

PRINCE ALBERT

MUNICIPALITY



UNAUDITED

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2016

PRINCE ALBERT LOCAL MUNICIPALITY

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PRINCE ALBERT LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

GENERAL INFORMATION

NATURE OF MUNICIPALITY'S OPERATIONS AND PRINCIPAL ACTIVITIES

Prince Albert Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

DOMICILE 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*

MUNICIPAL MANAGER

Mr. H Mettler

CHIEF FINANCIAL OFFICER

Mr. J Neethling

REGISTERED OFFICE

*Private Bag X53
PRINCE ALBERT
6730*

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

ABSA, Prince Albert

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

AUDIT COMMITTEE MEMBERS

A.B.J. Dippenaar
P.J. Theron
J.C. van Wyk

PRINCE ALBERT LOCAL MUNICIPALITY

MEMBERS OF THE PRINCE ALBERT LOCAL MUNICIPALITY

COUNCILLORS

Ward	G. Lottering
Ward	N.D. Jaftha
Ward	N.S. Abrahams
Ward	I.J. Windvogel
Proportional	L. Jaquet
Proportional	S. Botes
Proportional	C. Stols

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2016, which are set out on pages 1 to 87 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 GRAP.

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 2017 and I 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.

Mr. H Mettler
Accounting Officer

Date

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Notes	2016 R	Restated 2015 R
NET ASSETS AND LIABILITIES			
Net Assets		110,613,204	89,314,303
Capital Replacement Reserve	2	1,469,160	-
Accumulated Surplus/(Deficit)		109,144,044	89,314,303
Non-Current Liabilities		23,999,343	12,564,205
Long-term Liabilities	3	36,251	13,959
Long-term Employee benefits	4	4,946,279	4,680,403
Non-Current Provisions	5	19,016,813	7,869,843
Current Liabilities		19,617,523	12,798,124
Consumer deposits	6	414,906	394,704
Current employee benefits	7	1,659,320	1,844,155
Trade and other payables	8	6,991,966	3,484,937
Unspent Conditional Government Grants and Receipts	9	10,513,800	7,013,344
Current Portion of Long-term Liabilities	3	37,531	60,984
Total Net Assets and Liabilities		154,230,070	114,676,632
ASSETS			
Non-Current Assets		121,725,953	98,771,363
Property, Plant and Equipment	11	108,326,471	85,426,143
Investment Property	12	13,288,164	13,296,642
Intangible Assets	13	111,318	48,578
Current Assets		32,504,117	15,905,269
Inventory	14	470,350	428,283
Trade Receivables from exchange transactions	15	1,849,170	1,792,053
Receivables from non-exchange transactions	16	1,189,931	1,652,129
Lease Asset	17	35,060	54,869
VAT Receivable	10	2,211,373	848,170
Cash and Cash Equivalents	18	26,748,233	11,129,765
Total Assets		154,230,070	114,676,632

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 (Actual) R	2015 (Restated) R	Correction of error R	2015 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		47,389,915	61,053,823	(1,497,319)	59,556,504
Taxation Revenue		2,724,986	2,462,042	-	2,462,042
Property taxes	19	2,724,986	2,462,042	-	2,462,042
Transfer Revenue		39,049,882	52,961,873	-	52,961,873
Government Grants and Subsidies - Capital	20	14,963,927	12,745,228	-	12,745,228
Government Grants and Subsidies - Operating	20	24,073,295	40,215,645	-	40,215,645
Public Contributions and Donations		12,660	1,000	-	1,000
Other Revenue		5,615,047	5,629,908	(1,497,319)	4,132,589
Actuarial Gains	4	166,006	550,841	-	550,841
Fines	21	3,552,490	3,581,748	-	3,581,748
Service in Kind	49	1,896,551	1,497,319	(1,497,319)	-
Revenue from Exchange Transactions		24,544,449	21,420,064	1,637,650	23,057,714
Service Charges	22	18,930,392	17,398,756	142,461	17,541,217
Rental of Facilities and Equipment		337,017	273,499	-	273,499
Interest Earned - external investments		1,622,432	812,429	-	812,429
Interest Earned - outstanding debtors		955,698	710,981	-	710,981
Licences and Permits		264,294	254,551	6,630	261,181
Other Income	23	2,401,264	1,969,848	1,488,559	3,458,407
Profit/Loss on disposal of Property, Plant and Equipment		33,352	-	-	-
Total Revenue		71,934,363	82,473,887	140,331	82,614,218
EXPENDITURE					
Employee related costs	24	12,994,102	13,048,472	58,468	13,106,940
Remuneration of Councillors	25	2,585,722	2,410,570	-	2,410,570
Debt Impairment	26	5,620,657	5,223,754	-	5,223,754
Depreciation and Amortisation	27	2,353,726	1,744,429	-	1,744,429
Repairs and Maintenance	28	633,902	1,177,669	(3,899)	1,173,770
Actuarial losses	4	69,227	7,466	-	7,466
Finance Charges	29	862,809	562,321	-	562,321
Bulk Purchases	30	7,525,471	6,748,255	(142,461)	6,605,794
Contracted services	31	7,705,123	24,509,836	(263,835)	24,246,001
General Expenses	32	9,585,475	15,164,244	(822,899)	14,341,345
Profit/Loss on disposal of Property, Plant and Equipment		699,249	108,386	-	108,386
Total Expenditure		50,635,463	70,705,402	(1,174,626)	69,530,776
NET (DEFICIT)SURPLUS FOR THE YEAR		21,298,900	11,768,485	1,314,957	13,083,442

PRINCE ALBERT LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Capital Replacement Reserve	Accumulated Surplus	Total
	R	R	R
Balance at 1 JULY 2014	-	79,815,672	79,815,672
Correction of error	-	(2,269,854)	(2,269,854)
Restated Balance at 1 JULY 2014	-	77,545,818	77,545,818
Net Surplus for the year (Restated)	-	11,768,485	11,768,485
Restated Balance at 30 JUNE 2015	-	89,314,303	89,314,303
Net Surplus for the year	-	21,298,900	21,298,900
Transfer to Capital Replacement Reserve	1,469,160	(1,469,160)	-
Balance at 30 JUNE 2016	1,469,160	109,144,044	110,613,204

PRINCE ALBERT LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

		30 JUNE 2016	30 JUNE 2015
		(Actual)	(Restated)
	Notes	R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		28,603,891	25,539,145
Government - operating		24,073,295	40,215,645
Government - capital		14,963,927	12,745,228
Interest		2,578,130	1,523,410
Payments			
Suppliers and employees		(27,749,443)	(65,181,950)
Finance charges	29	(862,809)	(562,321)
Transfers and Grants		-	-
Cash generated by operations	35	41,606,991	14,279,157
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	11	(25,908,850)	(12,717,912)
Disposal of Investment Properties		6,692	-
Purchase of Intangible Assets		(105,410)	(2,300)
Additions to Capitalised Restoration Cost		-	-
Net Cash from Investing Activities		(26,007,568)	(12,720,212)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(75,176)	(68,110)
New loans raised		74,015	49,445
Increase in Consumer Deposits		20,202	20,303
Net Cash from Financing Activities		19,041	1,638
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		15,618,464	1,560,582
Cash and Cash Equivalents at the beginning of the year		11,129,765	9,569,182
Cash and Cash Equivalents at the end of the year	36	26,748,233	11,129,765
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,618,464	1,560,582

**PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R	2016 R	2016 R	
	(Actual)	(Final Budget)	(Variance)	%
ASSETS				
Current assets				
Cash	26,748,233	9,204,575	17,543,658	191% Delayed grant spending.
Consumer debtors	3,039,101	5,349,576	(2,310,475)	-43% Increased provision for bad debts.
Other Receivables	2,246,433	631,862	1,614,571	256% Budgeted for incorrectly.
Inventory	470,350	924,678	(454,328)	-49% Inventory levels less than budget for.
Total current assets	32,504,117	16,110,691	16,393,426	
Non current assets				
Investment property	13,288,164	13,856,642	(568,478)	-4% Trivial.
Property, plant and equipment	108,326,471	127,810,706	(19,484,235)	-15% Capital grants not spent so decrease in capital grant income.
Intangible Assets	111,318	68,475	42,843	63% Trivial.
Total non current assets	121,725,953	141,735,823	(20,009,870)	
TOTAL ASSETS	154,230,070	157,846,514	(3,616,444)	
LIABILITIES				
Current liabilities				
Borrowing	37,531	-	37,531	0% Trivial.
Consumer deposits	414,906	400,918	13,988	3% Trivial.
Trade and other payables	17,505,766	10,146,475	7,359,291	73% Large invoices in June and unspent grants.
Provisions and Employee Benefits	1,659,320	1,628,289	31,031	2% Trivial.
Total current liabilities	19,617,523	12,175,682	7,441,841	
Non current liabilities				
Borrowing	36,251	101,926	(65,675)	-64% Trivial.
Provisions and Employee Benefits	23,963,092	16,242,043	7,721,049	48% Large increase in provision for landfill due to new standards for rehab construction.
Total non current liabilities	23,999,343	16,343,969	7,655,374	
TOTAL LIABILITIES	43,616,866	28,519,651	15,097,215	
NET ASSETS	110,613,204	129,326,863	(18,713,659)	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	109,144,044	129,326,862	(20,182,818)	
Capital Replacement Reserve	1,469,160	-	-	
TOTAL COMMUNITY WEALTH/EQUITY	110,613,204	129,326,862	(18,713,658)	

**PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

ADJUSTMENTS TO APPROVED BUDGET

	2016 R	2016 R	2016 R	
	(Approved Budget)	(Adjustments)	(Final Budget)	%
				Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00
ASSETS				
Current assets				
Cash	2,753,005	6,451,570	9,204,575	234% Incorrectly budgeted for.
Consumer debtors	877,577	4,471,999	5,349,576	510% Changes in credit control policy.
Other Receivables	631,862	-	631,862	0% Trivial.
Inventory	924,678	-	924,678	0% Trivial.
Total current assets	<u>5,187,122</u>	<u>10,923,569</u>	<u>16,110,691</u>	
Non current assets				
Investment property	14,995,841	(1,139,199)	13,856,642	-8% Trivial.
Property, plant and equipment	101,714,328	26,096,378	127,810,706	26% Additional funds received for capital projects.
Intangible Assets	68,475	-	68,475	0% Trivial.
Total non current assets	<u>116,778,643</u>	<u>24,957,180</u>	<u>141,735,823</u>	
TOTAL ASSETS	<u>121,965,765</u>	<u>35,880,749</u>	<u>157,846,514</u>	
LIABILITIES				
Current liabilities				
Consumer deposits	400,918	-	400,918	0% Trivial.
Trade and other payables	1,486,515	8,659,960	10,146,475	583% Incorrectly budgeted for.
Provisions and Employee Benefits	1,628,289	-	1,628,289	0% Trivial.
Total current liabilities	<u>3,515,722</u>	<u>8,659,960</u>	<u>12,175,682</u>	
Non current liabilities				
Borrowing	101,926	-	101,926	0% Trivial.
Provisions and Employee Benefits	6,616,891	9,625,152	16,242,043	145% Incorrectly budgeted for.
Total non current liabilities	<u>6,718,817</u>	<u>9,625,152</u>	<u>16,343,969</u>	
TOTAL LIABILITIES	<u>10,234,539</u>	<u>18,285,112</u>	<u>28,519,651</u>	
NET ASSETS	<u>111,731,226</u>	<u>17,595,637</u>	<u>129,326,863</u>	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	111,731,225	17,595,637	129,326,862	
TOTAL COMMUNITY WEALTH/EQUITY	<u>111,731,225</u>	<u>17,595,637</u>	<u>129,326,862</u>	

**PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R	2016 R	2016 R	
	(Actual)	(Final Budget)	(Variance)	%
REVENUE BY SOURCE				
Property rates	2,724,986	2,680,744	44,242	2% Trivial.
Service charges	18,930,392	18,107,400	822,992	5% Trivial.
Rental of facilities and equipment	337,017	380,500	(43,483)	-11% Trivial.
Interest earned - external investments	1,622,432	1,310,000	312,432	24% Slow spending on capital projects caused higher bank balances that expected.
Interest earned - outstanding debtors	955,698	1,000,000	(44,302)	-4% Trivial.
Fines	3,552,490	3,782,000	(229,510)	-6% Trivial.
Licences and permits	264,294	220,000	44,294	20% Trivial.
Government Grants and Subsidies - Operating	24,073,295	41,483,890	(17,410,595)	-42% Accelerated housing grant was incorrectly budgeted as operating income.
Other revenue	4,476,481	4,048,800	427,681	11% Income for in kind benefits included in other income for budget.
Gains on disposal of PPE	33,352	-	33,352	0% No explanation obtained as difference is below 10%.
Total Operating Revenue	56,970,436	73,013,334	(16,042,898)	
EXPENDITURE BY TYPE				
Employee related costs	12,994,102	13,738,431	(744,329)	-5% Trivial.
Remuneration of councillors	2,585,722	2,582,000	3,722	0% Trivial.
Debt impairment	5,620,657	5,300,000	320,657	6% Trivial.
Depreciation & asset impairment	2,353,726	1,895,000	458,726	24% New additions.
Finance charges	862,809	570,000	292,809	51% Increased finance charges on landfill site provision.
Bulk purchases	7,525,471	9,471,000	(1,945,529)	-21% Changed Eskom tariffs in 2014/2015 and did adjust budget for lower tariffs.
Contracted services	7,705,123	1,886,588	5,818,535	308% Contracted services budgeted as other expenditure.
Other expenditure	10,288,604	24,083,894	(13,795,290)	-57% Repairs and maintenance, transfer to CRR and contracted services included under other expenses for budget purposes.
Loss on disposal of PPE	699,249	-	699,249	0%
Total Operating Expenditure	50,635,463	59,526,913	(8,891,450)	
Government Grants and Subsidies - Capital	6,334,973	13,486,421	(7,151,448)	
	14,963,927	13,405,700	1,558,227	12% Accelerated housing grant was incorrectly budgeted as operating income.
	21,298,900	26,892,121	(5,593,221)	

**PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

ADJUSTMENTS TO APPROVED BUDGET

	2016 R	2016 R	2016 R	%	Explanations for material variances more than 10% of a specific line item with a minimum of R 300,000.00
	(Approved Budget)	(Adjustments)	(Final Budget)		
REVENUE BY SOURCE					
Property rates	2,720,744	(40,000)	2,680,744	-1%	Trivial.
Service charges	18,798,400	(691,000)	18,107,400	-4%	Trivial.
Rental of facilities and equipment	322,500	58,000	380,500	18%	Trivial.
Interest earned - external investments	500,000	810,000	1,310,000	162%	Slow spending on capital projects caused higher bank balances than expected.
Interest earned - outstanding debtors	600,000	400,000	1,000,000	67%	Changes in credit control policy led to lower payment rate.
Fines	8,952,000	(5,170,000)	3,782,000	-58%	Poor performance by service provider.
Licences and permits	220,000	-	220,000	0%	Trivial.
Government Grants and Subsidies - Operating	21,250,300	20,233,590	41,483,890	95%	Additional grant funding received.
Other revenue	417,800	3,631,000	4,048,800	869%	Increased VAT on grants as well as Service in kind recognition.
Total Operating Revenue	53,781,744	19,231,590	73,013,334		
EXPENDITURE BY TYPE					
Employee related costs	14,248,391	(509,960)	13,738,431	-4%	Trivial.
Remuneration of councillors	2,582,000	-	2,582,000	0%	Trivial.
Debt impairment	8,750,000	(3,450,000)	5,300,000	-39%	Decrease in fine income led to increase in debt impairment.
Depreciation & asset impairment	1,895,000	-	1,895,000	0%	Trivial.
Finance charges	300,000	270,000	570,000	90%	Trivial.
Bulk purchases	9,581,000	(110,000)	9,471,000	-1%	Trivial.
Contracted services	1,292,000	594,588	1,886,588	46%	Additional funding received for additional projects.
Other expenditure	15,130,310	8,953,584	24,083,894	59%	Increased funding for projects.
Total Operating Expenditure	53,778,701	5,748,212	59,526,913		
Government Grants and Subsidies - Capital	3,043	13,483,378	13,486,421		
	10,292,700	3,113,000	13,405,700	30%	Accelerated housing grant was incorrectly budgeted as operating income.
	10,295,743	16,596,378	26,892,121		

**PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2016 R	2016 R	2016 R	
	(Actual)	(Final Budget)	(Variance)	%
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	28,603,891	14,826,217	13,777,675	93% Error on budget
Government - operating	24,073,295	41,483,890	(17,410,595)	-42% Slow spending on grant funding projects
Government - capital	14,963,927	13,405,700	1,558,227	12% Slow spending on grant funding projects
Interest	2,578,130	1,710,000	868,130	51% Slow spending on grant funding projects
Payments				
Suppliers and Employees	(27,749,443)	(42,475,916)	14,726,473	-35% Slow spending on grant funding projects
Finance charges	(862,809)	270,000	(1,132,809)	-420% Additional increases in interest on provisions
Transfers and Grants	-	-	-	
NET CASH FROM/(USED) OPERATING ACTIVITIES	41,606,991	29,219,891	12,387,101	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Disposal of Investment Properties	6,692	-	6,692	0% Not material
Purchase of Intangible Assets	(105,410)	-	(105,410)	0% Not material
Additions to Capitalised Restoration Cost	-	-	-	
Payments				
Capital assets	(25,908,847)	(36,389,079)	10,480,232	-29% Slow spending on grant funding projects
NET CASH FROM/(USED) INVESTING ACTIVITIES	(26,007,565)	(36,389,079)	10,381,514	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	74,015	-	74,015	0% Not material
Increase/(decrease) in consumer deposits	20,202	-	20,202	0% Not material
Payments				
Repayment of borrowing	(75,176)	-	(75,176)	0% Not material
NET CASH FROM/(USED) FINANCING ACTIVITIES	19,041	-	19,041	
NET INCREASE/(DECREASE) IN CASH HELD	15,618,467	(7,169,188)	22,787,655	
Cash and Cash Equivalents at the beginning of the year	11,129,765	16,373,763	(5,243,998)	
Cash and Cash Equivalents at the end of the year	26,748,233	9,204,575	17,543,658	

**PRINCE ALBERT LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

ADJUSTMENTS TO APPROVED BUDGET

	2016 R	2016 R	2016 R	
	(Approved Budget)	(Adjustments)	(Final Budget)	%
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	22,555,029	(7,728,813)	14,826,217	-34% Error on budget
Government - operating	23,530,300	17,953,590	41,483,890	76% Additional grant funding received
Government - capital	7,292,700	6,113,000	13,405,700	84% Additional grant funding received
Interest	500,000	1,210,000	1,710,000	242% Additional interest due to slow spending on capital program
Payments				
Suppliers and Employees	(41,396,561)	(1,079,355)	(42,475,916)	3% Not material
Finance charges	-	270,000	270,000	0% Not material
	12,481,468	16,738,422	29,219,891	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Payments				
Capital assets	(10,292,700)	(26,096,378)	(36,389,079)	254% Additional grant funding received
	(10,292,700)	(26,096,378)	(36,389,079)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts	-	-	-	0%
Payments	-	-	-	0%
	2,188,768	(9,357,956)	(7,169,188)	
Cash and Cash Equivalents at the beginning of the year	564,237	15,809,526	16,373,763	
Cash and Cash Equivalents at the end of the year	2,753,005	6,451,570	9,204,575	

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) 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 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 otherwise. The details of any changes in accounting policies are explained in the relevant notes to the 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 Investment Property, Property, Plant and Equipment and Intangible 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.

1.3. GOING CONCERN ASSUMPTION

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

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material 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 AMENDED DISCLOSURE POLICY

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

1.6. MATERIALITY

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

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as three separate additional financial statements, namely the Statement of comparison of budget and actual amounts for the Statement of Financial Position, Statement of Financial Performance and Cash Flow Statement.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2015 to 30 June 2016. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

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

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts. The municipality

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

shall present an explanation of changes between an approved and final budget, by way of a note disclosure in terms of GRAP 24. Material differences are being defined by Management as 10% of a specific line-item with a minimum of R 300,000.00.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

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

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

<p>GRAP 20 (Original – June 2011)</p>	<p>Related Party Disclosure The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<p align="center">Unknown</p>
<p>GRAP 32 (Original – Aug 2013)</p>	<p>Service Concession Arrangements: Grantor The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<p align="center">Unknown</p>
<p>GRAP 108 (Original – Sept 2013)</p>	<p>Statutory Receivables The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	<p align="center">Unknown</p>
<p>GRAP 109</p>	<p>Accounting by Principles and Agents The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. No significant impact is expected as the</p>	<p align="center">Unknown</p>

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Municipality's current treatment is already in line with the Standards treatment.	
IGRAP 17	<p>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown

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

1.9. RESERVES

1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus 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.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

1.10.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition 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 revenue is 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 recognises 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 liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.14. PROVISIONS

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

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is 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 de-recognised.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.15. EMPLOYEE BENEFITS

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.

