	-	-	54 670	-	-	94 637	-	149 307	134 384
Machinery and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	283 691	-	-	-	-	283 691	-	-	-	-	-	283 691	-	-	54 670	-	-	94 637	-	149 307	134 384
Total	204 800 223	1 394 288	6 967 216	-	0	213 161 726	10 252 370.31	-	2 387 484.48	-	1 427 073	224 374 508	3 865 415	3 865 415	39 590 830	-	-	5 330 332	85 322	44 835 840	175 673 253

2.2 30 JUNE 2021

Description	Cost														Accumulated Impairment		Accumulated Depreciation and Impairment Losses					Carrying Value
	Opening Balance					Additions			Transfers	Disposals	Closing Balance	Opening Balance	Closing Balance	Opening Balance	Correction of Error	Re-classification	Depreciation	Disposals	Closing			
	Normal	Residuals	WIP	Correction of Error	Re-classification	Opening Balance	Normal	Residuals												Under Construction		
Infrastructure																						
Roads	19 859 858	-	-	-	-	19 859 858	2 132 348	-	1 479 672	-	-	23 471 878	1 287 790	1 287 790	4 515 943	-	-	603 856	-	5 119 799	17 064 289	
Storm Water	11 676 865	-	180 395	-	-	11 857 260	986 277	-	584 395	-	-	13 427 932	-	-	1 758 193	-	-	248 857	-	2 007 050	11 420 882	
Electricity	12 255 707	-	1 045 136	-	-	13 300 843	238 055	-	3 081 670	(1 029 761)	-	15 590 807	-	-	1 975 424	12 537	-	242 657	-	2 230 618	13 360 189	
Water Supply	46 760 990	-	1 401 138	-	1 226 559	49 388 686	2 342 623	-	2 178 150	277 836	83 368	54 103 928	-	-	6 769 266	1 521	-	1 144 884	2 957	7 912 714	46 191 214	
Sanitation	39 140 836	-	3 702 297	-	-	42 843 133	1 626 360	-	-	113 398	-	44 582 891	163 500	163 500	5 487 853	771	-	965 538	-	6 454 162	37 965 229	
Solid Waste	2 058 829	-	40 800	-	(1 226 559)	873 071	225 780	-	-	-	-	1 098 851	-	-	296 263	-	-	17 800	-	314 063	784 788	
Landfill Site	11 226 312	-	-	-	-	11 226 312	847 646	-	-	-	-	12 073 958	304 660	304 660	8 387 937	-	-	1 141 715	-	9 529 653	2 239 645	
Community Assets	142 979 397	-	6 369 767	-	-	149 349 164	8 399 089	-	7 323 887	(638 527)	83 368	164 350 246	1 755 950	1 755 950	29 190 879	14 829	-	4 365 308	2 957	33 568 059	129 026 237	
Community Facilities																						
Halls	6 118 179	-	-	-	204 747	6 322 927	356 266	-	-	-	-	6 679 193	35 400	35 400	452 282	-	67 857	64 437	-	584 576	6 059 217	
Centres	3 561 795	-	-	-	-	3 561 795	-	-	-	-	-	3 561 795	-	-	198 354	-	-	37 006	-	235 360	3 326 436	
Libraries	1 199 428	-	-	-	-	1 199 428	-	-	-	-	-	1 199 428	652 400	652 400	117 595	-	-	5 019	-	122 614	424 414	
Cemeteries/Crematoria	51 650	-	-	-	-	51 650	-	-	-	-	-	51 650	-	-	-	-	-	-	-	-	51 650	
Parks	321 420	-	-	-	-	321 420	491 616	-	-	-	-	813 037	96 500	96 500	-	-	-	7 066	-	7 066	709 470	
Public Open Space	1 410 798	-	-	-	-	1 410 798	-	-	-	-	-	1 410 798	332 615	332 615	-	-	-	30 553	-	30 553	1 047 630	
Public Ablution Facilities	175 579	-	41 769	-	-	217 349	-	-	-	(41 769)	-	175 579	-	-	1 216	-	-	3 670	-	4 886	170 693	
Airports	623 631	-	-	-	-	623 631	-	-	-	-	-	623 631	-	-	20 788	-	-	10 576	-	31 364	592 267	
Outdoor Facilities	12 556 571	-	642 437	-	(204 747)	12 994 260	1 084 894	-	402 781	(12 316)	-	14 469 619	185 000	185 000	282 161	-	(67 857)	84 299	-	298 603	13 986 016	
Capital Spares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	26 019 052	-	684 206	-	(0)	26 703 259	1 932 777	-	402 781	(54 085)	-	28 984 731	1 301 915	1 301 915	1 072 396	-	-	242 626	-	1 315 022	26 367 794	

30 JUNE 2021 (Continue)

Description	Cost										Accumulated Impairment			Accumulated Depreciation and Impairment Losses					Carrying Value		
	Opening Balance					Additions			Transfers	Disposals	Closing Balance	Opening Balance	Closing Balance	Opening Balance	Correction of Error	Re-classification	Depreciation	Disposals		Closing	
	Normal	Residuals	WIP	Correction of Error	Re-classification	Opening Balance	Normal	Residuals													Under Construction
Other Assets																					
Other Land	1 593 152			-	-	1 593 152	-		-	-	-	1 593 152	650 550	650 550	-	-	-	-	-	-	942 602
Operational Buildings	-																				-
Municipal Offices	2 258 459			-	-	2 258 459	765 217		2 004 483	-	-	5 028 160	157 000	157 000	204 610	-	-	29 604	-	234 215	4 636 945
Computer Equipment	1 110 615			15 507	-	1 126 122	156 966		-	-	30 962	1 252 126	-	-	530 570	1 551	-	88 593	10 479	610 235	641 890
Furniture and Office Equipment	1 277 611			9 597	-	1 287 208	212 809		-	-	-	1 500 016	-	-	816 055	707	-	63 472	-	880 234	619 782
Machinery and Equipment	1 373 145			-	-	1 373 145	56 651		-	692 613	-	2 122 409	-	-	526 782	6 264	-	109 855	-	642 901	1 479 508
Transport Assets	5 588 626	1 054 388		-	-	6 643 014	1 054 183	350 000	-	-	-	8 047 198	-	-	1 864 407	2 539	-	418 547	-	2 285 494	5 761 704
	13 201 607	1 054 388		25 104		14 281 099	2 245 827	350 000	2 004 483	692 613	30 962	19 543 059	807 550	807 550	3 942 424	11 061		710 073	10 479	4 653 079	14 082 430
Leases																					
Furniture and Office Equipment	-						283 691		-	-	-	283 691									229 021
	-						283 690.79		-	-	-	283 691									54 670
	-																				54 670
Total	182 200 057	1 054 388	7 053 973	25 104	(0)	190 333 521	12 861 384	350 000	9 731 151	(0)	114 330	213 161 726	3 865 415	3 865 415	34 205 699	25 890		5 372 677	13 436	39 590 830	169 705 481

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R	
2.4 Expenditure incurred to repair and maintain Property, Plant and Equipment:			
Employee related costs	8 050 242	7 682 961	
Other materials	418 284	544 671	
Contracted Services	2 845 039	2 938 260	
Other Expenditure	2 526 616	2 135 646	
Total Repairs and Maintenance	13 840 180	13 301 539	
2.5 Assets pledged as security:			
Leased Property, Plant and Equipment at cost of R 283 691.00 is secured for leases as set out in Note 11 and Appendix A. The carrying value of these assets as at 30 June 2022 is R 141 375.00			
2.6 Reversal of Impairment losses of Property, Plant and Equipment			
Reversal of Impairment losses on Property, Plant and Equipment recognised in statement of financial performance are as follows:			
Infrastructure	460 390	468 449	
Total Reversal of Impairment losses	460 390	468 449	
2.7 Effect of changes in accounting estimates			
The remaining useful lives of assets were reviewed and it had the following effect on the accumulated depreciation and the carrying values of assets.			
	2022 R	2023 R	2024 R
Accumulated depreciation before review of useful lives	1 483 741	1 530 981	1 561 965
Accumulated depreciation after review of useful lives	1 459 259	1 482 016	1 504 774
Effect on Property, plant and equipment	24 482	48 965	57 191
2.8 Contractual commitments for acquisition of Property, Plant and Equipment:			
Approved and contracted for:	2 778 634	10 299 100	
Infrastructure	285 355	8 288 142	
Community	2 493 279	2 010 958	
Total	2 778 634	10 299 100	
This expenditure will be financed from:			
Government Grants	2 778 634	10 299 100	
Total	2 778 634	10 299 100	
2.9 Retention incurred on Property, Plant and Equipment:	2022 R	2021 R	
Opening Balance	686 362	129 063	
Deposits	566 714	578 053	
Withdrawals	(616 742)	(20 754)	
Total	636 334	686 362	

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. INVESTMENT PROPERTY

3.1 Net Carrying amount at 1 July	13 611 976	13 618 757
Cost	14 639 586	14 639 586
Accumulated Depreciation	(80 557)	(73 776)
Accumulated Impairment Loss	(947 053)	(947 053)
Depreciation for the year	(6 781)	(6 781)
Net Carrying amount at 30 June	13 605 195	13 611 976
Cost	14 639 586	14 639 586
Accumulated Depreciation	(87 338)	(80 557)
Accumulated Impairment Loss	(947 053)	(947 053)
3.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property	119 687	253 639

4. INTANGIBLE ASSETS

4.1 Net Carrying amount at 1 July	143 148	128 311
Cost	242 644	205 395
Accumulated Amortisation	(99 496)	(77 084)
Additions	515 363	39 969
Amortisation	(26 337)	(23 215)
Disposals	-	(2 720)
Amortisation written back on disposal	-	802
Net Carrying amount at 30 June	632 173	143 148
Cost	758 006	242 644
Accumulated Amortisation	(125 833)	(99 496)

5. HERITAGE ASSETS

5.1 Net Carrying amount at 1 July	1 245 000	1 245 000
Cost	1 245 000	1 245 000
Accumulated Impairment Loss	-	-
Impairment Loss/ Reversal of Impairment Loss	-	-
Net Carrying amount at 30 June	1 245 000	1 245 000
Cost	1 245 000	1 245 000
Accumulated Impairment Loss	-	-
Historical buildings	1 245 000	1 245 000
	1 245 000	1 245 000

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.

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
6. OPERATING LEASE ARRANGEMENTS		
6.1 The Municipality as Lessor		
Operating Lease Asset	<u>151 906</u>	<u>145 497</u>
<u>Disclosed as follows:</u>		
Non-Current Operating Lease Asset	<u>151 906</u>	<u>145 497</u>
Current Operating Lease Asset	<u>151 906</u>	<u>145 497</u>
Reconciliation		
Balance at the beginning of the year	145 498	113 354
Movement during the year	6 408	32 144
Balance at the end of the year	<u>151 906</u>	<u>145 498</u>
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease revenue as follows:		
Up to 1 Year	238 034	229 035
1 to 5 Years	655 206	766 628
More than 5 Years	-	126 612
Total Operating Lease Arrangements	<u>893 240</u>	<u>1 122 274</u>
This operating lease revenue determined from contracts that have a specific condition and does not include leases which has a undetermined conditional revenue.		
7. INVENTORY		
Consumables	288 613	357 698
Land	219 420	219 420
Materials and Supplies	-	10 800
Water	38 521	17 331
Total Inventory	<u>546 554</u>	<u>605 249</u>
The municipality recognised only purification costs in respect of non-purchased purified water inventory.		
7.1 Inventories recognise as an expense during the year:		
Consumables	18 563	29 381
Materials and Supplies	514 188	590 211
Total	<u>532 751</u>	<u>619 592</u>

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
8. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	2 149 872	2 833 132
Water	17 660 334	15 901 082
Property Rentals	533 421	268 119
Waste Management	4 011 869	3 452 573
Waste Water Management	6 183 856	5 173 091
Debtors VAT Portion	2 654 496	2 402 207
Other Arrears	510 914	556 323
Trading Service and Customer Service Debtors - Abeyance	1 964 928	-
Total: Receivables from exchange transactions (before provision)	35 669 689	30 586 526
Less: Provision for Debt Impairment	(29 902 483)	(26 896 930)
Total: Receivables from exchange transactions (after provision)	5 767 206	3 689 596

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.

(Electricity): Ageing

Current (0 - 30 days)	1 194 403	1 191 780
31 - 60 Days	260 820	262 967
61 - 90 Days	114 911	227 760
+ 90 Days	579 737	1 150 624
Total	2 149 872	2 833 132

(Water): Ageing

Current (0 - 30 days)	824 342	714 207
31 - 60 Days	1 642 617	380 907
61 - 90 Days	279 306	364 266
+ 90 Days	14 914 069	14 441 702
Total	17 660 334	15 901 082

(Property Rentals): Ageing

Current (0 - 30 days)	19 127	19 749
31 - 60 Days	25 786	29 681
61 - 90 Days	21 337	22 792
+ 90 Days	467 171	195 898
Total	533 421	268 119

(Waste Management): Ageing

Current (0 - 30 days)	126 570	152 144
31 - 60 Days	117 208	114 944
61 - 90 Days	100 334	105 577
+ 90 Days	3 667 757	3 079 908
Total	4 011 869	3 452 573

(Waste Water Management): Ageing

Current (0 - 30 days)	290 120	275 307
31 - 60 Days	220 561	189 108
61 - 90 Days	195 553	183 525
+ 90 Days	5 477 622	4 525 150
Total	6 183 856	5 173 091

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<u>(Debtors VAT Portion): Ageing</u>		
Current (0 - 30 days)	24 602	69 813
31 - 60 Days	310 479	131 229
61 - 90 Days	84 861	121 316
+ 90 Days	2 234 554	2 079 849
Total	2 654 496	2 402 207
<u>(Other): Ageing</u>		
Current (0 - 30 days)	(61 690)	12 656
31 - 60 Days	9 622	32 880
61 - 90 Days	8 408	32 420
+ 90 Days	554 574	478 367
Total	510 914	556 323
<u>Trading Service and Customer Service Debtors - Abeyance</u>		
+ 90 Days	1 964 928	
	1 964 928	
<u>(Total): Ageing</u>		
Current (0 - 30 days)	2 417 474	2 435 656
31 - 60 Days	2 587 092	1 141 716
61 - 90 Days	804 711	1 057 656
+ 90 Days	29 860 412	25 951 498
Total	35 669 689	30 586 526

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2022			
Current (0 - 30 days)	2 038 098	165 818	213 558
31 - 60 Days	1 847 058	86 119	653 915
61 - 90 Days	667 818	113 462	23 431
+ 90 Days	28 928 054	654 609	277 749
Sub-total	33 481 028	1 020 007	1 168 653
Less: Provision for Debt Impairment	(29 123 543)	(778 940)	-
Total debtors by customer classification	4 357 486	241 068	1 168 653

Summary of Debtors by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2021			
Current (0 - 30 days)	2 019 801	249 412	166 443
31 - 60 Days	951 633	168 317	21 766
61 - 90 Days	899 978	149 997	7 682
+ 90 Days	25 068 344	645 644	237 510
Sub-total	28 939 755	1 213 370	433 401
Less: Provision for Debt Impairment	(25 974 701)	(922 230)	-
Total debtors by customer classification	2 965 055	291 140	433 401

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	26 896 930	14 414 140
Contribution to provision	3 637 361	12 678 666
Reversal of provision	(631 809)	(195 876)
	<u>29 902 483</u>	<u>26 896 930</u>

The total amount of this provision consist of:

Services	28 708 490	25 942 871
Other Debtors	1 193 992	954 060
	<u>29 902 483</u>	<u>26 896 930</u>

Ageing of amounts past due but not impaired:

1 month past due	2 587 092	1 141 716
2+ months past due	3 180 114	2 547 880
	<u>5 767 206</u>	<u>3 689 596</u>

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.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large 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.

9. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates	2 407 923	2 010 587
Fines	45 570 014	38 987 716
Other Receivables	46 700	46 700
	<u>48 024 637</u>	<u>41 045 003</u>
<u>Less:</u> Provision for Debt Impairment	<u>(47 529 320)</u>	<u>(40 609 649)</u>
Total Receivables from non-exchange transactions	<u>495 317</u>	<u>435 354</u>

The fair value of other receivables approximate their carrying value.

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

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	213 532	170 235
31 - 60 Days	698 564	91 267
61 - 90 Days	79 764	76 231
+ 90 Days	1 416 064	1 672 854
Total	2 407 923	2 010 587

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2022			
Current (0 - 30 days)	196 630	16 130	773
31 - 60 Days	166 044	492 098	40 423
61 - 90 Days	64 506	13 057	2 201
+ 90 Days	1 067 432	284 233	64 399
Sub-total	1 494 611	805 517	107 795
Less: Provision for Debt Impairment	(1 235 075)	(814 473)	
Total debtors by customer classification	259 536	(8 956)	107 795

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
30 June 2021			
Current (0 - 30 days)	191 690	(20 706)	(750)
31 - 60 Days	84 089	5 174	2 004
61 - 90 Days	69 893	4 450	1 888
+ 90 Days	976 377	629 624	66 853
Sub-total	1 322 049	618 542	69 996
Less: Provision for Debt Impairment	(1 040 505)	(611 283)	-
Total debtors by customer classification	281 544	7 260	69 996

Reconciliation of Provision for Debt Impairment

	2022 R	2021 R
Balance at beginning of year	40 609 649	37 015 451
Contribution to provision	6 919 671	3 594 198
Reversal of provision	-	-
Balance at end of year	47 529 320	40 609 649

The provision for Debt impairment consist of:

	2022 R	2021 R
Taxes	2 049 548	1 651 788
Fines	45 479 772	38 957 861
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	47 529 320	40 609 649

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<u>Ageing of amounts past due but not impaired:</u>		
1 month past due	698 564	91 267
2+ months past due	(340 189)	267 532
	358 375	358 799

The provision for doubtful debts on debtors 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.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large 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.

The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. This is considered to be a subsequent event. The provision for impairment is based on current and past collection rates applicable to fines.

10. BANK ACCOUNTS

10.1 Cash and Cash Equivalents

Current Accounts	1 499 970	604 576
Call Deposits and Investments	-	-
Cash On-hand	4 416	3 050
Total Cash and Cash Equivalents - Assets	1 504 385	607 626

10.2 Short-term Investments

Call Deposits	44 356 630	51 329 293
Total Short-term Investments	44 356 630	51 329 293
A Bank Guarantee is retained for Eskom by Absa Bank	1 199 000	1 199 000

The municipality has the following bank accounts:

Current Accounts

Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):	1 397 398	518 693
	1 397 398	518 693

Call Deposits and Investments

Prince Albert ABSA Bank - Account Number 9287334653 (Savings Account):	1 272 961	1 231 281
Prince Albert ABSA Bank - Account Number 9360966391 (Call Deposit Account):	7 774 442	50 098 011
Prince Albert ABSA Bank - Account Number 2080395045 (Fixed Deposit Account):	35 309 227	-
	44 356 630	51 329 293

Details of the current account is as follow:

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):		
Cash book balance at beginning of year	604 576	45 169 184
Cash book balance at end of year	1 499 970	604 576
Less: Cash on hand not deposited	(102 572)	(85 882)
	<u>1 397 398</u>	<u>518 693</u>
Bank statement balance at beginning of year	518 693	45 134 041
Bank statement balance at end of year	<u>1 397 398</u>	<u>518 693</u>
11. LONG-TERM BORROWINGS		
Capitalised Lease Liability - At amortised cost	<u>141 375</u>	<u>233 079</u>
	141 375	233 079
Less: Current Portion transferred to Current Liabilities	(98 333)	(91 704)
Capitalised Lease Liability - At amortised cost	<u>(98 333)</u>	<u>(91 704)</u>
	43 042	141 375
Total Long-term Borrowings	<u>43 042</u>	<u>141 375</u>

11.1 The obligations under finance leases are scheduled below:

	Minimum payments	
Amounts payable under finance leases:		
Payable within one year	105 115	105 115
Payable within two to five years	<u>43 798</u>	<u>148 912</u>
	148 912	254 027
Less: Future finance obligations	<u>(7 537)</u>	<u>(20 948)</u>
Present value of finance lease obligations	<u>141 375</u>	<u>233 079</u>

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Konica Minolta	Photo copiers	7%	0%	3 Years	2023/11/30

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Hire Purchases and Leases are secured by property, plant and equipment - Note 2

12. NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	<u>21 862 045</u>	<u>21 314 841</u>
Total Non-current Provisions	<u>21 862 045</u>	<u>21 314 841</u>

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
12.1 Landfill Sites		
Balance 1 July	21 314 841	20 245 127
Increase/(Decrease) due to discounting	1 926 942	713 731
Increase due to re-measurement	(893 011)	847 646
Unused amounts reversed	(486 727)	(491 664)
Total provision 30 June	21 862 045	21 314 841
Balance 30 June	21 862 045	21 314 841

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:

	Prince Albert	Leeu Gamka	Klaarstroom
Rehabilitation area (m ²)	23 504	13 434	5 232
Costs for rehabilitation and closure:			
Preliminary and general	1 369 438	871 082	421 191
Site clearance and preparation	31 495	18 002	7 011
Storm water control measures	1 677 312	1 084 936	799 242
Capping	6 417 139	4 025 211	1 610 830
Leachate management	512 687	362 314	231 361
Fencing	12 267	12 267	12 267
Other:			
Environmental authorisation (closure license)	410 800	410 800	410 800
Technical ROD	208 260	208 260	208 260
Install groundwater monitoring boreholes with lockable caps	148 656	166 350	204 641
Landscape architects	139 674	139 411	137 338
Water use license	35 000	35 000	35 000
Topographical survey as per quotation area (minimum R6 750)	14 300	10 214	7 155
Contingencies (10% of total construction costs)	1 002 034	637 381	308 190
Engineering: Professional fees	1 158 314	850 863	416 331
Site supervision (Engineer's representative)	331 759	243 873	95 258
Site supervision (Environmental control officer & OHS agent)	81 565	95 120	43 247
Total (Excl VAT)	13 550 702	9 171 084	4 948 122
Cost per rehab (m ²)	577	683	946

In terms of the licencing of the landfill-sites, the municipality will incur licencing and rehabilitation costs of R 21 862 045 (2021: R21 314 841) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the Government Bond rate of borrowing.

Location	Estimated decommission date		
Prince Albert	2025	12 186 187	11 905 484
Leeu Gamka	2026	7 982 181	8 278 456
Klaarstroom	2040	1 693 677	1 130 900
		21 862 045	21 314 841

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
13. NON-CURRENT EMPLOYEE BENEFITS		
Provision for Post Retirement Health Care Benefits	4 585 000	5 852 000
Provision for Ex-Gratia Pension Benefits	37 300	7 475
Provision for Long Service Awards	1 309 000	1 346 000
Total Non-current Employee Benefits	5 931 300	7 205 475
<u>Post Retirement Health Care Benefits</u>		
Balance 1 July	6 173 000	6 134 000
Contribution for the year	90 665	95 000
Interest cost	615 000	639 000
Expenditure for the year	(305 665)	(287 864)
Actuarial Loss/(Gain)	(1 698 000)	(407 136)
Total provision 30 June	4 875 000	6 173 000
Less: Transfer of Current Portion to Current Provisions - Note 15	(290 000)	(321 000)
Balance 30 June	4 585 000	5 852 000
<u>Ex-Gratia Pensions</u>		
Balance 1 July	24 610	40 811
Interest cost	1 326	1 880
Expenditure for the year	(160 040)	(16 488)
Actuarial Loss/(Gain)	171 404	(1 593)
Total provision 30 June	37 300	24 610
Less: Transfer of Current Portion to Current Provisions - Note 15	-	(17 135)
Balance 30 June	37 300	7 475
<u>Long Service Awards</u>		
Balance 1 July	1 406 000	1 385 000
Contribution for the year	149 000	140 000
Interest cost	132 000	99 000
Expenditure for the year	(81 415)	(94 784)
Actuarial Loss/(Gain)	(19 585)	(123 216)
Total provision 30 June	1 586 000	1 406 000
Less: Transfer of Current Portion to Current Provisions - Note 15	(277 000)	(60 000)
Balance 30 June	1 309 000	1 346 000

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
13. NON-CURRENT EMPLOYEE BENEFITS (Continue)		
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	16	16
In-service (employee) non-members	40	35
Continuation members (e.g. Retirees, widows, orphans)	7	7
Total Members	63	58

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

In-service members	994 000	1 235 000
In-service non-members	359 000	443 000
Continuation members	3 522 000	4 488 000
Total Liability	4 875 000	6 166 000

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

	2020 R	2019 R	2018 R
In-service members	1 582 000	2 001 036	2 226 921
In-service non-members	332 000	355 769	528 559
Continuation members	4 220 000	3 383 584	2 607 661
Total Liability	6 134 000	5 740 389	5 363 141

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

Bonitas
LA Health
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R106 000, whereas the Current-service Cost for the next year is estimated to be R105 000.

Comparison of Valuation Assumptions	2022 %	2021 %
Assumption		
Discount rate	11.45%	10.24%
Health care cost inflation rate	8.11%	6.78%
Net discount rate	3.09%	3.24%
Average retirement age	62	
Mortality during employment	SA 85 - 90	
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010	
Withdrawal rates		

Age	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
50+	0%	0%

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 %	2021 %
13. NON-CURRENT EMPLOYEE BENEFITS (Continue)		
Proportion with a spouse dependant at retirement		60%
Continuation of membership at retirement		75%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy at retirement		15%

	2022 R	2021 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	4 875 000	6 173 000
	<u>4 875 000</u>	<u>6 173 000</u>
Net liability/(asset)	<u>4 875 000</u>	<u>6 173 000</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	6 173 000	6 134 000
Total expenses	400 000	446 136
Current service cost	90 665	95 000
Interest Cost	615 000	639 000
Benefits Paid	(305 665)	(287 864)
Actuarial (gains)/losses	(1 698 000)	(407 136)
Present value of fund obligation at the end of the year	<u>4 875 000</u>	<u>6 173 000</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2022

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	1.353	3.522	4.875

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation rate	1%	1.696	3.898	5.594	15%
Health care inflation rate	-1%	1.089	3.203	4.292	-12%
Discount rate	1%	1.098	3.215	4.313	-12%
Discount rate	-1%	1.688	3.889	5.577	14%
Post-employment mortality	1 year	1.316	3.410	4.726	-3%
Post-employment mortality	-1 year	1.390	3.635	5.025	3%
Average retirement age	-1 year	1.467	3.522	4.989	2%
Membership continuation	-10%	1.190	3.522	4.712	-3%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2022

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Central Assumptions		106 000	615 000	721 000	
Health care inflation rate	1%	138 000	615 000	753 000	
Health care inflation rate	-1%	83 000	713 000	796 000	18%
Discount rate	1%	85 000	537 000	622 000	-14%
Discount rate	-1%	135 000	592 000	727 000	-6%
Post-employment mortality	-1 year	109 000	632 000	741 000	3%
Average retirement age	-1 year	115 000	632 000	747 000	3%
Membership continuation	-10%	94 000	594 000	688 000	-5%

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
--	-----------	-----------

13. NON-CURRENT EMPLOYEE BENEFITS (*Continue*)

13.2 Ex-Gratia Pensions

The Ex-Gratia plans are defined benefit plans.

Changes in eligible employees since the last valuation date

Number of employees as at 1 July

Exits during the year

Number of employees as at 30 June

5	6
0	1
<u>5</u>	<u>5</u>

Comparison of Valuation Assumptions

Assumptions

Discount rate
Average retirement age
Pre-retirement mortality

	2022 %	2021 %
	10.04%	8.18%
		62
		SA85-90

Withdrawal rates

Age	Females	Males
40	4%	4%
50	3%	3%
55	0%	0%

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

Present value of fund obligations

Net liability/(asset)

	2022 R	2021 R
	37 300	24 610
	<u>37 300</u>	<u>24 610</u>
	<u>37 300</u>	<u>24 610</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year
Total expenses

Interest Cost
Benefits Paid

Actuarial (gains)/losses

Present value of fund obligation at the end of the year

24 610	40 811
(158 714)	(14 608)
1 326	1 880
(160 040)	(16 488)
171 404	(1 593)
<u>37 300</u>	<u>24 610</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2022

Assumption	Change	Liability (Rm)	% change
Central assumptions		1 326	
Discount rate	1%	1 447	9%
Discount rate	-1%	1 200	-10%
Average retirement age	-1 year	1 371	3%

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

13. NON-CURRENT EMPLOYEE BENEFITS (*Continue*)

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2022

Assumption	Interest Cost (R)
Central Assumptions	1 326

The effect of movements in the assumptions are as follows:

Assumption	Change	Interest Cost (R)	% change
Discount rate	1%	1 447	9%
Discount rate	-1%	1 200	10%
Average retirement age	-1 year	1 371	3%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2023

Assumption	Interest Cost (R)
Central Assumptions	3 740

The effect of movements in the assumptions are as follows:

Assumption	Change	Interest Cost (R)	% change
Discount rate	1%	3 880	4%
Discount rate	-1%	3 590	-4%
Average retirement age	-1 year	3 310	11%

13.3 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 63 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R149 000 whereas the Current-service Cost for the next year is estimated to be R175 000.

Comparison of Valuation Assumptions

Assumptions	2022 %	2021 %
Discount rate	10.62%	9.62%
General earnings inflation rate (long-term)	7.15%	5.91%
Net discount rate	3.54%	3.50%
Average retirement age	62	
Pre-retirement mortality	SA85-90	

Withdrawal rates

Age	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55+	0%	0%

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
13. NON-CURRENT EMPLOYEE BENEFITS (Continue)		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 586 000	1 406 000
	<u>1 586 000</u>	<u>1 406 000</u>
Net liability/(asset)	<u>1 586 000</u>	<u>1 406 000</u>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 406 000	1 385 000
Total expenses	199 585	144 216
Current service cost	149 000	140 000
Interest Cost	132 000	99 000
Benefits Paid	(81 415)	(94 784)
Actuarial (gains)/losses	(19 585)	(123 216)
Present value of fund obligation at the end of the year	<u>1 586 000</u>	<u>1 406 000</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2022

Assumption	Change	Liability	% change
Central assumptions		1 586 000	
General earning inflation rate	1%	1 684 000	6%
General earning inflation rate	-1%	1 497 000	-6%
Discount rate	1%	1 495 000	-6%
Discount rate	-1%	1 688 000	6%
Average retirement age	2 yrs	1 763 000	11%
Average retirement age	-2 yrs	1 509 000	-5%
Withdrawal rates	X2	1 261 000	-20%
Withdrawal rates	X0.5	1 816 000	15%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2022

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions	149 000	132 000	281 000

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
General earnings inflation rate	1%	163 000	142 000	305 000	9%
General earnings inflation rate	-1%	138 000	124 000	262 000	-7%
Discount rate	+1%	139 000	137 000	276 000	-2%
Discount rate	-1%	162 000	127 000	289 000	3%
Average retirement age	2 year	163 000	148 000	311 000	11%
Average retirement age	-2 year	137 000	125 000	262 000	-7%
Withdrawal Rate	X2	104 000	103 000	207 000	-26%
Withdrawal Rate	X0.5	184 000	153 000	337 000	20%

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

13. NON-CURRENT EMPLOYEE BENEFITS (*Continue*)

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2022

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions	175 000	159 000	334 000

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
General earnings inflation rate	1%	191 000	170 000	361 000	9%
General earnings inflation rate	-1%	161 000	149 000	310 000	-7%
Discount rate	+1%	162 000	162 000	324 000	-2%
Discount rate	-1%	190 000	154 000	344 000	3%
Average retirement age	2 year	191 000	178 000	369 000	11%
Average retirement age	-2 year	162 000	150 000	312 000	-7%
Withdrawal Rate	X2	119 000	123 000	242 000	-26%
Withdrawal Rate	X0.5	219 000	184 000	403 000	20%

	2022 R	2021 R
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	(41 000)	(63 000)

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

	2020 R	2019 R	2018 R
Liabilities: (Gain) / loss	(12 227)	6 712	73 154

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.

LA RETIREMENT FUND (PREVIOUSLY CAPE JOINT PENSION FUND)

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2021 revealed that the fund has a funding level of 104,9% (30 June 2020 - 100,0%).

	2022 R	2021 R
13. NON-CURRENT EMPLOYEE BENEFITS (<i>Continue</i>)		
<u>CONSOLIDATED RETIREMENT FUND (PREVIOUSLY CAPE JOINT RETIREMENT FUND)</u>		
<p>The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2021 revealed that the fund is in a sound financial position with a funding level of 100,0% (30 June 2020 - 100,5%).</p>		
<u>DEFINED CONTRIBUTION FUNDS</u>		
<p>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.</p>		
<p>Contributions paid recognised in the Statement of Financial Performance</p>		
<p style="padding-left: 40px;">Consolidated Retirement Fund (previously Cape Joint Retirement Fund) SAMWU National Provident Fund</p>		
Council's contributions paid to all pension funds recognised in the Statement of Financial Performance	2 058 715	1 935 704

14. CONSUMER DEPOSITS

Electricity	111 814	176 486
Rental Properties	7 488	7 488
Water	526 328	396 821
Posters	2 400	2 400
Electricity Deposit Vendor Pre-paid	-	6 000
Total Consumer Deposits	648 030	589 196

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

15. CURRENT EMPLOYEE BENEFITS

Staff Bonuses	673 139	604 821
Staff Leave	1 244 399	1 274 108
Current Portion of Non-Current Provisions	567 000	398 135
Current Portion of Post Retirement Benefits - Note 13	290 000	321 000
Current Portion of Ex-Gratia Pension Provisions - Note 13	-	17 135
Current Portion of Long-Service Provisions - Note 13	277 000	60 000
Total Provisions	2 484 539	2 277 064

The movement in current provisions are reconciled as follows:

15.1 Staff Bonuses

Balance at beginning of year	604 821	664 064
Contribution to current portion	1 134 738	1 009 494
Expenditure incurred	(1 066 419)	(1 068 737)
Balance at end of year	673 139	604 821

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.

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
15. CURRENT EMPLOYEE BENEFITS (Continue)		
15.2 <u>Staff Leave</u>		
Balance at beginning of year	1 274 108	1 235 766
Contribution to current portion	350 488	395 990
Expenditure incurred	(380 197)	(357 647)
Balance at end of year	<u>1 244 399</u>	<u>1 274 108</u>

Staff leave accrue to employees according to Collective Agreement for Local Government. Provision is made for the full cost of accrued leave at reporting date to a maximum of 48 working days as per the Collective Agreement for Local Government. This provision will be realised as employees take leave. 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 will be paid out to the specific employee at the end of that employee's term.

For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 13 to the Financial Statements.

16. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	2 079 183	10 725 844
Salary control accounts	(23 564)	156 919
Housing	372 001	372 002
Dep Treintjiesrivier	4 000	4 000
Licencing and registration	2 839	3 956
Retentions	636 334	686 362
Unallocated deposits	191 183	14 835
Unidentified deposits	41	-
Advance payments	1 459 667	1 037 417
Goods Received/Invoice Received	14 260	-
Total Trade Payables	<u>4 735 945</u>	<u>13 001 334</u>

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.

17. UNSPENT TRANSFERS AND SUBSIDIES

Unspent Transfers and Subsidies	2 916 310	5 238 152
National Government Grants	-	-
Provincial Government Grants	2 847 060	4 838 152
District Municipality	69 250	400 000
Total Unspent Transfers and Subsidies	<u>2 916 310</u>	<u>5 238 152.03</u>

See appendix "E" for reconciliation of grants from other spheres of government.

The Unspent Grants are cash-backed.

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.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
18. TAXES		
VAT Payable	(2 525 273)	(2 391 749)
VAT Receivable	1 151 844	1 999 850
Net VAT (Payable)/Receivable	(1 373 429)	(391 899)
<p>VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.</p>		
19. NET ASSET RESERVES		
RESERVES	10 500 000	10 500 000
Capital Replacement Reserve	10 500 000	10 500 000
Total Net Asset Reserve and Liabilities	10 500 000	10 500 000
19.1	The Capital Replacement Reserve is used to finance future capital expenditure from own funds.	
20. PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	5 428 074	4 919 372
Business and Commercial Property	370 578	95 708
Farm Properties	35 656	1 918 089
Residential Properties	5 021 840	2 905 575
Less: Revenue Forgone	(1 047 694)	(914 915)
Total Property Rates	4 380 380	4 004 457
<u>Valuations - 1 July 2021</u>		
Rateable Land and Buildings	1 986 820 000	1 967 961 000
Business and Commercial Property	124 842 000	43 307 000
Farm Properties	1 059 981 000	906 924 000
Mining Properties	2 900 000	2 900 000
Places of Worship	14 860 000	11 889 000
Public Service Infrastructure Properties	43 159 000	553 000
Residential Properties	702 100 000	898 802 000
Multiple Purposes	38 908 000	23 409 000
Vacant Land	70 000	80 177 000
Total Valuation	1 986 820 000	1 967 961 000
<u>Valuations - 1 July 2021</u>		
Per Area: Land and Buildings		
Prince Albert	852 426 000	850 487 000
Leeu-Gamka	32 848 000	32 848 000
Klaarstroom	16 169 000	15 849 000
Welgemoed	9 137 000	9 137 000
Rural	1 076 240 000	1 059 640 000
Total Property Valuations	1 986 820 000	1 967 961 000

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
20. PROPERTY RATES (Continue)		
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. A one year extension have been granted and the new interim valuation for 2023/24 will be implemented.		
Basic Rate	c/R	c/R
Agricultural Property	0.111c/R	0.103c/R
Standard property rates excluding agriculture and vacant land	0.559c/R	0.411c/R
Vacant land	0.559c/R	0.520c/R

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 were granted on land with buildings used solely for dwellings purposes as follows:

Residential - The first R22 000 on the valuation is exempted.

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	30 740 896	31 583 389
Equitable Share	24 054 000	25 925 000
Local Government Financial Management Grant (FMG)	1 650 000	1 700 000
Municipal Infrastructure Grant	385 900	357 150
Expanded Public Works Programme Integrated Grant	1 243 000	1 032 000
COVID-19 Pandemic Grant		
Infrastructure Skills Development Grant	-	20 150
Library Grant	2 089 000	1 790 000
WC Capacity building (Bursaries)	231 046	
WC Capacity building (Public Employment Support Grant)	571 857	
Thusong service centre		
Community Development Workers	49 799	33 916
Western Cape Financial Management Grant	100 000	300 000
District Municipality - Community Safety Grant	330 750	400 000
Local Government SETA	35 545	25 172
Government Grants and Subsidies - Capital	12 746 124	17 813 786
Municipal Infrastructure Grant	9 332 100	13 160 167
Integrated National Electrification Programme Grant	-	-
Municipal Disaster Relief Grant	-	-
Western Cape fire truck grant		
Municipal Drought Relief Grant	994 227	2 348 464
Regional Socio-economic Project	2 419 797	2 305 156
Total Government Grants and Subsidies	43 487 020	49 397 175

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continue)		
Included in above are the following grants and subsidies received:		
<u>Unconditional</u>	24 054 000	25 925 000
Equitable Share	24 054 000	25 925 000
<u>Conditional</u>	19 433 020	23 472 175
Local Government Financial Management Grant (FMG)	1 650 000	1 700 000
Expanded Public Works Programme Integrated Grant	1 243 000	1 032 000
Infrastructure Skills Development Grant	-	20 150
Library Grant	2 089 000	1 790 000
WC Capacity building (Bursaries)	231 046	-
WC Capacity building (Public Employment Support Grant)	571 857	-
Community Development Workers	49 799	33 916
Western Cape Financial Management Grant	100 000	300 000
District Municipality - Community Safety Grant	330 750	400 000
Local Government SETA	35 545	25 172
Municipal Infrastructure Grant	9 718 000	13 517 317
Municipal Drought Relief Grant	994 227	2 348 464
Regional Socio-economic Project	2 419 797	2 305 156
Total Government Grants and Subsidies	43 487 020	49 397 175
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	24 054 000	25 925 000
Executive & Council	2 841 242	2 687 478
Finance and Administration	1 981 046	2 020 150
Community & Social Services	2 419 750	2 190 000
Planning & Development	49 799	33 916
Road Transport	1 814 857	1 032 000
Energy Sources	-	-
Water Management	10 326 327	15 508 630
Total Government Grants and Subsidies	43 487 020	49 397 175
Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.		
21.1 <u>Equitable Share</u>		
Grants received	24 054 000	25 925 000
Conditions met - Operating	(24 054 000)	(25 925 000)
Conditions still to be met	-	-

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.

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continue)		
21.2 <u>Local Government Financial Management Grant (FMG)</u>		
Grants received	1 650 000	1 700 000
Conditions met - Operating	(1 650 000)	(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	-	11 267 602
Grants received	9 718 000	7 450 000
Repaid to National Revenue Fund	-	(5 200 285)
Conditions met - Operating	(385 900)	(357 150)
Conditions met - Capital	(9 332 100)	(13 160 167)
Conditions still to be met	-	-
<p>To provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities; to provide specific funding for the development of asset management plans for infrastructure servicing the poor.</p>		
21.4 <u>Integrated National Electrification Grant</u>		
Opening balance	-	117 326
Repaid to National Revenue Fund	-	(117 326)
Conditions still to be met	-	-
<p>To implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including informal settlements, farm dwellers, new and existing dwellings) and the installation of relevant bulk infrastructure.</p>		
21.5 <u>Expanded Public Works Programme Integrated Grant</u>		
Grants received	1 243 000	1 032 000
Conditions met - Operating	(1 243 000)	(1 032 000)
Conditions still to be met	-	-
<p>To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roadsbasic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure); other economic and social infrastructuretourism and cultural industries; waste management; parks and beautification; sustainable land-based livelihoods; social services programmes; community safety programmes.</p>		
21.6 <u>Municipal Disaster Relief Grant</u>		
Opening balance	-	33 347
Repaid to National Revenue Fund	-	(33 347)
Conditions still to be met	-	-
<p>To provide for the immediate release of funds for disaster response.</p>		

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continue)		
21.7 <u>Library Grant</u>		
Opening balance	1	1
Grants received	2 089 000	1 790 000
Conditions met - Operating	(2 089 000)	(1 790 000)
Conditions still to be met	<u>-</u>	<u>1</u>
<p>To transform urban and rural public library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.</p>		
21.8 <u>Regional Socio-Economic Projects (RSEP)</u>		
Opening balance	3 694 844	1 500 000
Grants received	1 000 000	4 500 000
Conditions met - Capital	(2 419 797)	(2 305 156)
Conditions still to be met	<u>2 275 047</u>	<u>3 694 844</u>
<p>To implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing socioeconomic and urban upgrading programmes.</p>		
21.9 <u>WC Capacity building (Bursaries)</u>		
Opening balance	-	722 500
Grants received	250 000	-
Repaid to National Revenue Fund	-	(722 500)
Conditions met - Operating	(231 046)	-
Conditions still to be met	<u>18 954</u>	<u>-</u>
<p>To implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing socioeconomic and urban upgrading programmes.</p>		
21.10 <u>WC Capacity building (Public Employment Support Grant)</u>		
Grants received	795 631	-
Conditions met - Operating	(571 857)	-
Conditions still to be met	<u>223 774</u>	<u>-</u>
<p>To implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing socioeconomic and urban upgrading programmes.</p>		

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continue)		
21.11 <u>Internship recruitment</u>		
Opening balance	-	20 150
Conditions met - Operating	-	(20 150)
Conditions still to be met	-	-
To implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing socioeconomic and urban upgrading programmes.		
21.12 <u>WC Capacity building (Sport and Recreation Facilities)</u>		
Grants received	300 000	-
Conditions still to be met	300 000	-
To implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing socioeconomic and urban upgrading programmes.		
21.13 <u>Community Development Workers</u>		
Opening balance	22 084	-
Grants received	57 000	56 000
Conditions met - Operating	(49 799)	(33 916)
Conditions still to be met	29 285	22 084
To implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing socioeconomic and urban upgrading programmes.		
21.14 <u>Municipal Drought Relief Grant</u>		
Opening balance	1 041 225	1 571 689
Grants received	-	1 818 000
Repaid to National Revenue Fund	(1 000 000)	-
Conditions met - Capital	(994 227)	(2 348 464)
Conditions still to be met	(953 002)	1 041 225
To implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing socioeconomic and urban upgrading programmes.		

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continue)		
21.15 <u>Western Cape Financial Management Grant</u>		
Opening balance	79 998	879 998
Grants received	100 000	300 000
Repaid to National Revenue Fund	(80 000)	(800 000)
Conditions met - Operating	(100 000)	(300 000)
Conditions still to be met	-	79 998

To implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing socioeconomic and urban upgrading programmes.

21.16 Central Karoo District Municipality

Opening balance	400 000	400 000
Grants received	-	400 000
Conditions met - Operating	(330 750)	(400 000)
Conditions still to be met	69 250	400 000

To implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing socioeconomic and urban upgrading programmes.

21.17 SETA

Grants received	35 545	25 172
Conditions met - Operating	(35 545)	(25 172)
Conditions still to be met	-	-

To implement and enhance programmes to interact with stakeholders and empower communities to partner with government in implementing socioeconomic and urban upgrading programmes.