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

1.15.1. 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 60% as contribution and the remaining 40% 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 recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. 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 present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

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

1.15.2 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 annually 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 recognised in the Statement of Financial Performance as employee benefits upon valuation. .

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

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.15.3 Ex gratia Gratuities

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

1.15.4 Provision for Staff Leave

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

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

Accumulated leave is vesting.

1.15.5 Staff Bonuses Accrued

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

1.15.6 Provision for 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 accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.15.7 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 recognised in the Statement of Financial Performance in the year they become payable. 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 recognised in the Statement of Financial Performance 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.

1.15.8 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.16. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1 Initial Recognition

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

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

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

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

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

1.17.2 Subsequent Measurement – Cost Model

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

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

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.17.3 Depreciation and Impairment

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

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	3-59	Buildings	95
Pedestrian Malls	30	Specialist vehicles	15
Electricity	3-42	Other vehicles	2-16
Water	3-60	Office equipment	1-27
Sewerage	3-60	Furniture and fittings	7-10
Housing	95	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	95	Equipment	1-14
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	20-100	Landfill sites	15
Libraries	95	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	15-20	Computer equipment	1-12
<u>Finance lease assets</u>			
Office equipment	1-5		
Other assets	5		

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 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 an impairment is recognised in the Statement of Financial Performance.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.17.4 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.

1.17.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2010.

1.18. INTANGIBLE ASSETS

1.18.1 Initial Recognition

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

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

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

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

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

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

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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 is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.18.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments 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.

1.18.3 Amortisation and Impairment

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

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

1.18.4 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.

1.18.5 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. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2010.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.19. INVESTMENT PROPERTY

1.19.1 Initial Recognition

Investment property is 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 Municipality, and
- the cost or fair value of the investment property can be measured reliably.

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

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

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

1.19.2 Subsequent Measurement – Cost Model

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

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1.19.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at 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	30

1.19.4 De-recognition

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

1.19.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010

1.20 HERITAGE ASSETS

1.20.1 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.

1.20.2 Subsequent Measurement – Cost Model

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.20.3 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 an impairment is recognised in the Statement of Financial Performance.

1.20.4 De-recognition

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

1.20.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1 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.

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

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

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

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU'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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.21.2 *Non-cash-generating assets*

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

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

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

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

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

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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, depending on the nature of the asset in question:

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.22. INVENTORIES

1.22.1 *Initial Recognition*

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

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

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

1.22.2 *Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, 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.

The basis of allocating cost to inventory items is the weighted average method.

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

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

1.23. 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) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

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1.23.1 Initial Recognition

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

1.23.2 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 or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.1 Receivables

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

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

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

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

1.23.2.2 Payables and Annuity Loans

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

1.23.2.3 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 carried at amortised cost.

1.23.3 **De-recognition of Financial Instruments**

1.23.3.1 Financial Assets

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

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

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

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

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

1.23.3.2 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.

1.23.4 **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

1.24 **STATUTORY RECEIVABLES**

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

1.24.1 Initial Recognition

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

1.24.2 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

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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.

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.

1.24.3 Derecognition

The Municipality derecognises a statutory receivable when:

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

1.25. REVENUE

1.25.1 Revenue from Non-Exchange Transactions

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

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

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

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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.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

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 when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

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

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

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

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

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 is 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.

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1.25.2 Revenue from Exchange Transactions

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

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

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . 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 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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

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. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

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

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Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

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

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

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

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality 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 Municipality.

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;
- 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.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.26. RELATED PARTIES

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

A related party is a person or an entity:

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

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

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

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

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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

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

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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 Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

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

Management judgement is required when recognising and measuring contingent liabilities.

1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

1.31.1 *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 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.31.2 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.

1.31.3 Property, Plant and Equipment

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

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

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

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1.31.4 Intangible Assets

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

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

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

1.31.5 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.

1.31.6 Provisions and Contingent Liabilities

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

1.31.7 Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 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

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.31.8 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 at the reporting date of the expected future cash flows to rehabilitate the landfill site. 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 recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

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

1.31.9 Provision for Staff leave

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

1.31.10 Provision for Performance bonuses

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

1.31.11 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 that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

1.31.12 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.

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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 represents the contractual 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.

	2016 R	2015 R
2 NET ASSET RESERVES		
RESERVES	1,469,160	-
Capital Replacement Reserve	1,469,160	-
Total Net Asset Reserve and Liabilities	1,469,160	-
3 LONG-TERM LIABILITIES		
Capitalised Lease Liability - At amortised cost	73,782	74,943
Current Portion transferred to Current Liabilities	37,531	60,984
Capitalised Lease Liability - At amortised cost	37,531	60,984
Total Long-term Liabilities - At amortised cost using the effective interest rate method	36,251	13,959
The obligations under finance leases are scheduled below:		
	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	37,531	60,984
Payable within two to five years	36,253	13,959
	73,784	74,943
Less: Future finance obligations	(9,629)	(4,478)
Present value of lease obligations	64,155	70,465
Leases are secured by property, plant and equipment - Note 11		
4 EMPLOYEE BENEFITS		
Post Retirement Medical - Refer to Note 4.1	3,823,055	3,677,980
Long Service Awards - Refer to Note 4.2	1,088,395	965,444
Ex Gratia Payments - Refer to Note 4.3	34,829	36,979
Total Non-current Employee Benefit Liabilities	4,946,279	4,680,403
Post Retirement Medical		
Balance 1 July	3,842,068	4,063,843
Contribution for the year	142,440	144,917
Interest Cost	333,914	358,004
Expenditure for the year	(176,807)	(173,855)
Actuarial Loss/(Gain)	(165,728)	(550,841)
Total post retirement benefits 30 June	3,975,887	3,842,068
Less: Transfer of Current Portion - Note 3	(152,832)	(164,088)
Balance 30 June	3,823,055	3,677,980
Long Service Awards		
Balance 1 July	1,073,337	970,613
Contribution for the year	89,078	84,491
Interest Cost	82,093	77,832
Expenditure for the year	(119,662)	(64,324)
Actuarial Loss/(Gain)	69,227	4,725
Total long service 30 June	1,194,073	1,073,337
Less: Transfer of Current Portion - Note 7	(105,678)	(107,893)
Balance 30 June	1,088,395	965,444
Ex Gratia Payments		
Balance 1 July	36,979	31,555
Interest Cost	3,107	2,683
Expenditure for the year	(4,387)	-
Actuarial Loss/(Gain)	(278)	2,741
Total long service 30 June	35,421	36,979
Less: Transfer of Current Portion - Note	(592)	-
Balance 30 June	34,829	36,979

EMPLOYEE BENEFITS (CONTINUE)

TOTAL NON-CURRENT EMPLOYEE BENEFITS

	2016	2015
	R	R
Balance 1 July	4,952,384	5,066,011
Contribution for the year	231,518	229,408
Interest cost	419,114	438,519
Expenditure for the year	(300,856)	(238,179)
Actuarial Loss/(Gain)	(96,779)	(543,375)
Total employee benefits 30 June	5,205,381	4,952,384
Less: Transfer of Current Portion - Note 7	(259,102)	(271,981)
Balance 30 June	4,946,279	4,680,403

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	16	15
In-service (employee) non-members	31	29
Continuation members (e.g. Retirees, widows, orphans)	6	6
Total Members	53	50

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

In-service members and potential members	1,899,499	2,107,493
Continuation members	1,546,482	1,734,575
Total Liability	3,445,981	3,842,068

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

	2014 R	2013 R	2012 R
In-service members	2,058,733	1,864,350	1,513,866
Continuation members	2,005,110	2,328,634	2,162,558
Total Liability	4,063,843	4,192,984	3,676,424

Experience adjustments were calculated as follows:

	2014 R	2013 R	2012 R
Liabilities: (Gain) / loss	(58,000)	(32,000)	(102,000)
Assets: Gain / (loss)		-	-

The municipality performed their first actuarial valuation on 30 June 2010. Thus there are experience adjustment figures available since 30 June 2010 to fully comply with GRAP 25

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

Bonitas;
LA Health
Samwumed; and
Keyhealth.

Key actuarial assumptions used:

	2016 %	2015 %
i) Rate of interest		
Discount rate	9.13%	8.88%
Health Care Cost Inflation Rate	8.22%	7.98%
Net Effective Discount Rate	0.84%	0.90%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

ii) Mortality rates

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

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

	2016 R	2015 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3,823,055	3,677,980
Net liability/(asset)	3,823,055	3,677,980

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	3,842,068	4,063,843
Total expenses	299,547	329,066
Current service cost	142,440	144,917
Interest Cost	333,914	358,004
Benefits Paid	(176,807)	(173,855)
Actuarial (gains)/losses	(165,728)	(550,841)
Present value of fund obligation at the end of the year	3,975,887	3,842,068
Less: Transfer of Current Portion - Note 7	(152,832)	(164,088)
Balance 30 June	3,823,055	3,677,980

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	2.429	1.546	3.975	

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	1%	3,022	1,671	4,693	18%
Health care inflation	-1%	1,969	1,436	3,405	-14%
Discount Rate	1%	1,976	1,437	3,413	-14%
Discount Rate	-1%	3,022	1,672	4,694	18%
Post-retirement mortality	-1 year	2,516	1,62	4,136	4%
Average retirement age	-1 year	2,553	1,546	4,099	3%
Continuation of membership at retirement	-10%	1,976	1,546	3,522	-11%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		142,400	333,900	476,300	
Health care inflation	1%	179,200	392,300	571,500	20%
Health care inflation	-1%	114,200	287,000	401,200	-16%
Discount Rate	1%	115,700	320,100	435,800	-9%
Discount Rate	-1%	177,600	348,200	525,800	10%
Post-retirement mortality	-1 year	147,500	347,500	495,000	4%
Average retirement age	-1 year	152,600	347,300	499,900	5%
Continuation of membership at retirement	-10%	113,700	298,400	412,100	-13%