21.18 Total Grants

Opening balance	5 238 152	16 512 613
Correction of Error	1	-
Grants received	41 292 176	44 996 172
Repaid to National Revenue Fund	(1 080 000)	(6 873 458)
Conditions met - Operating	(30 740 896)	(31 583 389)
Conditions met - Capital	(12 746 124)	(17 813 786)
Conditions still to be met/(Grant expenditure to be recovered)	1 963 309	5 238 152

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	2 916 310	5 238 152
Unpaid Conditional Government Grants and Receipts	953 002	-
Total	1 963 309	5 238 152

22. SERVICE-IN-KIND

Public Contributions - Conditional	2 417 849	2 710 839
Total Public Contributions and Donations	2 417 849	2 710 839

Reconciliation of conditional contributions:

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
22.1 <u>Allocations in kind - NT contribution on audit fees</u>		
Grants received	1 462 139	1 817 737
Conditions met - Operating	(1 462 139)	(1 817 737)
Conditions still to be met	-	-

In terms Section 23(5) of the Public Audit Act, National Treasury, in the past, paid any audit fees exceeding 1% of the municipality's operating and capital budgets. National Treasury did not pay the full amounts for 2018/19, 2019/20 and 2020/21. This causes doubt if this outstanding amounts will be paid and if the municipality will receive any assistance in future. No correspondence have been received why National Treasury did not pay the full amount and if any payments will be made in future.

22.2 Allocations in kind - MISA - Engineering services

Grants received	955 710	893 102
Conditions met - Operating	(955 710)	(893 102)
Conditions still to be met	-	-

The municipality received technical assistance from MISA (Municipal Infrastructure Support Agency). The applicable amount is provided by MISA calculated on the services they rendered to the municipality.

22.3 Total Conditional Contributions

Grants received	2 417 849	2 710 839
Conditions met - Operating	(2 417 849)	(2 710 839)
Conditions still to be met	-	-

23. LICENCES AND PERMITS

Road and Transport	137 351	123 702
Total Licences and Permits	137 351	123 702

Disclosed as follows:

Revenue from Exchange Transactions	137 351	123 702
Total Licences and Permits	137 351	123 702

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
24. SERVICE CHARGES		
Electricity	18 916 478	16 483 399
Service Charges	20 608 563	17 518 414
<u>Less:</u> Revenue Forgone	(1 692 085)	(1 035 015)
Water	5 853 722	5 517 086
Service Charges	7 691 283	6 746 394
<u>Less:</u> Revenue Forgone	(1 837 561)	(1 229 308)
Waste Water Management	3 896 878	3 852 863
Service Charges	5 871 276	5 552 220
<u>Less:</u> Revenue Forgone	(1 974 398)	(1 699 356)
Waste Management	1 885 289	1 952 312
Service Charges	3 083 728	3 030 976
<u>Less:</u> Revenue Forgone	(1 198 439)	(1 078 664)
Total Service Charges	30 552 368	27 805 660
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.		
25. SALES OF GOODS AND RENDERING OF SERVICES		
Building Plan Approval	272 205	174 242
Cemetery and Burial	20 749	44 540
Entrance Fees	11 676	2 764
Fire Services	23 613	116 268
Photocopies and Faxes	956	911
Sale of Goods	87	130
Tender Documents	8 000	37 900
Town Planning and Servitudes	84 046	40 603
Valuation Services	14 261	16 743
Total Sales of Goods and Rendering of Services	435 593	434 103
26. RENT ON LAND		
Land	201 400	111 860
Grazing Fees	201 400	111 860
Total Rent on Land	201 400	111 860
27. RENTAL FROM FIXED ASSETS		
Investment Property	119 687	253 639
Property, Plant and Equipment	148 441	50 286
Total Rental from Fixed Assets	268 128	303 924
28. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	19 459	26 708
Financial assets	2 327 337	2 294 722
Total Interest Earned - External Investments	2 346 796	2 321 430

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
29. INTEREST EARNED - EXCHANGE TRANSACTIONS		
Trade Receivables	1 730 930	1 503 321
Total Interest Earned - Outstanding Receivables	1 730 930	1 503 321
30. OPERATIONAL REVENUE		
Administrative Handling Fees	69 214	97 172
Commission	7 752	5 016
Insurance Refund	28 380	36 789
Total Operational Revenue	105 346	138 977
<u>Disclosed as follows:</u>		
Revenue from Exchange Transactions	105 346	138 977
Total Operational Revenue	105 346	138 977
31. EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	17 402 300	16 951 162
Pension and UIF Contributions	2 218 383	2 083 200
Medical Aid Contributions	588 973	637 168
Overtime	1 159 794	1 008 627
Bonuses	1 134 738	1 009 494
Motor Vehicle Allowance	213 312	277 412
Cell Phone Allowance	185 731	182 851
Housing Allowances	59 800	111 184
Other benefits and allowances	814 908	769 968
Payments in lieu of leave	350 488	395 990
Workmen's Compensation Fund	150 000	138 919
Post-retirement Benefit Obligations	987 991	974 880
Medical - Note 13.1	705 665	734 000
Current Service Cost	90 665	95 000
Interest Cost	615 000	639 000
Ex-Gratia Pension - Note 13.2	1 326	1 880
Interest Cost	1 326	1 880
Long Service Awards - Note 13.3	281 000	239 000
Total Employee Related Costs	25 266 418	24 540 855

31. EMPLOYEE RELATED COSTS (Continue)

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 - Ms A Vorster

Basic Salary	266 349	800 759
Pension and UIF Contributions	50 527	149 870
Motor Vehicle Allowance	60 000	180 000
Cell Phone Allowance	12 000	36 000
Total	388 876	1 166 629

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
Remuneration of the Chief Financial Officer - Mr J Neethling (Retired January 2021)		
Basic Salary	-	562 402
Pension and UIF Contributions	-	54 288
Motor Vehicle Allowance	-	64 000
Cell Phone Allowance	-	20 000
Other benefits and allowances	-	27 500
Total	-	728 190
Remuneration of the Municipal Manager - Mr A Hendricks (Acting)		
Basic Salary	633 752	-
Motor Vehicle Allowance	120 000	-
Cell Phone Allowance	24 000	-
Total	777 752	-
Remuneration of the Chief Financial Officer - Mr PW Erasmus		
Basic Salary	241 047	-
Medical Aid Contributions	8 764	-
Cell Phone Allowance	8 120	-
Total	257 931	-

32. REMUNERATION OF COUNCILLORS

Mr G Lottering	296 988	850 466
Ms S Piedt	141 129	400 982
Ms E Maans	624 293	671 456
Mr S Botes	364 451	325 087
Ms MD Jaftha	658 062	299 491
Ms K Jaquet	316 933	307 981
Mr SD Koonthea	299 491	299 491
Mr. A Mackay	245 572	-
Mr K Baaidjies	194 907	-
Total Councillors' Remuneration	3 141 826	3 154 954

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Total
Executive Mayor / Mayor	665 266	140 800	44 400	850 466
Deputy-Mayor	297 593	62 150	44 400	404 143
Speaker	522 453	122 400	44 400	689 253
Councillors	834 714	185 650	177 600	1 197 964
Total Councillors' Remuneration	2 320 026	511 000	310 800	3 141 826

In-kind Benefits

The Executive Mayor and Speaker are full-time Councillors. Each is provided with an office and secretarial support at the cost of the Municipality.

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
33. CONTRACTED SERVICES		
Outsourced Services	1 186 443	1 712 244
Business and Advisory	16 913	67 382
Clearing and Grass Cutting Services	123 335	156 410
Internal Auditors	549 435	921 464
Security Services	21 192	28 197
Electrical	475 569	538 792
Consultants and Professional Services	2 997 287	2 410 155
Business and Advisory	1 880 296	1 463 753
Accounting and Auditing	1 205 639	1 329 236
Audit Committee	73 605	111 727
Commissions and Committees	-	636
Research and Advisory	15 012	16 241
Valuer and Assessors	586 040	5 913
Infrastructure and Planning	1 042 667	893 102
Land and Quantity Surveyors	1 042 667	893 102
Laboratory Services	36 288	35 388
Water	36 288	35 388
Legal Cost	38 037	17 912
Legal Advice and Litigation	38 037	17 912
Contractors	1 963 337	1 822 790
Bore Waterhole Drilling	21 611	6 190
Maintenance of Buildings and Facilities	563 871	339 084
Maintenance of Equipment	784 283	679 879
Maintenance of Unspecified Assets	593 571	797 637
Total Contracted Services	6 147 067	5 945 189
34. DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	5 330 332	5 398 567
Intangible Assets	26 337	23 215
Investment Property carried at cost	6 781	6 781
Total Depreciation and Amortisation	5 363 450	5 428 563
35. FINANCE COSTS		
Long-term Borrowings	13 408	8 697
Non-current Provisions	1 926 942	713 731
Payables	-	95 722
Total Finance Costs	1 940 350	818 150
36. BULK PURCHASES		
Electricity	15 796 235	12 097 619
Total Bulk Purchases	15 796 235	12 097 619

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
37. TRANSFERS AND SUBSIDIES		
Operational	621 046	320 000
Monetary Allocations	621 046	320 000
Households	231 046	-
Non-profit Institutions	390 000	320 000
Total Transfers and Subsidies	621 046	320 000
38. OPERATIONAL COSTS		
Advertising, Publicity and Marketing	201 337	245 082
Audit Fees	2 404 243	2 652 195
Bank Charges, Facility and Card Fees	240 281	219 975
Cleaning Services	2 609	2 046
Commission	394 758	395 233
Communication	809 674	744 062
Deeds	14 443	13 732
Entertainment	97 483	58 928
External Computer Service	2 591 912	2 084 245
Hire Charges	20 074	85 435
Insurance Underwriting	582 092	498 819
Levies Paid - Water Resource Management Charges	27 000	22 225
Licences	58 141	99 104
Municipal Services	688 218	555 038
Printing, Publications and Books	310 341	231 198
Professional Bodies, Membership and Subscription	506 815	505 374
Remuneration to Ward Committees	154 047	188 500
Skills Development Fund Levy	179 203	153 506
Travel and Subsistence	853 662	800 311
Uniform and Protective Clothing	91 914	96 234
Vehicle Tracking	43 281	34 058
Wet Fuel	1 422 400	1 017 907
Total Operational Costs	11 693 928	10 703 207
39. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON RECEIVABLES		
Receivables from Exchange Transactions - Note 8	(3 005 552)	(5 814 487)
Receivables from Non-exchange Revenue - Note 9	(6 919 671)	(3 594 198)
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	(9 925 224)	(9 408 685)
40. GAINS/ (LOSS) ON SALE OF FIXED ASSETS		
Property, Plant and Equipment	(448 740)	150 856
Total Gains/ (Loss) on Sale of Fixed Assets	(448 740)	150 856
41. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON FIXED ASSETS		
Reversal of impairment loss on the capitalised restoration costs for the landfill sites	486 727	491 664
	486 727	491 664
Total Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets	486 727	491 664

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
42. WATER LOSSES		
Real Losses	1 053 951	661 372
Total Water Losses	1 053 951	661 372

43. CORRECTION OF ERROR IN TERMS OF GRAP 3

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:

	2021 R
43.1 Property, Plant and Equipment	
Balance previously reported	169 706 264
Cost	25 104
First time recognitions - Computer equipment	15 507
First time recognitions - Furniture and office equipment	9 597
Accumulated Depreciation	(25 890)
Re-calculation of depreciation due to undundling - Electrical infrastructure	(12 537)
Re-calculation of depreciation due to undundling - Water supply infrastructure	(1 521)
Re-calculation of depreciation due to undundling - Sanitation infrastructure	(771)
Re-calculation of depreciation due to undundling - Computer equipment	(1 551)
Re-calculation of depreciation due to undundling - Furniture and office equipment	(707)
Re-calculation of depreciation due to undundling - Machinery and equipment	(6 264)
Re-calculation of depreciation due to undundling - Transport assets	(2 539)
Restated Balance	169 705 478

43.2 Receivables from Exchange Transactions

Balance previously reported	2 487 348
Meter readings for water services in Leeu Gamka were detected to be incorrect for periods prior to 1 July 2020.	7 207 978
The meter readings corrected above is effected significantly by the collection rate on debtors at Leeu Gamka. The provision for impairment were adjusted accordingly	(6 864 179)
Reversal of incorrect levy for fire brigade charges during 2020/21	(116 296)
Accrued receivables recognised for water and electricity	974 746
Restated Balance	3 689 596

43.3 Receivables from Non-exchange Transactions

Balance previously reported	1 411 100
Fines paid by debtors incorrectly recognised as revenue during 2020/21	(1 000)
Accrued receivables recognised for water and electricity	(974 746)
Restated Balance	435 354

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
43.4 Trade and Other Payables from Exchange Transactions		
Balance previously reported		12 097 860
Reversal of creditor incorrectly captured in respect of leased assets payments during 2020/21		(40 292)
Repayment of court fines, incorrectly paid to the municipality		1 800
Telephone account for 2020/21 paid during 2021/22		28 277
Performance bonus of Municipal Manager for 2020/21 paid during 2021/22		94 181
Performance bonus of Chief Financial Officer for 2020/21 paid during 2021/22		86 302
Accounting support invoice for 2020/21 paid during 2021/22		503 026
Vehicle repairs invoice for 2020/21 paid during 2021/22		1 980
Internal audit fees for 2020/21 paid during 2021/22		183 165
Advertisement for 2020/21 paid during 2021/22		1 378
Water monitoring costs for 2020/21 paid during 2021/22		2 984
Task evaluation costs for 2020/21 paid during 2021/22		8 250
Entertainment costs for 2020/21 paid during 2021/22		1 681
Interest paid on overdue account for Workmen's Compensation for 2020/21 paid during 2021/22		13 639
Creditor payments for 2020/21 paid during 2021/22		17 103
Restated Balance		13 001 334
43.5 Taxes		
Balance previously reported		498 103
Reversal of creditor incorrectly created during 2020/21		5 255
Tax claimable on invoices for 2020/21 paid during 2021/22		(111 458)
Restated Balance		391 899
43.6 Accumulated Surplus/(Deficit)		
Balance previously reported		181 338 732
Correction of water meter readings incorrectly done at Leeu Gamka during prior years. Refer note 43.2		343 798
Reversal of incorrect levy for fire brigade charges during 2020/21		(101 127)
Court fines received during 2020/21 repaid during 2021/22		(1 800)
Fines paid by debtors incorrectly recognised as revenue during 2020/21		(1 000)
Telephone account for 2020/21 paid during 2021/22		(24 589)
Performance bonus of Municipal Manager for 2020/21 paid during 2021/22		(94 181)
Performance bonus of Chief Financial Officer for 2020/21 paid during 2021/22		(86 302)
Accounting support invoice for 2020/21 paid during 2021/22		(437 414)
Vehicle repairs invoice for 2020/21 paid during 2021/22		(1 722)
Internal audit fees for 2020/21 paid during 2021/22		(159 274)
Advertisement for 2020/21 paid during 2021/22		(1 378)
Water monitoring costs for 2020/21 paid during 2021/22		(2 595)
Task evaluation costs for 2020/21 paid during 2021/22		(8 250)
Entertainment costs for 2020/21 paid during 2021/22		(1 462)
Interest paid on overdue account for Workmen's Compensation for 2020/21 paid during 2021/22		(13 639)
Creditor payments for 2020/21 paid during 2021/22		(14 872)
Reversal of creditor incorrectly captured in respect of leased assets payments during 2020/21		35 037
First time recognitions - Computer equipment		15 507
First time recognitions - Furniture and office equipment		9 597
Re-calculation of depreciation due to unbundling - Electrical infrastructure		(12 537)
Re-calculation of depreciation due to unbundling - Water supply infrastructure		(1 521)
Re-calculation of depreciation due to unbundling - Sanitation infrastructure		(771)
Re-calculation of depreciation due to unbundling - Computer equipment		(1 551)
Re-calculation of depreciation due to unbundling - Furniture and office equipment		(707)
Re-calculation of depreciation due to unbundling - Machinery and equipment		(6 264)
Re-calculation of depreciation due to unbundling - Transport assets		(2 539)
Total		180 767 176