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

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

47	44
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Key actuarial assumptions used:

%	%
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i) Rate of interest

Discount rate	8.58%	8.04%
General Salary Inflation (long-term)	7.24%	7.11%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.25%	0.87%

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

Present value of fund obligations	1,088,395	965,444
Net liability	1,088,395	965,444

The municipality performed their first actuarial valuation on 30 June 2015. Thus there no experience adjustment figures available to fully comply with GRAP 25

Reconciliation of present value of fund obligation:

	2016 R	2015 R
Present value of fund obligation at the beginning of the year	1,073,337	970,613
Total expenses	51,509	97,999
Current service cost	89,078	84,491
Interest Cost	82,093	77,832
Benefits Paid	(119,662)	(64,324)
Actuarial (gains)/losses	69,227	4,725
Present value of fund obligation at the end of the year	1,194,073	1,073,337
Less: Transfer of Current Portion - Note 7	(105,678)	(107,893)
Balance 30 June	1,088,395	965,444

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		1,194,000	
General salary inflation	1%	1,275,000	7%
General salary inflation	-1%	1,121,000	-6%
Discount Rate	1%	1,118,000	-6%
Discount Rate	-1%	1,279,000	7%
Average retirement age	-2 yrs	1,039,000	-13%
Average retirement age	2 yrs	1,352,000	13%
Withdrawal rates	-50%	1,414,000	18%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central assumptions		89,100	82,100	171,200	
General salary inflation	1%	96,400	88,100	184,500	8%
General salary inflation	-1%	82,600	76,700	159,300	-7%
Discount Rate	1%	83,100	85,900	169,000	-1%
Discount Rate	-1%	95,900	77,500	173,400	1%
Average retirement age	-2 yrs	80,300	71,500	151,800	-11%
Average retirement age	2 yrs	98,600	94,200	192,800	13%
Withdrawal rates	-50%	114,800	99,300	214,100	25%

4.3 Ex Gratia Payments

The Ex Gratia plans are defined benefit plans.

As at year end, the following number of employees were eligible for Ex Gratia Payments

Key actuarial assumptions used:

i) Rate of interest

Discount rate

	2016 R	2015 R
	7	8
	%	%
Discount rate	8.92%	8.47%

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

Present value of fund obligations

Net liability

The municipality performed their first actuarial valuation on 30 June 2015. Thus there no experience adjustment figures available to fully comply with GRAP 25

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

Less: Transfer of Current Portion - Note

Balance 30 June

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		35,421	
Discount rate	1%	33,861	-4%
Discount rate	-1%	37,102	5%
Average retirement age	-1 yrs	38,377	8%

Assumption	Change	Interest Cost (R)	Total (R)	% change
Central assumptions		3,107	3,107	
Discount rate	1%	3,292	3,292	6%
Discount rate	-1%	3,896	3,896	25%
Average retirement age	-1 yrs	3,352	3,352	8%

4.4 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 both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 101.7% (30 June 2013 - 99.2%).

CAPE JOINT RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 153.1% (30 June 2014 - 101.7%).

	2016 R	2015 R
<u>DEFINED CONTRIBUTION PLANS</u>		
Council contribute to the Municipal Council Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statement of Financial Performance	<u>1,071,789</u>	<u>1,353,780</u>

5 **NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites	19,016,813	7,869,843
Total Non-current Provisions	<u>19,016,813</u>	<u>7,869,843</u>

The reason for the increase in provision is due to the amendment of standards that dramatically increased the provision in cost of rehabilitating landfill sites.

Landfill Sites

Balance 1 July	7,869,843	2,103,066
Contribution for the year	11,146,970	5,766,777
Total provision 30 June	<u>19,016,813</u>	<u>7,869,843</u>
Balance 30 June	<u>19,016,813</u>	<u>7,869,843</u>

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:
This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

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

	<i>Prince Albert</i>	<i>Leeu Gamka</i>	<i>Klaarstroom</i>
Area (m ²)	24440m ²	13860m ²	5210m ²

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

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation 2016</u>	<u>Cost of rehabilitation 2015</u>
Prince Albert	2018	9,237,735	3,142,738
Leeu Gamka	2019	6,542,503	2,731,025
Klaarstroom	2035	3,236,575	1,996,081
		19,016,813	7,869,843

6 CONSUMER DEPOSITS

	2016 R	2015 R
Electricity	261,309	264,741
Rent	7,488	7,488
Water	146,109	122,475
Total Consumer Deposits	414,906	394,704
Guarantees held in lieu of Electricity and Water Deposits	-	-

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

7 CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 4	259,102	271,981
Staff Leave	967,123	1,140,734
Bonuses	433,095	431,440
Total Current Employee Benefits	1,659,320	1,844,155

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	1,140,734	946,257
Contribution to current portion	(54,852)	228,395
Expenditure incurred	(118,759)	(33,918)
Balance at end of year	967,123	1,140,734

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

Bonuses

Balance at beginning of year	431,440	402,248
Contribution to current portion	1,655	29,192
Balance at end of year	433,095	431,440

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

8	TRADE AND OTHER PAYABLES	2016	2015
		R	R
	Trade Payables	6,093,963	2,570,020
	Debtors with credit balances	380,865	376,529
	Retentions	506,510	528,983
	Other	6,241	840
	Payments received in advance	387	-
	Sundry Deposits	4,000	8,565
	Total Trade Payables	6,991,966	3,484,937

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.

Sundry deposits include hall, builders and housing Deposits.

9	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants	10,513,800	7,013,344
	National Government Grants	5,266,151	-
	Provincial Government Grants	5,247,649	7,013,344
	Less: Unpaid Grants	-	-
	Total Conditional Grants and Receipts	10,513,800	7,013,344

10	TAXES		
	10.1 VAT PAYABLE		
	VAT output on accruals	(87,732)	24,291
	Total Vat payable	(87,732)	24,291
	10.2 VAT RECEIVABLE		
	VAT input on accruals	(1,212,677)	(454,845)
	VAT Control	(910,964)	(417,616)
	Total VAT receivable	(2,123,641)	(872,461)
	10.3 NET VAT RECEIVABLE/(PAYABLE)	(2,211,373)	(848,170)

VAT is receivable/payable on the cash basis.

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

11 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2016

Reconciliation of Carrying Value

	Cost					Closing Balance R	Opening Balance R	Accumulated Impairments		Closing Balance R	Opening Balance R	Transfers R	Accumulated Depreciation			Closing Balance R	Carrying Value R
	Opening Balance R	Transfers R	Correction of Error R	Additions R	Disposals R			Correction of Error R	Additions R				Correction of Errors R	Depreciation R	Disposals R		
Land and Buildings	5,626,016	-	-	33,062	-	5,659,078	2,012,972	-	-	2,012,972	108,263	-	-	19,644	-	127,907	3,518,198
Land	3,706,179	-	-	-	-	3,706,179	1,544,885	-	-	1,544,885	-	-	-	-	-	-	2,161,294
Buildings	1,919,837	-	-	33,062	-	1,952,899	468,087	-	-	468,087	108,263	-	-	19,644	-	127,907	1,356,904
Infrastructure	74,199,023	(6,263,292)	-	20,819,879	(1,382,689)	87,372,921	-	-	-	-	9,854,412	-	-	1,839,033	(761,989)	10,931,456	76,441,465
Main: Roads	13,870,774	-	-	2,619,901	-	16,490,675	-	-	-	3,603,889	-	-	-	339,814	-	3,943,704	12,546,971
Main: Waste Management	14,413,569	-	-	6,834,352	(1,359,781)	19,888,140	-	-	-	1,888,168	-	-	-	903,648	(742,628)	2,049,189	17,838,951
Main: Electricity	2,751,771	-	-	250,847	-	3,002,617	-	-	-	1,261,674	-	-	-	58,106	-	1,319,780	1,682,837
Main: Water	24,847,906	-	-	760,373	(22,908)	25,585,370	-	-	-	3,100,680	-	-	-	537,465	(19,362)	3,618,783	21,966,587
Work in Progress	18,315,004	(6,263,292)	-	10,354,406	-	22,406,118	-	-	-	-	-	-	-	-	-	-	22,406,118
Community Assets	15,889,597	-	-	132,544	-	16,022,141	-	-	-	512,324	-	-	-	103,960	-	616,284	15,405,857
Recreation Grounds	5,444,883	-	-	-	-	5,444,883	-	-	-	13,862	-	-	-	2,235	-	16,097	5,428,787
Civic Buildings	5,666,943	-	-	-	-	5,666,943	-	-	-	183,049	-	-	-	79,061	-	262,109	5,404,834
Transfer Station	292,901	-	-	-	-	292,901	-	-	-	170,859	-	-	-	-	-	170,859	122,042
Libraries	1,177,450	-	-	-	-	1,177,450	-	-	-	71,506	-	-	-	11,530	-	83,036	1,094,414
Bus Terminals	78,670	-	-	-	-	78,670	-	-	-	3,999	-	-	-	-	-	3,999	74,671
Work in Progress	2,040,099	-	-	132,544	-	2,172,643	-	-	-	-	-	-	-	-	-	-	2,172,643
Cemetery	51,650	-	-	-	-	51,650	-	-	-	-	-	-	-	-	-	-	51,650
Museum	1,137,000	-	-	-	-	1,137,000	-	-	-	69,049	-	-	-	11,134	-	80,184	1,056,816
Lease Assets	280,075	-	-	74,015	(90,072)	264,018	-	-	-	158,324	-	-	-	33,538	(53,039)	138,824	125,194
Office Equipment	280,075	-	-	74,015	(90,072)	264,018	-	-	-	158,324	-	-	-	33,538	(53,039)	138,824	125,194
Capitalised Restoration Costs	1,024,461	-	-	10,712,942	-	11,737,403	9,584	-	(5,319)	4,265	748,905	-	-	46,307	-	795,212	10,937,926
Landfill Site	1,024,461	-	-	10,712,942	-	11,737,403	9,584	-	(5,319)	4,265	748,905	-	-	46,307	-	795,212	10,937,926
Other Assets	4,733,681	-	-	394,381	(177,618)	4,950,444	225,111	-	-	225,111	2,696,814	-	-	285,835	(155,147)	2,827,502	1,897,832
Motor Vehicles	1,171,655	-	-	-	-	1,171,655	225,111	-	-	225,111	492,467	-	-	98,563	-	591,030	355,514
Plant and Equipment	428,175	-	-	45,543	(10,108)	463,610	-	-	-	262,839	-	-	-	49,637	(7,294)	305,182	158,428
Office Equipment	386,488	-	-	-	-	386,488	-	-	-	308,291	-	-	-	-	-	308,291	78,196
Furniture and Equipment	696,708	-	-	125,541	(22,422)	799,827	-	-	-	416,627	-	-	-	45,461	(17,803)	444,285	355,542
Loose Equipment	220,273	-	-	-	-	220,273	-	-	-	60,975	-	-	-	-	-	60,975	159,298
Computer Equipment	762,513	-	-	223,297	(126,569)	859,242	-	-	-	541,983	-	-	-	42,288	(116,405)	467,866	391,376
Specialised Vehicles	1,065,879	-	-	-	(18,519)	1,047,359	-	-	-	612,094	-	-	-	49,885	(13,645)	648,334	399,025
Fire Fighting Equipment	1,991	-	-	-	-	1,991	-	-	-	1,538	-	-	-	-	-	1,538	453
	101,752,853	-6,263,292	-	32,166,823	(1,650,380)	126,006,005	2,247,667	-	(5,319)	2,242,348	14,079,043	-	-	2,328,317	(970,175)	15,437,185	108,326,471

PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30 JUNE 2015

Reconciliation of Carrying Value

	Cost					Closing Balance	Accumulated Impairments			Closing Balance	Accumulated Depreciation				Closing Balance	Carrying Value	
	Opening Balance	Transfers	Correction of Error	Additions	Disposals		Opening Balance	Correction of Error	Additions		Opening Balance	Transfers	Correction of Errors	Depreciation			Disposals
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R		
Land and Buildings	7,492,816	-	-1,866,800	-	-	5,626,016	2,484,877	-	-	2,012,972	184,160	-	37,472	-	108,263	3,504,780	
Land	3,706,179	-	-	-	-	3,706,179	1,544,885	-	-	1,544,885	-	-	-	-	-	2,161,294	
Buildings	3,786,637	-	(1,866,800)	-	-	1,919,837	939,992	(471,904)	-	468,087	184,160	-	(113,369)	37,472	108,263	1,343,486	
Infrastructure	63,756,381	-	-	10,442,642	-	74,199,023	-	-	-	8,797,712	-	-	1,056,701	-	9,854,412	64,344,611	
Main: Roads	13,870,774	-	-	-	-	13,870,774	-	-	-	3,250,709	-	-	353,180	-	3,603,889	10,266,884	
Main: Waste Management	14,413,569	-	-	-	-	14,413,569	-	-	-	1,570,600	-	-	317,568	-	1,888,168	12,525,401	
Main: Electricity	2,751,771	-	-	-	-	2,751,771	-	-	-	1,203,393	-	-	58,282	-	1,261,674	1,490,096	
Main: Water	18,547,360	-	-	6,300,545	-	24,847,906	-	-	-	2,773,010	-	-	327,671	-	3,100,680	21,747,225	
Work in Progress	14,172,907	-	-	4,142,097	-	18,315,004	-	-	-	-	-	-	-	-	18,315,004		
Community Assets	14,037,971	-	-	1,851,626	-	15,889,597	-	-	-	399,582	-	-	112,742	-	512,324	15,377,273	
Recreation Grounds	5,444,883	-	-	-	-	5,444,883	-	-	-	11,603	-	-	2,259	-	13,862	5,431,022	
Civic Buildings	5,666,943	-	-	-	-	5,666,943	-	-	-	95,469	-	-	87,580	-	183,049	5,483,895	
Transfer Station	292,901	-	-	-	-	292,901	-	-	-	170,859	-	-	-	-	170,859	122,042	
Libraries	1,177,450	-	-	-	-	1,177,450	-	-	-	59,854	-	-	11,652	-	71,506	1,105,944	
Bus Terminals	78,670	-	-	-	-	78,670	-	-	-	3,999	-	-	-	-	3,999	74,671	
Work in Progress	188,473	-	-	1,851,626	-	2,040,099	-	-	-	-	-	-	-	-	-	2,040,099	
Cemetery	51,650	-	-	-	-	51,650	-	-	-	-	-	-	-	-	-	51,650	
Museum	1,137,000	-	-	-	-	1,137,000	-	-	-	57,798	-	-	11,251	-	69,049	1,067,951	
Lease Assets	291,919	(61,289)	-	49,445	-	280,075	-	-	-	153,793	-	-	43,738	-	158,324	121,751	
Office Equipment	291,919	(61,289)	-	49,445	-	280,075	-	-	-	153,793	(39,207)	-	43,738	-	158,324	121,751	
Capitalised Restoration Costs	873,811	-	(1,169,669)	1,320,319	-	1,024,461	12,593	-	(3,009)	9,584	704,396	-	44,509	-	748,905	265,972	
Landfill Site	873,811	-	(1,169,669)	1,320,319	-	1,024,461	12,593	-	(3,009)	9,584	704,396	-	44,509	-	748,905	265,972	
Other Assets	4,862,635	61,289	-	220,540	(410,783)	4,733,681	225,111	-	-	225,111	2,534,737	39,207	-	431,905	(309,035)	2,696,814	1,811,756
Motor Vehicles	1,072,323	-	-	99,332	-	1,171,655	225,111	-	-	225,111	394,913	-	-	97,553	-	492,467	454,077
Plant and Equipment	481,165	-	-	25,611	(78,601)	428,175	-	-	-	257,447	-	-	57,389	(51,996)	262,839	165,336	
Office Equipment	386,488	-	-	-	-	386,488	-	-	-	289,152	-	-	39,139	-	308,291	78,196	
Furniture and Equipment	721,884	9,041	-	23,835	(58,052)	696,708	-	-	-	392,418	6,027	-	63,552	(45,370)	416,627	280,081	
Loose Equipment	220,273	-	-	-	-	220,273	-	-	-	60,975	-	-	-	-	60,975	159,298	
Computer Equipment	827,841	52,248	-	71,763	(189,339)	762,513	-	-	-	592,162	33,180	-	84,871	(168,230)	541,983	220,530	
Specialised Vehicles	1,150,670	-	-	-	(84,791)	1,065,879	-	-	-	566,133	-	-	89,400	(43,439)	612,094	453,784	
Fire Fighting Equipment	1,991	-	-	-	-	1,991	-	-	-	1,538	-	-	-	-	1,538	453	
	91,315,532	-	(3,036,469)	13,884,573	(410,783)	101,752,853	2,722,581	-	(3,009)	2,247,667	12,774,380	39,207	-	1,727,067	(309,035)	14,079,043	85,426,143

	2016 R	2015 R
12 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	13,296,642	13,858,446
Cost	14,438,955	15,022,155
Accumulated Depreciation	(11,068)	(9,264)
Accumulated Impairment	(1,131,245)	(1,154,445)
Depreciation for the year	(1,785)	(1,804)
Disposal	(6,692)	-
Net Carrying amount at 30 June	13,288,164	13,296,642
Cost	14,432,263	14,438,955
Accumulated Depreciation	(12,854)	(11,068)
Accumulated Impairment	(1,131,245)	(1,131,245)
There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
Revenue derived from the rental of investment property.	337,017	273,499

	2016 R	2015 R
13 INTANGIBLE ASSETS		
Computer Software		
Net Carrying amount at 1 July	48,578	68,474
Cost	180,180	233,380
Accumulated Amortisation	(131,602)	(164,906)
Disposal	(19,046)	(6,638)
Additions	105,410	2,300
Amortisation	(23,624)	(15,554)
Net Carrying amount at 30 June	111,318	48,578
Cost	130,436	180,180
Accumulated Amortisation	(19,118)	(131,602)

<u>Description</u>	<u>Remaining Amortisation Period</u>	<u>Carrying Value</u>	
		2016 R	2015 R
Microsoft Office and Windows software	4	111,318	48,578

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

14	INVENTORY	2016 R	2015 R
	Consumable Stores	227,000	198,273
	Library stock	18,000	-
	Unsold Properties	219,420	219,420
	Water – at cost	5,930	10,590
	Total Inventory	470,350	428,283

15	TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	1,646,270	1,295,141
	Water	5,871,547	4,269,674
	Refuse	2,832,836	2,258,880
	Sewerage	2,991,680	2,564,060
	Fire Services	-	7,598
	Rent	148,965	131,170
	Debtors with credit balances	380,865	376,529
	Total Receivables from Exchange Transactions	13,872,163	10,903,052
	Less: Allowance for Doubtful Debts	(12,022,993)	(9,110,999)
	Total Net Receivables from Exchange Transactions	1,849,170	1,792,053

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 trade and other receivables on initial recognition is not deemed necessary.

Ageing of Receivables from Exchange Transactions:

(Electricity): Ageing

Current (0 - 30 days)	490,218	457,556
31 - 60 Days	139,185	166,762
61 - 90 Days	120,205	108,424
+ 90 Days	896,661	562,399
Total	1,646,270	1,295,141

(Water): Ageing

Current (0 - 30 days)	262,176	194,284
31 - 60 Days	167,329	157,849
61 - 90 Days	195,186	183,312
+ 90 Days	5,246,856	3,734,229
Total	5,871,547	4,269,674

(Refuse): Ageing

Current (0 - 30 days)	130,485	121,806
31 - 60 Days	90,370	85,066
61 - 90 Days	83,506	77,880
+ 90 Days	2,528,475	1,974,128
Total	2,832,836	2,258,880

(Sewerage): Ageing

Current (0 - 30 days)	65,590	83,971
31 - 60 Days	151,030	142,022
61 - 90 Days	141,645	125,505
+ 90 Days	2,633,415	2,212,562
Total	2,991,680	2,564,060

(Other): Ageing

Current (0 - 30 days)	(36,478)	14,073
31 - 60 Days	17,387	4,950
61 - 90 Days	21,469	4,841
+ 90 Days	146,587	114,905
Total	148,965	138,768

(Total): Ageing

	2016	2015
	R	R
Current (0 - 30 days)	911,990	871,690
31 - 60 Days	565,302	556,648
61 - 90 Days	562,011	499,962
+ 90 Days	11,451,995	8,598,224
Total	13,491,298	10,526,523

Reconciliation of Provision for Bad Debts

Balance at beginning of year	9,110,999	6,492,536
Written off during the year	(188,835)	(180,673)
Contribution to provision	3,100,829	2,799,136
Balance at end of year	12,022,993	9,110,999

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.