2021
R

43. CORRECTION OF ERROR IN TERMS OF GRAP 3 (Continue)

43.10 Changes to Statement of Financial Performance

	Note	Balance previously reported	Adjustments	Restated Balance
Revenue				
Property Rates	20	4 004 457	-	4 004 457
Surcharges and Taxes		-	-	-
Government Grants and Subsidies - Operating	21	31 583 389	-	31 583 389
Government Grants and Subsidies - Capital	21	17 813 786	-	17 813 786
Service in kind	22	2 710 839	-	2 710 839
Contributed Property, Plant and Equipment		-	-	-
Actuarial Gains	13	531 946	-	531 946
Availability Charges		-	-	-
Fines, Penalties and Forfeits		3 509 450	(2 800)	3 506 650
Interest Earned - Non-exchange Transactions		176 889	-	176 889
Licences and Permits from Non-Exchange Transactions		-	-	-
Service Charges	24	27 805 660	-	27 805 660
Sales of Goods and Rendering of Services	25	535 230	(101 127)	434 103
Rent on Land	26	111 860	-	111 860
Rental from Fixed Assets	27	303 924	-	303 924
Interest Earned - External Investments	28	2 321 430	-	2 321 430
Interest Earned - Exchange Transactions	29	1 503 321	-	1 503 321
Licences and Permits from Exchange Transactions	23	123 702	-	123 702
Agency Services		281 092	-	281 092
Operational Revenue	30	138 977	-	138 977
Total		93 455 952	(103 927)	93 352 025
Expenditure				
Employee related costs	31	24 346 733	194 122	24 540 855
Remuneration of Councillors	32	3 154 954	-	3 154 954
Bad Debts Written Off	33	329 561	-	329 561
Contracted Services		5 335 934	609 255	5 945 189
Depreciation and Amortisation	34	5 402 672	25 890	5 428 563
Finance Costs	35	818 150	-	818 150
Bulk Purchases	36	12 097 619	-	12 097 619
Inventory Consumed	7	608 330	11 262	619 592
Transfers and Subsidies	37	320 000	-	320 000
Operational Costs	38	10 707 205	(3 999)	10 703 207
Reversal of Impairment Loss/(Impairment Loss) on Receivables	39	9 212 809	-	9 212 809
Total		72 333 968	836 531	73 170 498
Gains and Losses				
Gains/(Loss) on Sale of Fixed Assets	40	150 856	-	150 856
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	41	491 664	-	491 664
Total		642 520	-	642 520
Net Surplus/(Deficit) for the year		21 764 504	(940 458)	20 824 046

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
44. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	13 570 470	20 824 046
Adjustments for:		
Depreciation and Amortisation	5 363 450	5 428 563
Loss/(Gain) on Sale of Fixed Assets	448 740	(150 856)
Impairment Loss/(Reversal of Impairment Loss)	9 925 224	9 212 809
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	(486 727)	(491 664)
Government Grants and Subsidies received	41 292 176	44 996 172
Government Grants and Subsidies recognised as revenue	(43 487 020)	(49 397 175)
Repayment of unspent grants	(1 080 000)	(6 873 458)
Contribution to provisions – Non-Current Provisions	1 926 942	809 453
Change in Provision for Rehabilitation Cost	-	-
Contribution from/to provisions - Non-Current Employee Benefits	272 005	647 223
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	171 404	-
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(1 717 585)	(531 946)
Contribution from/to - Current Employee Benefits	207 475	(92 378)
Bad Debts written off	1 046 392	329 561
Operating lease income accrued	(6 408)	(32 144)
Operating lease expenses accrued	-	-
Operating Surplus/(Deficit) before changes in working capital	27 446 538	24 678 206
Changes in working capital	(20 275 520)	(3 060 104)
Increase/(Decrease) in Trade and Other Payables	(8 265 389)	6 491 940
Increase/(Decrease) in Taxes	981 530	(484 106)
(Increase)/Decrease in Inventory	58 695	66 313
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(6 129 555)	(6 435 958)
(Increase)/Decrease in Other Receivables from Non-Exchange Transactions	(6 979 635)	(2 763 339)
Increase/(Decrease) in Consumer deposits	58 834	65 046
Cash generated/(absorbed) by operations	7 171 018	21 618 102
45. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 10	1 499 970	604 576
Cash Floats - Note 10	4 416	3 050
Total cash and cash equivalents	1 504 385	607 626
46. SHORT-TERM DEPOSITS		
Call Deposits and Investments - Note 10	44 356 630	51 329 293
47. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 45	1 504 385	607 626
Short-term Deposits - Note 45	44 356 630	51 329 293
Less:	(4 289 739)	(5 630 051)
Unspent Transfers and Subsidies - Note 17	(2 916 310)	(5 238 152)
VAT - Note 18	(1 373 429)	(391 899)
Net cash resources available for internal distribution	41 571 276	46 306 867
Allocated to:		
Capital Replacement Reserve	(10 500 000)	(10 500 000)
Resources available for working capital requirements	31 071 276	35 806 867

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
48. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 11	141 375	233 079
Used to finance property, plant and equipment - at cost	(141 375)	(233 079)
Cash invested for repayment of long-term liabilities	<u>-</u>	<u>-</u>

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

50 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

50.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	1 079 611	508 470
Restated opening balance	1 079 611	508 470
Unauthorised expenditure current year - operational	4 672 507	1 079 611
Written off by Council	(1 030 758)	(508 470)
Current	-	-
Prior Period	(1 030 758)	(508 470)
Unauthorised expenditure awaiting authorisation	<u><u>4 721 361</u></u>	<u><u>1 079 611</u></u>

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Over expenditure of approved budget - Vote 4: Director Community Services. The main contributor to the over spending of the budget was the contribution calculated for provision of traffic fines. Due to the Covid-19 pandemic recoveries on traffic fines were much lower than anticipated, resulting in a much higher contribution for the provision of impairment. (Budget R2 500 000 vs Actual R3 399 441).	None		170 183
Over expenditure of approved budget - Vote 5: Director Technical Services. The Covid-19 pandemic had a serious impact on the residents of the Prince Albert Municipality. Collections rates on outstanding debtors deteriorated and thus much higher contributions to the provision for debt impairment had to be made: (Water budget R1 300 000 vs Actual R2 875 451).	None		909 428
Over expenditure of approved budget - Vote 4: Director Community Services. The main contributor to the over spending of the budget was the contribution calculated for provision of traffic fines. Due to the Covid-19 pandemic recoveries on traffic fines were much lower than anticipated, resulting in a much higher contribution for the provision of impairment. (Budget R650 000 vs Actual R6 521 911).	None	4 381 360	
Over expenditure of approved budget - Vote 2: Financial services. The service in kind portion of the audit fees to the Auditor General lead a higher than originally budgeted for non-cash portion than anticipated. Better controls will be put in place to ensure that the discounting of the landfill site are better budgeted for.		291 148	
		<u><u>4 672 507</u></u>	<u><u>1 079 611</u></u>

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
The over expenditure incurred by municipal departments on their operating budgets during the year is attributable to the following categories:		
Non-cash	4 672 507	1 079 611
	4 672 507	1 079 611
<u>Analysed as follows: Non-cash</u>		
Impairment Losses	4 672 507	1 079 611
	4 672 507	1 079 611

The overspending of the Budget per municipal vote can be summarised as follows:

	2022 Actual R	2022 Final Budget R	2022 Variance R	2022 Unauthorised R
<u>Unauthorised expenditure current year - operating</u>				
Vote 1 - Executive and Council	6 897 103	7 615 084	717 981	-
Vote 2 - Director Finance	14 087 787	13 796 639	(291 148)	291 148
Vote 3 - Director Corporate	6 835 456	7 944 298	1 108 842	-
Vote 4 - Director Community	12 371 219	7 989 859	(4 381 360)	4 381 360
Vote 5 - Director Technical Services	41 454 526	43 190 899	1 736 373	-
	81 646 091	80 536 779	(1 109 312)	4 672 507

50 **UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**
(Continue)

	2022 Actual R	2022 Final Budget R	2022 Variance R	2022 Unauthorised R
<u>Unauthorised expenditure current year - capital</u>				
Vote 2 - Director Finance	3 598 846	6 967 473	3 368 627	-
Vote 4 - Director Community	38 800	780 870	742 070	-
Vote 5 - Director Technical Services	9 485 975	12 008 144	2 522 169	-
	13 123 620	19 756 487	6 632 867	-

50.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

	2022 R	2021 R
Opening balance	93 716	-
Restated opening balance	93 716	-
Fruitless and wasteful expenditure current year	13 639	93 716
Written off by Council	-	-
Current	-	-
Prior Period	-	-
Fruitless and wasteful expenditure awaiting further action	107 354	93 716

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

2022
R

2021
R

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Interest on a payment of legal fees	None		
Interest on late payment of contributions to Workmans Compensation Fund. The municipality is in consultation with the Workmans Compensation Fund to write off the interest charges on overdue accounts. Said amount have been escalated to MPAC.	None	107 354	93 716
		<u>107 354</u>	<u>93 716</u>

50.3 **Irregular expenditure**

Reconciliation of irregular expenditure:

Opening balance	842 695	3 501 100
Restated opening balance	842 695	3 501 100
Irregular expenditure current year	76 223	842 695
Expenditure authorised i.t.o. Section 32 of MFMA	(842 695)	(3 501 100)
Current	(842 695)	-
Prior Period	-	(3 501 100)
Irregular expenditure awaiting further action	<u>76 223</u>	<u>842 695</u>

50.3 **Irregular expenditure (Continue)**

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Non compliance with SCM Regulation(s) 12.1 (c) & 40.1	None		
Irregular Expenditure i.t.o. Covid-19 Procurement	None		
Non compliance with Section 32 per the AG & NT - Current year	None		
Non-compliance with MSCM Regulation 32 - Royal Haskoning DHV	None	76 223	563 659
Non-compliance with MSCM Regulation 32 - Business Engineering	None	-	279 036
		<u>76 223</u>	<u>842 695</u>

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

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
51. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
51.1 <u>Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)</u>		
Council subscriptions	500 000	500 000
Amount paid - current year	(500 000)	(500 000)
Balance unpaid (included in creditors)	-	-
51.2 <u>Audit fees - [MFMA 125 (1)(c)]</u>		
Opening balance	3 681 335	3 177 614
Restated opening balance	3 681 335	3 177 614
Current year audit fee	2 780 109	3 002 513
External Audit - Auditor-General - payable by municipality	1 098 649	875 672
External Audit - Auditor-General - payable by National Treasury	1 681 460	2 126 842
Amount paid - current year	(1 731 323)	(1 145 515)
External Audit - Auditor-General - paid by municipality	(1 098 649)	(875 672)
External Audit - Auditor-General - paid by National Treasury	(632 674)	(269 843)
Amount paid - previous year	-	(1 353 277)
External Audit - Auditor-General - paid by National Treasury	-	(1 353 277)
Balance unpaid	4 730 122	3 681 335
In terms Section 23(5) of the Public Audit Act, National Treasury, in the past, paid any audit fees exceeding 1% of the municipality's operating and capital budgets. National Treasury did not pay the full amounts for 2018/19 to 2020/21. This causes doubt if this outstanding amounts will be paid and if the municipality will receive any assistance in future. No correspondence have been received why National Treasury did not pay the full amount and if any payments will be made in future.		
51.3 <u>VAT - [MFMA 125 (1)(c)]</u>		
Opening balance	391 899	534 933
VAT inputs	7 277 497	5 622 214
VAT outputs	(3 865 552)	(3 873 583)
Paid	596 803	308 439
Received	(3 027 218)	(2 200 104)
Closing balance	1 373 429	391 899

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

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
51. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continue)		
51.4 PAYE, SDL and UIF - [MFMA 125 (1)(c)]		
Current year payroll deductions	3 684 429	3 617 338
Amount paid - current year	(3 684 429)	(3 617 338)
Balance unpaid (included in creditors)	-	-
51.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]		
Current year payroll deductions and Council Contributions	4 765 024	4 971 746
Amount paid - current year	(4 765 024)	(4 971 746)
Balance unpaid (included in creditors)	-	-
51.6 Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]		

The following Councillors had arrear accounts outstanding for more than 90 days during the year.

	90+ Days	120+ Days
<i>K Baaidjies</i>	3 348	31 754

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):

30 June 2022

	Amount	Type of Deviation	
		Impractical/ Impossible	Emergency
Uber Technologies	2 241	2 241	-
Arena Holdings	36 294	36 294	-
De Jagers Loodgieter Kontrakteurs	120 000	120 000	-
A.L. Abbott And Associates	2 984	2 984	-
Jan Abraham Nel	39 560	39 560	-
Tiptol Vervoer CC	8 050	8 050	-
Uber Technologies	49 089	-	49 089
Arena Holdings	14 518	14 518	-
	272 736	223 647	49 089

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

30 June 2021

	Amount	Type of Deviation	
		Impractical/ Impossible	Emergency
Uber Technologies	16 544	16 544	-
CJA Partners	21 600	21 600	-
Harmse Kriel Attorneys	1 890	1 890	-
PayDay Software Systems	130 834	130 834	-
Shorts Commercial Vehicles	9 394	9 394	-
Eskom Holdings	24 924	24 924	-
PayDay Software Systems	4 055	4 055	-
Arena Holdings	18 936	18 936	-
Uber Technologies	30 000	30 000	-
Shorts Commercial Vehicles	8 554	8 554	-
Klein Karoo Agri	2 948	2 948	-
Golden Dividend 536	48 967	48 967	-
Jan Abraham Nel	14 400	14 400	-
Quality Filtration Systems	14 212	14 212	-
Specialist System Engineering	48 130	48 130	-
Conlog	21 882	21 882	-
Total	417 270	417 270	-

51.8 Material losses

Electricity distribution losses

Units purchased (Kwh)	10 437 181	10 511 334
Units lost during distribution (Kwh)	1 202 054	1 148 057
Percentage lost during distribution	11.52%	10.92%
Distribution loss (Rand Value)	1 727 615	1 396 784

Water distribution losses

Units purified (kl)	623 621	636 302
Units lost during distribution (kl)	177 732	207 702
Percentage lost during distribution	28.50%	32.64%
Distribution loss (Rand Value)	1 053 951	661 372

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

51.9 Non-compliance with the Municipal Finance Management Act and other Legislation

Non-compliance with MFMA Section 9 (b)

Section 9(b) of the MFMA requires that annually before the start of a financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account should be submitted to the relevant provincial treasury and the Auditor-General in writing. The municipality did not adhere to this section in the current year.

Non-compliance with MFMA Section 75 (2)

The municipality did not update their website with all relevant documentation as required by Section 75(2) of the MFMA.

Non-compliance with the Municipal systems Act, Section 96 (b)

A credit control and debt collection policy was not fully implemented, as required by section 96(b) of the MSA.

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

51.10 Awards to suppliers with close relations to people in the service of the state

The following suppliers indicated that a family member is in service of the state as required of Section 45 of the Supply Chain Management Regulations

2021/22 Contracts awarded

Company name	Related person	Company capacity	Capacity	Relationship	State department	Payments
Jan Abraham Nel	M Nel	Owner	Teacher	Spouse	WCED	R 866 649
C & C Catering	N Jantjies	Director	PAM Empl.	Daughter	PAM	5 850

51.10 Awards to suppliers with close relations to people in the service of the state (Continue)

2020/21 Contracts awarded

Company name	Related person	Company capacity	Capacity	Relationship	State department	Payments
Jan Nel Elektries	M Nel	Owner	Teacher	Spouse	WCED	R 660 928
C&C Catering	N Jantjies	Director	PAM Empl.	Daughter	PAM	10 245
Conlog	N Moodley	Wife	HCP	Spouse	Dept of Health	21 882
Huriqua (Pty) Ltd	K Lamberts	Director	Employee	Spouse	WCDA	59 885

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 entity'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 entity 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.

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

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:		
0.5% (2021: 0.05%) Increase in interest rates	228 598	258 519
0.25% (2021: 0.25%) Decrease in interest rates	(114 299)	(129 260)

(d) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

52. FINANCIAL RISK MANAGEMENT (Continue)

Trade and other receivables are disclosed net after provisions are made for impairment on 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.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 8 and 9 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 %	2022 R	2021 %	2021 R
<u>Non-Current Receivables</u>				
Repay Arrangements	100.00%	-	100.00%	-
<u>Exchange Receivables</u>				
Electricity	6.38%	2 149 872	9.26%	2 833 132
Water	52.40%	17 660 334	51.99%	15 901 082
Property Rentals	1.58%	533 421	0.88%	268 119
Waste Management	11.90%	4 011 869	11.29%	3 452 573
Waste Water Management	18.35%	6 183 856	16.91%	5 173 091
Debtors VAT Portion	7.88%	2 654 496	7.85%	2 402 207
Other	1.52%	510 914	1.82%	556 323
	100.00%	33 704 761	100.00%	30 586 526

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 9 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at 10% where applicable.

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

52. FINANCIAL RISK MANAGEMENT (*Continue*)

	2022 %	2022 R	2021 %	2021 R
<u>Non-Current Receivables</u>				
Repay Arrangements	0.00%	-	0.00%	-
<u>Exchange Receivables</u>				
Services	100.00%	29 902 483	100.00%	26 896 930
	100.00%	29 902 483	100.00%	26 896 930

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

	2022 %	2022 R	2021 %	2021 R
Government	0.00%	-	0.00%	-
Industrial	2.60%	778 940	3.43%	922 230
Residential	97.40%	29 123 543	96.57%	25 974 700
Indigents	0.00%		0.00%	
	100.00%	29 902 483	100.00%	26 896 930

<u>Ageing of amounts past due but not impaired are as follow:</u>	Exchange Receivables
2022	
1 month past due	2 587 092
2+ months past due	3 180 114
	5 767 206
2021	
1 month past due	1 141 716
2+ months past due	2 547 880
	3 689 596

The entity 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 banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

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.

	2022 R	2021 R
52. FINANCIAL RISK MANAGEMENT (Continue)		
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	35 669 689	30 586 526
Cash and Cash Equivalents	1 499 970	604 576
Short-term investments	44 356 630	51 329 293
	81 526 289	82 520 395

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

The table below analyses the entity'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
2022				
Long-term Liabilities	105 115	43 798	-	-
Trade and Other Payables	4 735 945	-	-	-
	4 841 060	43 798	-	-

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	4 841 059	43 798	-	-
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2021				
Long-term Liabilities	105 115	148 912	-	-
Trade and Other Payables	13 001 334	-	-	-
	<u>13 106 448</u>	<u>148 912</u>	<u>-</u>	<u>-</u>
			2022	2021
			R	R

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

Receivables from Exchange Transactions

Electricity	Financial Instruments at amortised cost	2 149 872	2 833 132
Water	Financial Instruments at amortised cost	17 660 334	15 901 082
Property Rentals	Financial Instruments at amortised cost	533 421	268 119
Waste Management	Financial Instruments at amortised cost	4 011 869	3 452 573
Waste Water Management	Financial Instruments at amortised cost	6 183 856	5 173 091
Debtors VAT Portion	Financial Instruments at amortised cost	2 654 496	2 402 207
Other Arrears	Financial Instruments at amortised cost	510 914	556 323

Cash and Cash Equivalents

Bank Balances	Financial Instruments at amortised cost	1 499 970	604 576
Call Deposits	Financial Instruments at amortised cost	44 356 630	51 329 293
Cash on hand	Financial Instruments at amortised cost	4 416	3 050

Total Financial Assets

79 565 777 **82 523 445**

SUMMARY OF FINANCIAL ASSETS

Financial Instruments at amortised cost:

Receivables from Exchange Transactions	Electricity	2 149 872	2 833 132
Receivables from Exchange Transactions	Water	17 660 334	15 901 082
Receivables from Exchange Transactions	Property Rentals	533 421	268 119
Receivables from Exchange Transactions	Waste Management	4 011 869	3 452 573
Receivables from Exchange Transactions	Waste Water Management	6 183 856	5 173 091
Receivables from Exchange Transactions	Debtors VAT Portion	2 654 496	2 402 207
Receivables from Exchange Transactions	Other Arrears	510 914	556 323
Cash and Cash Equivalents	Bank Balances	1 499 970	604 576
Cash and Cash Equivalents	Call Deposits	44 356 630	51 329 293
Cash and Cash Equivalents	Cash on hand	4 416	3 050

79 565 777 82 523 445

Total Financial Assets

79 565 777 **82 523 445**

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

53.2 <u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Capitalised Lease Liability	Financial Instruments at amortised cost	141 375	233 079
Trade and Other Payables			
Trade Payables	Financial Instruments at amortised cost	2 079 183	10 725 844
Salary control accounts	Financial Instruments at amortised cost	(23 564)	156 919
Housing	Financial Instruments at amortised cost	372 001	372 002
Dep Treintjiesrivier	Financial Instruments at amortised cost	4 000	4 000
Licencing and registration	Financial Instruments at amortised cost	2 839	3 956
Retentions	Financial Instruments at amortised cost	636 334	686 362
Unallocated deposits	Financial Instruments at amortised cost	191 183	14 835
Unidentified deposits	Financial Instruments at amortised cost	41	-
Advance payments	Financial Instruments at amortised cost	1 459 667	1 037 417
		4 863 060	13 234 413

	2022 R	2021 R
--	-----------	-----------

53. **FINANCIAL INSTRUMENTS (Continue)**

SUMMARY OF FINANCIAL LIABILITIES

Financial instruments at amortised cost:

Long-term Liabilities	Capitalised Lease Liability	141 375	233 079
Trade and Other Payables	Trade Payables	2 079 183	10 725 844
Trade and Other Payables	Salary control account	(23 564)	156 919
Trade and Other Payables	Housing	372 001	372 002
Trade and Other Payables	Dep Treintjiesrivier	4 000	4 000
Trade and Other Payables	Licencing and registration	2 839	3 956
Trade and Other Payables	Retentions	636 334	686 362
Trade and Other Payables	Unallocated deposits	191 183	14 835
Trade and Other Payables	Unidentified deposits	41	-
Trade and Other Payables	Advance payments	1 459 667	1 037 417
		4 863 060	13 234 413

54. **STATUTORY RECEIVABLES**

In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:

Taxes

VAT Receivable	-	-
----------------	---	---

Receivables from Non-Exchange Transactions

	47 977 937	40 998 303
Rates	2 407 923	2 010 587
Fines	45 570 014	38 987 716

Total Statutory Receivables (before provision)

47 977 937 **40 998 303**

Less: Provision for Debt Impairment

(47 529 320) (40 609 649)

Total Statutory Receivables (after provision)

448 617 **388 654**

Statutory Receivables arises from the following legislation:

Taxes	- Value Added Tax Act (No 89 of 1991)
Rates	- Municipal Properties Rates Act (No 6 of 2004)
Fines	- Criminal Procedures Act

Statutory receivables are initially measured at transaction value, and subsequently at cost.

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	213 532	170 235
31 - 60 Days	698 564	91 267
61 - 90 Days	79 764	76 231
+ 90 Days	1 416 064	1 672 854
Total	<u>2 407 923</u>	<u>2 010 587</u>

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	40 609 649	37 015 451
Contribution to provision	6 919 671	3 594 198
Balance at end of year	<u>47 529 320</u>	<u>40 609 649</u>

Ageing of amounts past due and impaired:

1 month past due		
2+ months past due	47 529 320	40 609 649
	<u>47 529 320</u>	<u>40 609 649</u>

Ageing of amounts past due but not impaired:

1 month past due	235 085	218 419
2+ months past due	213 532	170 235
	<u>448 617</u>	<u>388 654</u>

Interest Received from Statutory Receivables

Receivables from Non-Exchange Transactions	201 975	176 889
	<u>201 975</u>	<u>176 889</u>

Interest is levied at a rate determined by the council on outstanding rates amounts.

Exemptions taken for Statutory Receivables according to Directive 4 - Transitional Provisions for

55. IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance:

Organisation	Contribution towards:		
National Treasury	Contribution towards audit fees	1 462 139	1 817 737
MISA	Engineering services	955 710	893 102
Total In-kind Donations and Assistance		<u>2 417 849</u>	<u>2 710 839</u>

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
56. PRINCIPAL - AGENT ARRANGEMENTS		
56.1 <u>Principal in Principal-Agent Arrangement (Material)</u>		
Prince Albert Municipality is the Principle in arrangements with service providers who sell prepaid electricity on the municipality's behalf. Prepaid vendors earn commission on the value of each transaction.		
Compensation paid for agency activities		
Commission - Note 38	394 758	395 233
Total Compensation paid	394 758	395 233
Resources		
There are no municipal resources under the custodianship of the agents, nor have they been recognised as such.		
56.2 <u>Agent in arrangement</u>		
Prince Albert Municipality is the Agent in the Principle/Agent arrangement with the Provincial Department of Transport, and collects licencing fees on behalf of the Provincial Department of Transport. The municipality can retain a portion of the fees collected and the net amount is due to the Provincial Department. The amount retained is recorded as Income from Agency Services in the Statement of Financial Performance. The amounts due to the Provincial Department at year end is included in the balances reported as Payables from Exchange Transactions in the Statement of Financial Position.		
The municipality does not incur any expenses on behalf of the Provincial Department. No significant risks are noted to arise from the arrangement as the municipality merely collects monies on behalf of the department as part of its existing service offering at the traffic department and the municipal cashier collection points. No resources are held on behalf of the Provincial Department, other than the receipts.		
Compensation received for agency activities		
Agency fees	285 790	281 092
Total Compensation received	285 790	281 092
Prince Albert Municipality was paid 12% commission by the Provincial Department of Transport for acting as an agent on its behalf during the financial year.		

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022 R	2021 R
57. CONTINGENT LIABILITY		
<p>In terms of Section 23(5) of the Public Audit Act, National Treasury, in the past, paid any audit fees exceeding 1% of the municipality's operating and capital budgets. National Treasury did not pay the full amounts for 2018/19, to 2021/22. This causes doubt if this outstanding amounts will be paid and if the municipality will receive any assistance in future. No correspondence have been received why National Treasury did not pay the full amount and if any payments will be made in future.</p> <p>Through correspondence with the Auditor General SA it was determined that interest were raised on outstanding amounts. No clarity could be obtained on the total outstanding amount owed. The municipality is of the opinion that it is not liable for the interest raised as National Treasury did not fulfill its commitment.</p>		
Municipality's calculation of the outstanding amount (inclusive of VAT)	4 730 122	3 681 335
<p>The municipality received a Combined Summons which served in the High Court of South Africa on 20 July 2022 (Case number: 12091/22) in which Ms. Maureen Vivienne Mennell (Plaintiff) institutes action against Prince Albert Municipality (represented by Mr. Aldrick Hendricks in his capacity as Acting Municipal Manager) for damages suffered to the plaintiff's movable property and equipment, as a result of alleged negligence on behalf of the municipality.</p>		
	547 372	
	<u>5 277 494</u>	<u>3 681 335</u>
58. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure excluding VAT:		
Approved and contracted for:	2 778 634	10 299 100
Total commitments consist out of the following:		
Borehole drilling and testing	285 355	-
Construction of new sidewalks in North-end	2 493 279	-
Extension of existing Thusong offices	-	1 994 866
Upgrading of Roads and Stormwater in Klaarstroom, and Upgrading of Stormwater in North-End, Prince Albert	-	2 841 630
Supply and commissioning of diesel driven standby generators in Leeu-Gamka, Prince Albert and Klaarstroom	-	26 769
Upgrading of Roads and Stormwater in Bitterwater, Leeu-Gamka	-	5 419 157
Design and construction of pavilion roofs for the Odendaal Sports field in Prince Albert	-	16 092
Maintenance of the reverse osmosis and ultra filtration water treatment plant in Leeu-Gamka	-	586
	<u>2 778 634</u>	<u>10 299 100</u>
This expenditure will be financed from:		
Government Grants	2 778 634	10 299 100
	<u>2 778 634</u>	<u>10 299 100</u>

59. RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

Relationships

Councillors

Municipal Manager

Members of key management

Refer to the General information

Refer to the General information

Director Financial Services

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

59.1 Related Party Transactions

Outstanding balances on municipal accounts

Year ended 30 June 2022

Councillors	Ward	Rates & Services	Other	Interest	Outstanding Balance	Provision for Debt
Year ended 30 June 2022						
Councillors						
Ms E Maans	1	787	-	-	787	-
Ms L Jaquet	2	527	-	-	527	-
Mr SD Koonthea	3	442	-	-	442	-
Ms MD Jaftha	4	-	-	-	-	-
Mr S Botes	Proportional	491	-	-	491	-
A Mackay	Proportional	-	-	-	-	-
K Baaidjies	Proportional	35 102	-	-	35 102	-
		37 348	-	-	37 348	-
Municipal Manager and Section 57 Employees						
A Hendricks		-	-	-	-	-
PW Erasmus		-	-	-	-	-
		-	-	-	-	-

	Ward	Rates & Services charges	Other	Interest	Outstanding Balance	Provision for Debt Impairment
Year ended 30 June 2021						
Councillors						
G Lottering	3	2 273	-	-	2 273	-
S Botes	Proportional	1 989	-	-	1 989	-
L Jaquet	2	924	-	-	924	-
E Maans	1	729	-	-	729	-
S Piedt	Proportional	606	-	-	606	-
M Jaftha	4	-	-	-	-	-
S Kroonthea	Proportional	399	-	-	399	-
		6 920	-	-	6 920	-
Municipal Manager and Section 57 Employees						
A Hendricks		-	-	-	-	-
PW Erasmus		-	-	-	-	-
		-	-	-	-	-

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.

Related party relationship

Councillors and management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality.

59.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. There are no outstanding amounts granted prior to this date.