16 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Rates	784,221	588,218
Other Receivables	10,851,449	8,592,444
Traffic Fines	10,224,741	7,262,271
Other Debtors	626,708	1,330,173
Total Receivables from Non-Exchange Transactions	11,635,670	9,180,662
Less: Allowance for Doubtful Debts	(10,445,739)	(7,528,533)
Total Net Receivables from Non-Exchange Transactions	1,189,931	1,652,129

Ageing of Receivables from Non-Exchange Transactions:

(Rates): Ageing

Current (0 - 30 days)	(11,033)	(73,398)
31 - 60 Days	32,325	31,229
61 - 90 Days	22,988	14,881
+ 90 Days	739,941	615,506
Total	784,221	588,218

Reconciliation of Provision for Bad Debts

Balance at beginning of year	7,528,533	12,217,065
Written off during the year	(2,550)	(7,259,121)
Contribution to provision	2,919,756	2,570,589
Balance at end of year	10,445,739	7,528,533

Concentrations of credit risk with respect to other receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of other 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 other receivables.

17 OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor (Asset)

Balance on 1 July	54,869	64,376
Movement during the year	(19,809)	(9,507)
Balance on 30 June	35,060	54,869

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	249,552	194,617
1 to 5 Years	223,107	299,746
Total Operating Lease Arrangements	472,660	494,363

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for variable periods with the final lease ending in 2019

18	CASH AND CASH EQUIVALENTS	2016	2015
		R	R
	<u>Assets</u>		
	Call Investments Deposits	23,385,721	10,980,159
	Primary Bank Account	2,018,465	147,906
	Traffic Bank Account	1,232,939	-
	Smart Meter Account	108,258	-
	Cash Floats	2,850	1,700
	Total Cash and Cash Equivalents - Assets	26,748,233	11,129,765
	Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.		
	A Bank Guarantee is retained for ESKOM by ABSA Bank	9,960	9,960
	The municipality has the following bank accounts:		
	<u>Current Accounts</u>		
	Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):	2,018,465	147,906
		2,018,465	147,906
	<u>Savings accounts</u>		
	Prince Albert ABSA Bank - Account Number 9287334653 (Savings Account):	23,385,721	10,980,159
		23,385,721	10,980,159
	Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):		
	Cash book balance at beginning of year	147,906	413,875
	Cash book balance at end of year	2,018,465	147,906
	Bank statement balance at beginning of year	783,726	1,683,142
	Bank statement balance at end of year	2,081,479	783,726
	Prince Albert ABSA Bank - Account Number 4063942217 (Traffic Account):		
	In Abakus the cashbook is combined with the primary bank account	N/A	N/A
	Bank statement balance at beginning of year	623,071	54,221
	Bank statement balance at end of year	1,233,489	623,071
	Prince Albert ABSA Bank - Account Number 9287334653 (Savings Account):		
	Cash book balance at beginning of year	10,980,159	9,338,985
	Cash book balance at end of year	23,385,721	10,980,159
	Bank statement balance at beginning of year	10,922,552	9,295,049
	Bank statement balance at end of year	23,230,619	10,922,552
	Prince Albert ABSA Bank - Account Number 4086370253 (Smart Meter Account):		
	Cash book balance at beginning of year	-	-
	Cash book balance at end of year	108,258	-
	Bank statement balance at beginning of year	-	-
	Bank statement balance at end of year	97,316	-

19	PROPERTY RATES		
	<u>Actual</u>		
	Rateable Land and Buildings	3,213,810	2,941,403
	Residential, Commercial Property, State	3,213,810	2,941,403
	Less: Rebates	(488,824)	(479,361)
	Total Assessment Rates	2,724,986	2,462,042
	<u>Valuations - General Valuation 1 July 2012</u>		
	Rateable Land and Buildings		
	Leeu-Gamka: Land and Buildings	25,345,200	25,345,200
	Klaarstroom: Land and Buildings	13,384,900	13,384,900
	Prince Albert: Land and Buildings	617,638,700	617,638,700
	Rural: Land and Buildings	687,856,100	687,856,100
	Welgemoed: Land and Buildings	8,811,500	8,811,500
	Total Rateable Valuation	1,353,036,400	1,353,036,400

Valuations on land and buildings are performed every five years. The last interim valuation came into effect on 1 July 2015.

	2016 R	2015 R
	c/R	c/R
Rates:		
Standard property rates excluding agriculture and vacant land	0.396	0.370
Agricultural	0.095	0.093
Vacant Land	0.515	0.370

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

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

20		2016 R	2015 R
	GOVERNMENT GRANTS AND SUBSIDIES		
	Unconditional Grants	15,247,000	13,047,000
	Equitable Share	15,247,000	13,047,000
	Conditional Grants	23,790,222	39,913,873
	Grants and donations	23,790,222	39,913,873
	Total Government Grants and Subsidies	39,037,222	52,960,873
	Government Grants and Subsidies - Capital	14,963,927	12,745,228
	Government Grants and Subsidies - Operating	24,073,295	40,215,645
		39,037,222	52,960,873

20.1 Equitable share

Grants received	15,247,000	13,047,000
Conditions met - Operating	(15,247,000)	(13,047,000)
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.

20.2 Local Government Financial Management Grant (FMG)

Opening balance	-	-
Grants received	1,600,000	1,600,000
VAT on conditional grants	(3,355)	(69,937)
Conditions met - Operating	(1,421,490)	(1,530,063)
Conditions met - Capital	(175,155)	-
Conditions still to be met	-	-

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).

20.3 Municipal Systems Improvement Grant

Opening balance	-	-
Grants received	942,000	934,000
VAT on conditional grants	-	(102,969)
Conditions met - Operating	(942,000)	(831,031)
Conditions still to be met	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

20.4 Municipal Infrastructure Grant (MIG)

Opening balance	-	(343,760)
Grants received	9,466,000	7,377,000
VAT on conditional grants	(900,836)	(833,203)
Conditions met - Operating	(373,300)	(207,704)
Conditions met - Capital	(5,434,545)	(5,992,333)
Unspent grant	2,757,319	-

The grant was used to upgrade infrastructure in previously disadvantaged areas.

20.5 Housing Grants	2016	2015
	R	R
Opening balance	5,813,344	3,460,751
Grants received	5,000,000	25,352,035
VAT on conditional grants	(722,697)	(90,594)
Conditions met - Operating	(242,672)	(20,410,376)
Conditions met - Capital	(5,100,326)	(2,498,472)
Unspent grant	<u>4,747,649</u>	<u>5,813,344</u>

Housing grants were utilised for upgrading infrastructure, the development of erven and the erection of top structures.

20.6 Integrated National Electrification Grant		
Opening balance	-	-
Grants received	3,000,000	2,000,000
VAT on conditional grants	(351,632)	(171,557)
Conditions met - Capital	(2,648,368)	(1,828,443)
Conditions still to be met	<u>-</u>	<u>-</u>

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

20.7 Other Grants		
Opening balance	1,200,000	1,043,818
Grants received	9,363,124	7,146,593
VAT on conditional grants	(101,927)	(374,960)
Conditions met - Operating	(5,846,833)	(4,189,471)
Conditions met - Capital	(1,605,533)	(2,425,980)
Conditions still to be met	<u>3,008,831</u>	<u>1,200,000</u>

Various grants were received from other spheres of government (e.g. Library fund and Skills Development Grant)

20.8 Total Grants		
Opening balance	7,013,344	4,160,809
Grants received	44,618,124	57,456,628
VAT on conditional grants	(2,080,447)	(1,643,220)
Conditions met - Operating	(24,073,295)	(40,215,645)
Conditions met - Capital	(14,963,927)	(12,745,228)
Conditions still to be met/(Grant expenditure to be recovered)	<u>10,513,799</u>	<u>7,013,344</u>

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	10,513,800	7,013,344
	<u>10,513,800</u>	<u>7,013,344</u>

No grant funding in terms of the DORA were withheld or delayed

21 FINES		
Traffic fines	3,538,740	3,573,140
Other fines	13,750	8,608
Total Fines	<u>3,552,490</u>	<u>3,581,748</u>

Additional information to enable better understandings by user

Provision for debt impairment	(2,788,646)	(2,964,853)
<i>Recoverable fines</i>	<u>763,844</u>	<u>616,895</u>

22 SERVICE CHARGES		
Electricity	12,754,333	10,895,030
Water	4,061,800	4,099,179
Refuse removal	1,845,152	1,717,896
Sewerage and Sanitation Charges	3,104,272	2,933,382
	<u>21,765,557</u>	<u>19,645,487</u>
Less: Rebates	(2,835,165)	(2,246,731)
Total Service Charges	<u>18,930,392</u>	<u>17,398,756</u>

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.

23 OTHER INCOME	2016	2015
	R	R
Sundry income	112,992	114,267
Graveyard	23,441	12,551
Building plans	40,818	61,158
Photostats and Faxes	2,414	5,314
VAT on Grant	2,127,727	1,643,220
Fire brigade levies	-	27,831
Tender Documents	1,053	2,851
Festival Stall Sales	1,228	-
Training LGSETA	23,716	12,596
Refuse Bags	138	375
Rezoning fees	52,203	71,785
Library Lost Books And Fines	4,366	4,026
Valuation Certificates	11,168	13,874
Total Other Income	2,401,264	1,969,848

Sundry income represents sale of sundry items and fees for items not included under service charges

24	EMPLOYEE RELATED COSTS	2016	2015
		R	R
	Bonus	598,168	641,614
	Contributions for UIF, pensions and medical aids	1,485,013	1,353,780
	Housing Subsidy	99,535	37,860
	Leave Reserve Fund	(54,852)	228,395
	Increase in Provision for Bonuses	1,655	29,192
	Contribution to provisions	230,714	222,749
	Overtime	472,927	621,977
	Salaries and Wages	9,487,295	9,093,460
	Travel, motor car, telephone, assistance and other allowances	673,647	819,445
	Total Employee Related Costs	12,994,102	13,048,472

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Annual remuneration	987,534	923,235
Car allowance	104,640	104,640
Housing allowance	18,000	18,000
Cell phone allowance	18,000	18,000
Contributions to medical and pension funds	35,261	31,637
Total	1,163,435	1,095,512

Remuneration of the Director Financial Services

Annual remuneration	723,375	676,878
Car allowance	96,000	96,000
Cell phone allowance	12,000	12,000
Contributions to medical and pension funds	139,888	127,795
Total	971,263	912,673