59.3 Compensation of key management personnel

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

PRINCE ALBERT MUNICIPALITY

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

	2022	2021
	R	R
59.4 Other related party transactions		
No expenditure was incurred during the year where Councillors or staff had an interest.		
 60. FINANCIAL SUSTAINABILITY		
The municipality's revenue base is limited and the current situation in the municipal area is not favourable to increase the revenue.		
 The collection rate for debtors is below the accepted norm of 95%, but have shown improvement from the previous financial year from 40.82% to 81.42%.	81.46%	40.89%
The accepted norm for net debtors days is less than 30 days and here we see an increase in days from 46 to 64 days. This indicates that the municipality's outstanding debtors have risen materially and not all account holders are not paying for the services they receive from the municipality timeously.	63.52 Days	46.01 Days
The accepted norm for the cash/cost coverage ratio is 1 to 3 months. The municipality is well over this norm even though it dropped slightly from the previous financial year.	5.92 Months	7.13 Months
The accepted norm for the current ratio is between 1.5 to 2.1. The municipality is above the accepted norm and have increased considerably.	4.39	2.63
 Level of cash backed reserves. The accepted norm is that reserves should be cash backed by 100%. The municipality is well positioned, but have to bear in mind that the only reserve is the Capital Replacement Reserve. This reserve is earmarked to cover the rehabilitation costs of the landfill sites. The current balance of the CRR is R10 500 000 which is insufficient to cover the future costs of rehabilitation.	409.00%	444.75%
Net cash inflow/(outflow)	(6 075 904)	(30 009)
 These financial statements were prepared on a going concern basis. Taking the aforementioned into consideration it is a fair assumption that the municipality will be a going concern for the foreseeable future.		

61. EVENTS AFTER REPORTING PERIOD

The Municipal Manager (MM) resigned on 30 June 2021 and have left the employ of the municipality at the end of October 2021. An acting Municipal Manager have been appointed on 3 November 2021 and have acted ever since. This is a matter of serious concern for the future sustainability of the municipality. The position have been advertised, but no suitable candidate have been found to date.

NOTES ON THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

62. ADDITIONAL DISCLOSURES IN TERMS OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT ACT

62.1 Ownership and Management Control

The municipality has no shareholding or directors. The categories are therefore excluded from the reporting below. There are also no dividends that was declared. All Managers are based in the Western Cape.

	Senior Management	Middle Management	Junior Management
Race classification			
African	0	1	
Coloured	2	5	35
White	1	1	
Gender			
Male	3	4	19
Female		3	16
Age			
Youth (between the ages of 18 - 35)		3	19
Middle aged (between the ages of 36 - 50)	2	3	13
Senior (older than 50)	1	1	3
Disability			
Male		2	
Female			

APPENDIX A
PRINCE ALBERT LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2022

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2021	Received during the period	Redeemed written off during the period	Balance at 30 June 2022
LEASE LIABILITY							
Office Equipment - Admin		Konica Minolta	2023/11/30	96 760	-	(38 070)	58 690
Office Equipment - Technical Services		Konica Minolta	2023/11/30	60 815	-	(23 927)	36 888
Office Equipment - Finance		Konica Minolta	2023/11/30	43 685	-	(17 188)	26 497
Office Equipment - Library		Konica Minolta	2023/11/30	31 819	-	(12 519)	19 300
Total Lease Liabilities				233 079	-	(91 704)	141 375
TOTAL EXTERNAL LOANS				233 079	-	(91 704)	141 375

Carrying Value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
55 788	-
35 063	
25 187	
18 345	-
134 384	-
134 384	-

APPENDIX B
PRINCE ALBERT LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R		2022 Actual Income R	2022 Actual Expenditure R	2022 Surplus/ (Deficit) R
			Governance and Administration			
29 104 142	(6 944 054)	22 160 088	Executive and council	27 381 969	(6 579 100)	20 802 869
12 594 271	(18 761 150)	(6 166 880)	Finance and administration	13 333 577	(20 478 181)	(7 144 604)
-	-	-	Internal audit	-	-	-
			Community and Public Safety			
2 501 208	(2 667 093)	(165 885)	Community and social services	2 687 279	(2 831 490)	(144 210)
2 764	(1 127 963)	(1 125 199)	Sport and recreation	11 676	(1 388 896)	(1 377 220)
3 908 502	(4 633 790)	(725 289)	Public safety	7 327 691	(7 880 833)	(553 142)
-	-	-	Housing	-	-	-
-	-	-	Health	-	-	-
			Economic and Environmental Services			
33 916	(630 041)	(596 125)	Planning and development	49 799	(763 065)	(713 266)
1 032 130	(9 217 692)	(8 185 561)	Road transport	1 814 944	(9 838 118)	(8 023 174)
-	-	-	Environmental protection	-	-	-
			Trading Services			
16 682 795	(14 260 491)	2 422 304	Energy sources	19 123 422	(17 268 313)	1 855 109
21 638 673	(6 478 090)	15 160 583	Water management	16 898 474	(5 544 038)	11 354 436
4 235 867	(3 832 527)	403 340	Waste water management	4 348 977	(4 032 511)	316 466
2 260 277	(4 417 606)	(2 157 330)	Waste management	2 238 752	(4 771 547)	(2 532 795)
-	(200 000)	(200 000)	Other	-	(270 000)	(270 000)
93 994 545	(73 170 498)	20 824 046	Sub Total	95 216 561	(81 646 091)	13 570 470
-	-	-	Less Inter-Departmental Charges	-	-	-
93 994 545	(73 170 498)	20 824 046	Total	95 216 561	(81 646 091)	13 570 470

APPENDIX C
PRINCE ALBERT LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022
MUNICIPAL VOTES CLASSIFICATIONS

2021 Actual Income R	2021 Actual Expenditure R	2021 Surplus/ (Deficit) R		2022 Actual Income R	2022 Actual Expenditure R	2022 Surplus/ (Deficit) R
			Executive and Council			
26 582 150	(2 955 618)	23 626 532	Municipal Manager	24 539 900	(2 912 663)	21 627 237
2 330 328	(3 988 436)	(1 658 108)	Council General Expenses	2 455 342	(3 984 440)	(1 529 098)
			Director Finance			
6 815 456	(12 800 906)	(5 985 450)	Financial Services	7 219 193	(13 678 600)	(6 459 407)
4 004 457	(194 757)	3 809 700	Property Rates	4 380 380	(409 186)	3 971 193
			Director Corporate			
-	(538 328)	(538 328)	IDP	-	(672 135)	(672 135)
33 916	(48 362)	(14 446)	Strategic Services	49 799	(49 799)	-
1 474 357	(5 808 838)	(4 334 480)	Corporate Services	1 634 004	(6 113 523)	(4 479 519)
			Director Community			
44 540	-	44 540	Cemeteries	20 749	-	20 749
1 890 114	(1 834 101)	56 013	Library	2 163 727	(2 070 457)	93 269
516 268	(643 061)	(126 793)	Disaster Management	354 363	(545 637)	(191 275)
50 286	(195 305)	(145 020)	Community Halls	148 441	(215 395)	(66 954)
3 908 502	(4 628 417)	(719 915)	Traffic Control	7 327 691	(7 880 833)	(553 142)
-	-	-	Housing	-	-	-
2 764	(1 127 963)	(1 125 199)	Sport and Recreation	11 676	(1 388 896)	(1 377 220)
-	(200 000)	(200 000)	Tourism	-	(270 000)	(270 000)
			Director Technical Services			
16 682 795	(14 254 581)	2 428 214	Electricity Services	19 123 422	(17 273 029)	1 850 394
21 638 673	(6 484 000)	15 154 672	Water Services	16 898 474	(5 544 038)	11 354 436
4 235 867	(3 832 527)	403 340	Sewerage	4 348 977	(4 032 511)	316 466
2 751 940	(4 417 606)	(1 665 666)	Refuse	2 725 479	(4 771 547)	(2 046 068)
1 032 130	(9 217 692)	(8 185 561)	Public Works	1 814 944	(9 833 402)	(8 018 459)
93 994 545	(73 170 498)	20 824 046	Sub Total	95 216 561	(81 646 091)	13 570 470
-	-	-	Less Inter-Departmental Charges	-	-	-
93 994 545	(73 170 498)	20 824 046	Total	95 216 561	(81 646 091)	13 570 470

APPENDIX D
PRINCE ALBERT LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, INTANGIBLE ASSETS, BIOLOGICAL ASSETS AND HERITAGE ASSETS AS AT
30 JUNE 2022
GENERAL FINANCE STATISTICS CLASSIFICATION

	Cost/Revaluation					Accumulated Depreciation/Impairment				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals/ Impairment	Closing Balance	Opening Balance	Depreciation	Disposals/ Impairment	Closing Balance	
Executive and council	567 884	-	-	-	567 884	246 889	47 622	-	294 511	273 373
Finance and administration	41 245 643	4 993 267	610 062	-	46 848 972	5 359 946	453 822	-	5 813 768	41 035 204
Community and social services	11 776 982	38 800	-	-	11 815 782	757 988	256 693	-	1 014 681	10 801 101
Sport and recreation	18 133	-	-	-	18 133	16 800	270	-	17 070	1 063
Public safety	2 329 248	-	-	-	2 329 248	1 066 069	176 247	-	1 242 316	1 086 932
Road transport	39 965 628	7 004 326	748 922	516 978	47 201 898	9 965 049	1 345 431	80 541	11 229 939	35 971 959
Energy sources	15 873 938	22 466	-	-	15 896 404	2 357 735	376 115	-	2 733 851	13 162 553
Water management	51 859 066	1 952 099	868 971	-	54 680 137	7 918 607	1 272 252	-	9 190 859	45 489 278
Waste water management	46 065 097	-	233 054	17 085	46 281 066	6 731 270	1 058 345	4 781	7 784 834	38 496 232
Waste management	13 286 207	2 984 565	-	893 011	15 377 762	10 163 188	376 651	-	10 539 839	4 837 923
	222 987 828	16 995 523	2 461 009	1 427 073	241 017 287	44 583 540	5 363 450	85 322	49 861 669	191 155 618

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

Grant Description	Balance 30 June 2021	Correction of Error	Restated Balance 30 June 2021	Contributions during the year	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2022	Unspent 30 June 2022 (Creditor)	Unpaid 30 June 2022 (Debtor)
National Government Grants										
Equitable Share	-	-	-	24 054 000	-	(24 054 000)	-	-	-	-
Finance Management Grant	-	-	-	1 650 000	-	(1 650 000)	-	-	-	-
Municipal Infrastructure Grant	-	-	-	9 718 000	-	(385 900)	(9 332 100)	-	-	-
Integrated National Electrification Grant	-	-	-	-	-	-	-	-	-	-
Expanded Public Works Programme	-	-	-	1 243 000	-	(1 243 000)	-	-	-	-
Total National Government Grants	-	-	-	36 665 000	-	(27 332 900)	(9 332 100)	-	-	-
Provincial Government Grants										
Library	1	(0.82)	-	2 089 000	-	(2 089 000)	-	-	-	-
Regional Socio-economic Project	3 694 844	-	3 694 844	1 000 000	-	-	(2 419 797)	2 275 047	2 275 047	-
WC Capacity building (Bursaries)	-	-	-	250 000	-	(231 046)	-	18 954	18 954	-
WC Capacity building (Public Employment Su	-	-	-	795 631	-	(571 857)	-	223 774	223 774	-
WC Sport and Recreation Facilities	-	-	-	300 000	-	-	-	300 000	300 000	-
Community Development Workers	22 084	-	22 084	57 000	-	(49 799)	-	29 285	29 285	-
Municipal Drought Relief Grant	1 041 225	-	1 041 225	-	(1 000 000)	-	(994 227)	(953 002)	-	(953 002)
Western Cape Helix Innovative Government f	-	-	-	-	-	-	-	-	-	-
Western Cape Financial Management Grant	79 998	1.65	80 000	100 000	(80 000)	(100 000)	-	-	-	-
Financial Capacity - SDBIP	-	-	-	-	-	-	-	-	-	-
Additional WC Drought relief for Boreholes	-	-	-	-	-	-	-	-	-	-
Total Provincial Government Grants	4 838 152	0.83	4 838 153	4 591 631	(1 080 000)	(3 041 702)	(3 414 024)	1 894 058	2 847 059.77	(953 002)
District Municipality Grants										
Central Karro District Municipality	400 000	-	400 000	-	-	(330 750)	-	69 250	69 250	-
Total District Municipality Grants	400 000	-	400 000	-	-	(330 750)	-	69 250	69 250	-
Other Grant Providers										
Allocations in kind - NT contribution on audit f	-	-	-	1 462 139	-	(1 462 139)	-	-	-	-
Allocations in kind - MISA - Engineering serv	-	-	-	955 710	-	(955 710)	-	-	-	-
SETA	-	-	-	35 545	-	(35 545)	-	-	-	-
Total Other Grant Providers	-	-	-	2 453 394	-	(2 453 394)	-	-	-	-
Total Grants	5 238 152	0.83	5 238 153	43 710 025	(1 080 000)	(33 158 746)	(12 746 124)	1 963 309	2 916 310	(953 002)

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 F
EXAMPLE MUNICIPALITY
APPROPRIATION STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

2022

National Treasury Classification Format	GRAP Annual Financial Statement Classification Format	Ref	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome 2022	Unauthorised expenditure	Variance	Variance (Actual Outcome as % of Final Budget)	Variance (Actual Outcome as % of Original Budget)
			R	R	R	R	R	R	R	R	%	%
FINANCIAL PERFORMANCE												
Revenue By Source												
Property Rates	Property Rates	1	5 348 400	(961 470)	4 386 930	–	4 386 930	4 380 380		(6 550)	-0.15%	-18.10%
Service Charges		2	31 578 100	(2 632 403)	28 945 697	–	28 945 697	30 552 368		1 606 671	5.55%	-3.25%
Service Charges - Electricity Revenue			18 927 900	(24 482)	18 903 418	–	18 903 418					
Service Charges - Water Revenue			6 190 100	(2 015 657)	4 174 443	–	4 174 443					
Service Charges - Sanitation Revenue			4 165 700	(186 769)	3 978 931	–	3 978 931					
Service Charges - Refuse Revenue			2 294 400	(405 495)	1 888 905	–	1 888 905					
	Service Charges							30 552 368				
	Availability Charges			–			–	–				
Rental of Facilities and Equipment		3	367 500	–	367 500	37 100	404 600	469 528		64 928	16.05%	27.76%
	Rent on Land							201 400				
	Rental from Fixed Assets							268 128				
Interest Earned - External Investments	Interest Earned - External Investments	4	2 340 000	–	2 340 000	–	2 340 000	2 346 796		6 796	0.29%	0.29%
Interest Earned - Outstanding Debtors		5	1 834 000	–	1 834 000	–	1 834 000	1 932 905		98 905	5.39%	5.39%
	Interest Earned - Exchange Transactions							1 730 930				
	Interest Earned - Non-exchange Transactions							201 975				
Dividends Received		6	–	–	–	–	–	–		–	#DIV/0!	#DIV/0!
Fines, penalties and forfeits	Fines, Penalties and Forfeits	7	2 194 300	(2 000 000)	194 300	–	194 300	6 910 063		6 715 763	3456.39%	214.91%
Licences and Permits	Licences and Permits	8	123 300	–	123 300	–	123 300	137 351		14 051	11.40%	11.40%
Agency Services	Agency Services	9	110 000	–	110 000	–	110 000	285 790		175 790	159.81%	159.81%
Transfers and subsidies	Government Grants and Subsidies - Operating	10	33 001 500	(1 877 916)	31 123 584	–	31 123 584	30 740 896		(382 688)	-1.23%	-6.85%
Other Revenue		11	952 300	–	952 300	(37 100)	915 200	540 939		(374 261)	-40.89%	-43.20%
	Operational Revenue							105 346				
	Sales of Goods and Rendering of Services							435 593				
Gains		12	–	–	–	100 000	100 000	1 755 572		1 655 572	1655.57%	#DIV/0!
	Actuarial Gains							1 717 585				
	Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets							486 727				
	Gains/(Loss) on Sale of Fixed Assets							(448 740)				
Total Revenue (excluding capital transfers and contributions)			77 849 400	(7 471 789)	70 377 611	100 000	70 477 611	80 052 588	–	9 574 977	13.59%	2.83%

Expenditure By Type

Employee Related Costs	Employee related costs	13	28 162 300	133 200	28 295 500	(1)	28 295 499	25 266 418	–	(3 029 081)	-10.71%	-10.28%
Remuneration of Councillors	Remuneration of Councillors	14	3 349 300	(25 300)	3 324 000	–	3 324 000	3 141 826	–	(182 174)	-5.48%	-6.19%
Debt Impairment		15	5 251 600	–	5 251 600	–	5 251 600	1 046 392	–	(4 205 208)	-80.07%	-80.07%
	Reversal of Impairment Loss/(Impairment Loss) on Receivables							1 046 392				
	Bad Debts Written Off							–				
Depreciation and Asset Impairment		16	5 843 396	–	5 843 396	–	5 843 396	4 876 723	–	(966 673)	-16.54%	-16.54%
	Depreciation and Amortisation							5 363 450				
	Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets							(486 727)				
Finance Charges	Finance Costs	17	459 000	34 200	493 200	39 000	532 200	1 940 350	1 408 150	1 408 150	264.59%	322.73%
Bulk Purchases - electricity	Bulk Purchases	18	15 276 600	1 000 000	16 276 600	–	16 276 600	15 796 235	–	(480 365)	-2.95%	3.40%
Inventory consumed		19	785 000	(1 000)	784 000	(35 000)	749 000	532 751	–	(216 249)	-28.87%	-32.13%
	Inventory Consumed							532 751				
	Bulk Purchases (Water only)							–				
Contracted Services	Contracted Services	20	8 597 000	(776 900)	7 820 100	(1 000)	7 819 100	6 147 067	–	(1 672 033)	-21.38%	-28.50%
Transfers and Subsidies	Transfers and Subsidies	21	386 100	35 200	421 300	–	421 300	621 046	199 746	199 746	47.41%	60.85%
Other Expenditure		22	11 256 000	671 084	11 927 084	(3 000)	11 924 084	11 693 928	–	(230 156)	-1.93%	3.89%
	Operational Costs							11 693 928				
	Operating leases							–				
Losses		23	–	–	–	100 000	100 000	133 417	33 417	33 417	33.42%	#DIV/0!
	Gains/(Loss) on Sale of Fixed Assets							448 740				
	Actuarial Losses							171 404				
	Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets							(486 727)				
	Profit/(Loss) on Fair Value Adjustments							–				
	Inventories:(Write-down)/Reversal of Write-down to Net Realisable Value							–				
	Profit/(Loss) from Discontinued Operations							–				
	Water Losses							–				
Total Expenditure			79 366 296	1 070 484	80 436 780	99 999	80 536 779	71 196 153		(9 340 626)	-11.60%	-10.29%
Surplus/(Deficit)			(1 516 896)	(8 542 273)	(10 059 169)	1	(10 059 168)	8 856 435		18 915 603	-188.04%	-683.85%
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	Government Grants and Subsidies - Capital	24	9 882 100	5 736 069	15 618 169	(5 376)	15 612 793	12 746 124		(2 866 669)	-18.36%	28.98%
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		25	–	–	–	–	–	–		–	#DIV/0!	#DIV/0!
Transfers and subsidies - capital (in-kind - all)	Contributed Property, Plant and Equipment	26	–	–	–	–	–	–		–	#DIV/0!	#DIV/0!
Surplus/(Deficit) after Capital Transfers & Contributions			8 365 204	(2 806 204)	5 559 000	(5 375)	5 553 625	21 602 559		–	288.98%	158.24%
Taxation		27	–	–	–	–	–	–		–	#DIV/0!	#DIV/0!
Surplus/(Deficit) after Taxation			8 365 204	(2 806 204)	5 559 000	(5 375)	5 553 625	21 602 559		–	288.98%	158.24%
Attributable to Minorities		28	–	–	–	–	–	–		–	#DIV/0!	#DIV/0!
Surplus/(Deficit) Attributable to Municipality			8 365 204	(2 806 204)	5 559 000	(5 375)	5 553 625	21 602 559		–	288.98%	158.24%
Share of Surplus/(Deficit) of Associate		29	–	–	–	–	–	–		–	#DIV/0!	#DIV/0!
Surplus/(Deficit) for the year			8 365 204	(2 806 204)	5 559 000	(5 375)	5 553 625	21 602 559		–	288.98%	158.24%

CAPITAL EXPENDITURE AND FUND SOURCES

Total expenditure and funds sources

Total Capital expenditure	10 292 100	9 543 919	19 836 019	468	19 836 487	13 155 217	–	(6 681 270)	-33.68%	27.82%
Sources of capital funds										
Transfers recognised - capital	9 882 100	5 598 071	15 480 171	(1 818 684)	13 661 487	11 196 702		(2 464 785)	-18.04%	13.30%
Public contributions and donations	–	–	–	–	–	–		–	#DIV/0!	#DIV/0!
Borrowing	–	–	–	–	–	–		–	#DIV/0!	#DIV/0!
Internally generated funds	410 000	3 945 848	4 355 848	1 819 152	6 175 000	1 958 516		(4 216 484)	-68.28%	377.69%
Total sources of capital funds	10 292 100	9 543 919	19 836 019	468	19 836 487	13 155 217	–	(6 681 270)	-33.68%	27.82%

CASHFLOWS

Net cash from / (used) in operating activities	–	–	–	–	–	–	–	–	#DIV/0!	#DIV/0!
Net cash from / (used) in investing activities	–	–	–	–	–	–	–	–	#DIV/0!	#DIV/0!
Net cash from / (used) in financing activities	–	–	–	–	–	–	–	–	#DIV/0!	#DIV/0!
Net increase/(decrease) in cash and cash equivalents at year end	–	–	–	–	–	–	–	–	#DIV/0!	#DIV/0!
Cash and cash equivalents at the beginning of the year	–	–	–	–	–	–	–	–	#DIV/0!	#DIV/0!
Cash and cash equivalents at the end of the year	–	–	–	–	–	–	–	–	#DIV/0!	#DIV/0!

2021

National Treasury Classification Format	GRAP Annual Financial Statement Classification Format	Ref	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome 2022	Unauthorised expenditure	Variance	Variance (Actual Outcome as % of Final Budget)	Variance (Actual Outcome as % of Original Budget)
			R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE												
Revenue By Source												
Property Rates	Property Rates	1	4 477 835	100 000	4 577 835		4 577 835	4 004 457		(573 378)	-12.53%	-10.57%
Service Charges		2	25 195 034	1 989 758	27 184 792	–	27 184 792	27 805 660		620 868	2.28%	10.36%
Service Charges - Electricity Revenue			16 259 590	(6 810)	16 252 780		16 252 780					
Service Charges - Water Revenue			4 232 592	1 037 408	5 270 000		5 270 000					
Service Charges - Sanitation Revenue			3 126 840	683 160	3 810 000		3 810 000					
Service Charges - Refuse Revenue			1 576 012	276 000	1 852 012		1 852 012					
	Service Charges							27 805 660				
	Availability Charges			–			–	–				
Rental of Facilities and Equipment		3	397 000	–	397 000		397 000	415 784		18 784	4.73%	4.73%
	Rent on Land							111 860				
	Rental from Fixed Assets							303 924				
Interest Earned - External Investments	Interest Earned - External Investments	4	2 900 000	(600 000)	2 300 000		2 300 000	2 321 430		21 430	0.93%	-19.95%
Interest Earned - Outstanding Debtors		5	1 280 000	300 000	1 580 000		1 580 000	1 680 210		100 210	6.34%	31.27%
	Interest Earned - Exchange Transactions							1 503 321				
	Interest Earned - Non-exchange Transactions							176 889				
Dividends Received		6	–	–	–		–	–		–	#DIV/0!	#DIV/0!
Fines, penalties and forfeits	Fines, Penalties and Forfeits	7	3 332 000	(557 004)	2 774 996		2 774 996	3 506 650		731 654	26.37%	5.24%
Licences and Permits	Licences and Permits	8	–	–	–		–	123 702		123 702	#DIV/0!	#DIV/0!
Agency Services	Agency Services	9	200 000	(90 000)	110 000		110 000	281 092		171 092	155.54%	40.55%
Transfers and subsidies	Government Grants and Subsidies - Operating	10	31 104 150	3 438 150	34 542 300		34 542 300	31 583 389		(2 958 911)	-8.57%	1.54%
Other Revenue		11	467 000	(70 000)	397 000		397 000	3 283 919		2 886 919	727.18%	603.19%
	Surcharges and Taxes											
	Operational Revenue							138 977				
	Public Contributions and Donations											
	Sales of Goods and Rendering of Services							434 103				
	Service in kind							2 710 839				
Gains		12	–	–	–		–	1 174 465		1 174 465	#DIV/0!	#DIV/0!
	Actuarial Gains							531 946				
	Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets							491 664				
	Gains/(Loss) on Sale of Fixed Assets							150 856				
	Inventories:(Write-down)/Reversal of Write-down to Net Realisable Value											
	Profit/(Loss) on Fair Value Adjustments											
	Profit/(Loss) from Discontinued Operations											
Total Revenue (excluding capital transfers and contributions)			69 353 019	4 510 904	73 863 923	–	73 863 923	76 180 758	–	2 316 835	3.14%	9.84%

Expenditure By Type

Employee Related Costs	Employee related costs	13	22 708 669	3 398 726	26 107 395	26 107 395	24 540 855	–	(1 566 540)	-6.00%	8.07%
Remuneration of Councillors	Remuneration of Councillors	14	3 370 490	–	3 370 490	3 370 490	3 154 954	–	(215 536)	-6.39%	-6.39%
Debt Impairment		15	6 534 000	–	6 534 000	6 534 000	329 561	–	(6 204 439)	-94.96%	-94.96%
	Reversal of Impairment Loss/(Impairment Loss) on Receivables								–		
	Bad Debts Written Off								329 561		
Depreciation and Asset Impairment		16	3 984 169	–	3 984 169	3 984 169	5 428 563	1 444 394	1 444 394	36.25%	36.25%
	Depreciation and Amortisation								5 428 563		
	Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets								–		
Finance Charges	Finance Costs	17	1 344 000	–	1 344 000	1 344 000	818 150	–	(525 850)	-39.13%	-39.13%
Bulk Purchases - electricity	Bulk Purchases	18	12 000 000	1 282 000	13 282 000	13 282 000	12 097 619	–	(1 184 381)	-8.92%	0.81%
Inventory consumed		19	977 000	(111 800)	865 200	865 200	619 592	–	(245 608)	-28.39%	-36.58%
	Inventory Consumed								619 592		
	Bulk Purchases (Water only)								–		
Contracted Services	Contracted Services	20	6 552 174	362 800	6 914 974	6 914 974	5 945 189	–	(969 785)	-14.02%	-9.26%
Transfers and Subsidies	Transfers and Subsidies	21	340 000	–	340 000	340 000	320 000	–	(20 000)	-5.88%	-5.88%
Other Expenditure		22	11 534 036	(422 646)	11 111 390	11 111 390	10 703 207	–	(408 183)	-3.67%	-7.20%
	Operational Costs								10 703 207		
	Operating leases								–		
Losses		23	–	–	–	–	–	–	–	#DIV/0!	#DIV/0!
	Gains/(Loss) on Sale of Fixed Assets								–		
	Actuarial Losses								–		
	Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets								–		
	Profit/(Loss) on Fair Value Adjustments								–		
	Inventories:(Write-down)/Reversal of Write-down to Net Realisable Value								–		
	Profit/(Loss) from Discontinued Operations								–		
	Water Losses								–		

Total Expenditure			69 344 538	4 509 080	73 853 618	–	73 853 618	63 957 690	(9 895 928)	-13.40%	-7.77%
Surplus/(Deficit)			8 481	1 824	10 305	–	10 305	12 223 069	12 212 764	118512.99%	144022.97%
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	Government Grants and Subsidies - Capital	24	14 103 850	7 944 507	22 048 357		22 048 357	17 813 786	(4 234 571)	-19.21%	26.30%
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		25									
Transfers and subsidies - capital (in-kind - all)	Contributed Property, Plant and Equipment	26								#DIV/0!	#DIV/0!
										#DIV/0!	#DIV/0!
Surplus/(Deficit) after Capital Transfers & Contributions			14 112 331	7 946 331	22 058 662	–	22 058 662	30 036 855		36.17%	112.84%
Taxation		27								#DIV/0!	#DIV/0!
Surplus/(Deficit) after Taxation			14 112 331	7 946 331	22 058 662	–	22 058 662	30 036 855		36.17%	112.84%
Attributable to Minorities		28								#DIV/0!	#DIV/0!
Surplus/(Deficit) Attributable to Municipality			14 112 331	7 946 331	22 058 662	–	22 058 662	30 036 855		36.17%	112.84%
Share of Surplus/(Deficit) of Associate		29								#DIV/0!	#DIV/0!
Surplus/(Deficit) for the year			14 112 331	7 946 331	22 058 662	–	22 058 662	30 036 855		36.17%	112.84%

CAPITAL EXPENDITURE AND FUND SOURCES
Total expenditure and funds sources

Total Capital expenditure			12 778 080	15 532 095	28 310 175	–	28 310 175	21 851 167	–	(6 459 008)	-22.82%	71.01%
Sources of capital funds												
Transfers recognised - capital			12 264 218	9 088 095	21 352 313	–	21 352 313	15 780 120		(5 572 193)	-26.10%	28.67%

Public contributions and donations	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	
Borrowing	-	-	-	-	-	-	-	#DIV/0!	#DIV/0!	
Internally generated funds	513 862	6 444 000	6 957 862	-	6 957 862	6 071 047	(886 815)	-12.75%	1081.45%	
Total sources of capital funds	12 778 080	15 532 095	28 310 175	-	28 310 175	21 851 167	-	(6 459 008)	-22.82%	71.01%

CASHFLOWS

Net cash from / (used) in operating activities	14 596 907	(911 688)	13 685 219	-	13 685 219	21 618 102	-	7 932 883	57.97%	48.10%
Net cash from / (used) in investing activities	(12 745 086)	(15 476 238)	(28 221 324)	-	(28 221 324)	(21 597 499)	-	6 623 825	-23.47%	69.46%
Net cash from / (used) in financing activities	9 626	524	10 150	-	10 150	(50 612)	-	(60 762)	-598.64%	-625.78%
Net increase/(decrease) in cash and cash equivalents at year end	1 861 447	(16 387 402)	(14 525 955)	-	(14 525 955)	(30 009)	-	14 495 947	-99.79%	-101.61%
Cash and cash equivalents at the beginning of the year	26 371 833	25 610 388	51 982 221	-	51 982 221	51 966 927	-	(15 294)	-0.03%	97.05%
Cash and cash equivalents at the end of the year	28 233 280	9 222 986	37 456 266	-	37 456 266	51 936 919	-	14 480 653	38.66%	83.96%