Remuneration of the Director Corporate Services

Annual remuneration	391,127	347,093
Car allowance	25,416	25,416
Cell phone allowance	12,000	12,000
Contributions to medical and pension funds	67,606	58,274
Total	496,150	442,783

Director Corporate Services was employed February 2014

Remuneration of the Director Technical Services

Annual remuneration	279,646	286,563
Car allowance	41,571	60,000
Cell phone allowance	8,000	12,000
Contributions to medical and pension funds	44,019	61,431
Total	373,237	419,995

Director Technical Services resigned February 2016

25 **REMUNERATION OF COUNCILLORS**

Mayor	476,471	451,702
Deputy Mayor	212,395	202,754
Speaker	442,907	422,760
Councillors	663,034	616,866
Car Allowance	533,400	500,078
Cell phone Allowance	146,069	113,684
Contributions to medical and pension funds	111,446	102,726
Total Councillors' Remuneration	2,585,722	2,410,570

In-kind Benefits

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

Mayor

Annual Remuneration	476,471	451,702
Car Allowance	153,600	144,834
Cell phone Allowance	20,866	20,867
Contributions to medical and pension funds	80,827	74,736
Total	731,764	692,139

	2016 R	2015 R
Speaker		
Annual Remuneration	442,907	422,760
Car Allowance	122,400	115,415
Cell phone Allowance	20,866	20,867
Total	<u>586,173</u>	<u>559,042</u>
Deputy Mayor		
Annual Remuneration	212,395	202,754
Car Allowance	67,800	64,708
Cell phone Allowance	20,866	20,867
Contributions to medical and pension funds	30,398	27,990
Total	<u>331,459</u>	<u>316,319</u>
Councillors		
Annual Remuneration	663,034	616,866
Car Allowance	189,600	175,120
Cell phone Allowance	83,472	51,083
Total	<u>936,106</u>	<u>843,069</u>

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DEBT IMPAIRMENT

Trade Receivables from exchange transactions - Note 15	2,605,204	2,653,165
Trade Receivables from non-exchange transactions - Note 16	3,015,453	2,570,589
Total Contribution to/(Reversal of) Impairment Provision	<u>5,620,657</u>	<u>5,223,754</u>

Additional information to enable better understanding by user

Trade Receivables from exchange transactions

Electricity	278,049	(59,304)
Water	1,368,175	1,511,764
Refuse	536,555	679,470
Sewerage	422,425	521,235
	<u>2,605,204</u>	<u>2,653,165</u>

Trade Receivables from non exchange transactions

Rates	131,106	(316,939)
Traffic Fines	2,788,646	2,964,853
Other	95,700	(77,325)
	<u>3,015,452</u>	<u>2,570,589</u>

27	DEPRECIATION AND AMORTISATION	2016	2015
		R	R
	Property Plant and Equipment	2,328,317	1,727,067
	Investment Property	1,785	1,804
	Intangible Assets	23,624	15,554
		<u>2,353,726</u>	<u>1,744,429</u>
28	REPAIRS AND MAINTENANCE		
	Buildings	78,734	264,194
	Equipment, furniture and fittings and computers	112,488	380,393
	Infrastructure	119,064	245,881
	Vehicles	323,616	287,201
		<u>633,902</u>	<u>1,177,669</u>

	2016	2015
	R	R
29 FINANCE CHARGES		
Landfill Sites	434,027	110,411
Finance leases	9,668	6,732
Post Employment Health	419,114	445,178
Total finance charges	862,809	562,321
30 BULK PURCHASES		
Electricity	7,525,471	6,748,255
Total Bulk Purchases	7,525,471	6,748,255
31 CONTRACTED SERVICES		
Engineering	1,698,790	206,884
Electricity	551,387	263,835
Financial, Internal Audit, Risk	4,305,251	2,750,440
Housing construction	180,876	20,410,377
IT consulting and software licencing	942,000	831,031
Other	26,819	47,269
	7,705,123	24,509,836
32 GENERAL EXPENSES		
Advertisements	74,780	56,453
EPWP Admin fees	48,266	-
Audit Fees	2,572,243	2,237,157
Bank Charges	191,203	178,950
Camera Fines	65,359	19,161
Cleaning Materials	29,505	37,170
Commission Pre-Paid Electricity	227,218	173,571
Deed of Transfer	7,912	9,665
Electricity	318,638	244,499
Electricity Cost of Sales	1,385,978	1,813,219
Entertainment Cost	29,870	32,288
Festivals	128,602	81,673
Fuel and Oil	433,971	491,316
Hall rental	900	-
Insurance	177,291	133,180
Legal Fees	45,867	156,772
Licences	71,333	97,457
Local economic development	24,940	27,512
Machine Rental	8,365	21,026
Material	92,122	290,177
Membership Fees and Levies	500,000	511,986
Office Rental CW's	19,716	7,778
Postage	129,981	119,977
Printing and Stationery	155,792	144,018
Refuse Bags	84,942	62,133
Rehabilitation Refuse Sites Expensed	-	5,505,717
Remuneration Ward Committees	154,841	183,950
Security	8,400	-
Skills development levy	100,357	96,784
Street Lights	52,635	27,829
Sundry	30,851	171,433
Telephone and communication costs	524,505	447,805
Training	27,409	28,329
Travel, Accommodation and Subsistence	1,275,727	1,434,417
Valuation Costs	27,667	57,881
Water Cost of Sales	313,748	67,146
Water Purification: Chlorine	82,129	59,661
Water Research: Gouritz	31,208	16,336
Water Research: Levy	31,604	30,384
Workman's Compensation	99,334	88,473
Wreath and Bouquet	266	963
General Expenses	9,585,475	15,164,246
33 DISCLOSURE IN TERMS OF MFMA 123 (1) (c)		
Operating grant expenditure per vote		
Vote 1 - EXECUTIVE AND COUNCIL	-	-
Vote 2 - DIRECTOR FINANCE	7,186,625	25,438,318
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	-	-
Vote 4 - DIRECTOR TECHNICAL SERVICES	-	-
	7,186,625	25,438,318

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CORRECTION OF ERRORS IN TERMS OF GRAP 3

STATEMENT OF FINANCIAL POSITION	2015	Adjustments for errors	Reclassification	2015
	Previously reported			Restated
Accumulated Surplus/(Deficit)	92,899,114	(3,584,811)	-	89,314,303
Long-term Liabilities	13,959	-	-	13,959
Long-term Employee benefits	4,680,403	-	-	4,680,403
Non-Current Provisions	7,869,843	-	-	7,869,843
Consumer deposits	394,704	-	-	394,704
Current employee benefits	1,844,155	-	-	1,844,155
Trade and other payables	3,133,131	351,806	-	3,484,937
Unspent Conditional Government Grants and Receipts	7,013,344	-	-	7,013,344
Current Portion of Long-term Liabilities	60,984	-	-	60,984
Total Net Assets and Liabilities	117,909,637	(3,233,005)	-	114,676,632
Property, Plant and Equipment	86,406,068	(2,415,566)	1,435,641	85,426,143
Investment Property	13,856,642	(560,000)	-	13,296,642
Intangible Assets	48,578	-	-	48,578
Capitalised Restoration Costs	1,435,641	-	(1,435,641)	-
Inventory	707,751	(279,468)	-	428,283
Trade Receivables from exchange transactions	1,792,053	-	-	1,792,053
Receivables from non-exchange transactions	1,158,129	494,000	-	1,652,129
Lease Asset	54,869	-	-	54,869
VAT Receivable	909,574	(61,404)	-	848,170
Cash and Cash Equivalents	11,540,334	(410,569)	-	11,129,765
Total Assets	117,909,639	(3,233,005)	-	114,676,632
REVENUE				
Property taxes	2,462,042	-	-	2,462,042
Government Grants and Subsidies - Capital	12,745,228	-	-	12,745,228
Government Grants and Subsidies - Operating	40,215,645	-	-	40,215,645
Public Contributions and Donations	1,000	-	-	1,000
Actuarial Gains	550,841	-	-	550,841
Fines	3,581,748	-	-	3,581,748
Service in Kind	-	-	1,497,319	1,497,319
Service Charges	17,541,217	(142,461)	-	17,398,756
Rental of Facilities and Equipment	273,499	-	-	273,499
Interest Earned - external investments	812,429	-	-	812,429
Interest Earned - outstanding debtors	710,981	-	-	710,981
Licences and Permits	261,181	(6,630)	-	254,551
Other Income	3,458,407	8,760	(1,497,319)	1,969,848
Total Revenue	82,614,218	(140,331)	-	82,473,887
EXPENDITURE				
Employee related costs	13,106,940	(58,468)	-	13,048,472
Remuneration of Councillors	2,410,570	-	-	2,410,570
Debt Impairment	5,223,754	-	-	5,223,754
Depreciation and Amortisation	1,744,429	-	-	1,744,429
Repairs and Maintenance	1,173,770	3,899	-	1,177,669
Actuarial losses	7,466	-	-	7,466
Finance Charges	562,321	-	-	562,321
Bulk Purchases	6,605,794	142,461	-	6,748,255
Contracted services	24,246,001	-	263,835	24,509,836
General Expenses	14,341,345	1,086,734	(263,835)	15,164,244
Profit/Loss on disposal of Property, Plant and Equipment	108,386	-	-	108,386
Total Expenditure	61,208,998	1,174,626	-	70,705,402
NET (DEFICIT)SURPLUS FOR THE YEAR	21,405,220	(1,314,957)	-	11,768,485

34.1	<u>Bank Corrections</u>	Debit	Credit
	Amount received in bank account before year end not receipted		
	Bank charges incorrectly posted		
	Bank charges traffic account		
	Difference on konica minolta debit order		
	Eskom debit order incorrectly posted		
	Incorrect Abakus duplicate payment cancellations		
	Payday integration differences		
	SOAL debit order incorrectly posted		
	State cheques that should have been written back in prior year		
	Vodacom debit order incorrectly posted		
	The correction entry was		
	Cash & Cash Equivalents	-	(410,569)
	Accumulated Surplus	185,378	-
	Employee related costs	-	(58,468)
	General Expenses	292,682	-
	License and Permits	-	(210)
	Other Income	-	(8,759)
	Repairs & Maintenance	-	(55)
34.2	<u>Building not in control of Prince Albert Municipality. Removed from Fixed Asset Register</u>	Debit	Credit
	Building not in control of Prince Albert Municipality. Removed from Fixed asset register.		
	The correction entry was		
	Accumulated Surplus	1,841,527	-
	Property Plant & Equipment	-	(1,281,527)
	Investment Property	-	(560,000)
34.3	<u>Deposit on erf taken directly to land sales in 2008</u>	Debit	Credit
	Deposit on sale of an erf were taken directly to sale of land. Error corrected.		
	The correction entry was		
	Accumulated surplus	-	(4,565)
	Trade and other payables	4,565	-
34.4	<u>Error on calculation of commission for motor vehicle licences</u>	Debit	Credit
	Error on calculation of commission for motor vehicle licences.		
	The correction entry was		
	License and Permits	6,840	-
	Receivables from Non exchange transactions	-	(6,000)
	Trade and other payables	-	(840)
34.5	<u>SALGA membership fees correction</u>	Debit	Credit
	SALGA membership fees prepaid and VAT treated incorrectly on said fees.		
	The correction entry was		
	General Expenses	-	(438,596)
	Taxes	-	(61,404)
	Receivables from Non exchange transactions	500,000	-
34.6	<u>Unused electricity treated as inventory and not income received in advance</u>	Debit	Credit
	Unused electricity treated as inventory and not income received in advance.		
	The correction entry was		
	Service charges	142,461	-
	Bulk Purchases	142,461	-
	Accumulated surplus	274,013	-
	Trade and other payables	-	(279,468)
	Inventory	-	(279,468)

34.7	<u>Year end creditors not provided</u>	Debit	Credit
	Year end creditors not provided for correctly.		
	The correction entry was		
	Repairs & Maintenance	3,954	-
	General Expenses	62,979	-
	Trade and other payables	-	(66,933)
34.8	<u>Landfill site cost incorrectly Capitalised</u>		
	Landfill site cost incorrectly Capitalised in the 2014/2015 financial year		
		1,169,669	-
	General Expenses	-	(1,169,669)
	Capitalised restoration cost		
35	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	2016	2015
		R	R
	(Deficit) / Surplus for the year	21,298,900	11,768,485
	<u>Adjustments for:</u>		
	Depreciation	2,330,102	1,728,875
	Amortisation of Intangible Assets	23,624	15,554
	Loss on disposal of PPE	699,249	108,386
	Contribution to provisions	11,146,970	5,766,777
	Debt impairment	5,620,657	5,223,754
	Operating lease income accrued	19,809	9,507
	Operating (Deficit)/Surplus before changes in working capital	41,139,311	24,621,338
	Changes in working capital	467,680	(10,342,181)
	(Decrease)/Increase in Trade and Other Payables	3,507,029	(8,059,563)
	(Decrease) in Unspent Conditional Government Grants and Receipts	3,500,456	2,508,774
	Increase/(Decrease) in Taxes	(1,363,203)	986,362
	(Increase) in Inventory	(42,067)	57,800
	(Increase)/Decrease in Gross Debtors from exchange and non exchange	(5,215,576)	(6,289,355)
	(Decrease)/Increase in Employee benefits	81,041	110,041
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	-	343,760
	Cash (absorbed)/generated by operations	41,606,991	14,279,157
36	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 18	23,385,721	10,980,159
	Cash Floats - Note 18	2,850	1,700
	Bank - Note 18	3,251,404	147,906
	Total cash and cash equivalents	26,639,975	11,129,765
37	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
	Cash and Cash Equivalents - Note 36	26,639,975	11,129,765
	Less:	26,639,975	11,129,765
		11,982,960	7,013,344
	Unspent Committed Conditional Grants - Note 9	10,513,800	7,013,344
	Capital Replacement Reserve	1,469,160	-
	Resources available for working capital requirements	14,657,015	4,116,421
38	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
	Long-term Liabilities - Note 3	73,782	74,943
	Used to finance property, plant and equipment - at cost	(73,782)	(74,943)
		-	-
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

	2016 R	2015 R
39.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	48,268,010	48,192,901
Unauthorised expenditure current year - operating	-	75,109
Unauthorised expenditure current year - Unspent grants utilised to fund operating expenditure	(48,268,010)	-
Written off by council	-	-
Unauthorised expenditure awaiting authorisation	-	48,268,010

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget	None

	2016 R (Actual)	2016 R (Budget)	2016 R (Unauthorised)
Unauthorised expenditure current year - operating			
Vote 1 - EXECUTIVE AND COUNCIL	4,963,162	5,412,540	-
Vote 2 - DIRECTOR FINANCE	14,822,874	19,975,651	-
Vote 3 - DIRECTOR CORPORATE	3,403,439	4,170,404	-
Vote 4 - DIRECTOR COMMUNITY	6,725,225	7,755,878	-
Vote 5 - DIRECTOR TECHNICAL SERVICES	23,356,066	25,654,440	-
	53,270,765	62,968,913	-
	2016 R (Actual)	2016 R (Budget)	2016 R (Unauthorised)
Unauthorised expenditure current year - capital			
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-
Vote 2 - DIRECTOR FINANCE	197,138	204,500	-
Vote 3 - DIRECTOR CORPORATE	-	-	-
Vote 4 - DIRECTOR COMMUNITY	120,572	170,000	-
Vote 5 - DIRECTOR TECHNICAL SERVICES	14,845,743	35,626,477	-
	317,710	374,500	-

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)

	2016 R	2015 R
39.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	-
Written off by council	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	-	-

	2016 R	2015 R
39.3 Irregular expenditure		
Opening balance	7,016,090	7,016,090
Irregular expenditure current year	7,677,415	7,990,065
Written off by council	(14,531,383)	(7,990,065)
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	162,122	7,016,090

Incident	Disciplinary steps/criminal proceedings
Non compliance with SCM during 2015/2016	None

	2016 R	2015 R
39.4 Material Losses		
Water distribution losses		
- Kilo litres disinfected/purified/purchased	779,111	486,945
- Kilo litres lost during distribution	132,669	42,364
- Percentage lost during distribution	17.03%	8.70%
- Value of distribution losses	R 150,467	R 98,441
Electricity distribution losses		
- Units purchased (Kwh)	10,731,967	10,761,168
- Units lost during distribution (Kwh)	1,334,798	888,682
- Percentage lost during distribution	12.44%	8.26%
- Value of distribution losses	R 1,108,350	R 663,796

40	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
40.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>	2016	2015
		R	R
	Opening balance	-	250,000
	Council subscriptions	500,000	500,000
	Amount paid - current year	(500,000)	(750,000)
	Balance unpaid (included in creditors)	-	-
40.2	<u>Audit fees - [MFMA 125 (1)(b)]</u>		
	Opening balance	302,815	-
	Current year audit fee	2,572,243	2,539,972
	External Audit - Auditor-General	2,572,243	2,539,972
	Amount paid - current year	(2,572,243)	(2,237,157)
	Balance unpaid (included in creditors)	302,815	302,815
40.3	<u>VAT - [MFMA 125 (1)(b)]</u>		
	Opening balance	417,616	1,678,116
	VAT inputs	3,882,709	3,321,440
	VAT outputs	(2,451,937)	(2,173,310)
	Received	(937,423)	(2,408,630)
	Closing balance - Receivable	910,964	417,616
	Vat control account	910,964	417,616
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
40.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	2,580,366	2,401,365
	Amount paid - current year	(2,580,366)	(2,401,365)
	Balance unpaid (included in creditors)	-	-
40.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	1,862,239	2,080,299
	Amount paid - current year	(1,862,239)	(2,080,299)
	Balance unpaid (included in creditors)	-	-

		2016 R	2015 R
40.6	Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]		
	The following Councillors had arrear accounts for more than 90 days as at 30 June 2016:		
		Outstanding more than 90 days	Outstanding more than 90 days
	Total Councillor Arrear Consumer Accounts	-	-

During the year the following councillor was outstanding for more than 90 days

		Highest amount outstanding for more than 90 days	
Councillor	Period		
I.J. Windvogel	December 2015 to March 2016	1,027	
	Councillor I.J. Windvogel has settled his account before 30 June 2016		

40.7 **Non-compliance with the Municipal Finance Management Act**

Deviations of the Supply Chain Management Regulations were identified on the following categories:

	Sole Supplier	Emergency	Other	Total
Deviations from SCM	<u>1,768,650</u>	<u>3,520</u>	<u>534,000</u>	<u>2,306,170</u>

The SCM deviations were noted by Council at it's monthly meetings held.

40.8 **Service in State**

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

Company name	Related person	Company Capacity	Capacity at State / Municipality	Relationship	State department	Payments
Jan Nel Elektries	Jan Nel	Owner	Teacher	Spouse	WCED	891,043
Aurecon	Various	Various	Various	Various	Various	1,688,341

		2016 R	2015 R
41	CAPITAL COMMITMENTS		
	Commitments in respect of capital expenditure:		
	Approved and contracted for:	<u>6,310,218</u>	<u>6,483,982</u>
	Total commitments consist out of the following:		
	Infrastructure and Sports Fields	<u>6,310,218</u>	<u>6,483,982</u>
		<u>6,310,218</u>	<u>6,483,982</u>
	This expenditure will be financed from:		
	Government Grants	<u>6,310,218</u>	<u>6,483,982</u>
		<u>6,310,218</u>	<u>6,483,982</u>

42 **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 earning deposits, 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.

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

	2016 R	2015 R
1% (2015 - 1%) Increase in interest rates	266,716	114,637
0.5% (2015 - 0.5%) Decrease in interest rates	(133,358)	(57,318)

(d) Credit Risk

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

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

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors 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.

All rates and services are payable within 30 days from invoice date. Refer to note 15 and 16 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 15 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

Exchange Debtors

Electricity	4.08%	490,218	5.10%	457,556
Water	2.18%	262,176	2.17%	194,284
Refuse	1.09%	130,485	1.36%	121,806
Sewerage	0.55%	65,590	0.94%	83,971
Other	-0.30%	(36,478)	0.16%	14,073
	<u>7.59%</u>	<u>911,990</u>	<u>9.72%</u>	<u>871,690</u>

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 15 and 16 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2016 %	2016 R	2015 %	2015 R
<u>Exchange Debtors</u>				
Electricity	5.83%	700,396	4.79%	429,438
Water	46.65%	5,609,186	44.48%	3,991,221
Refuse	22.55%	2,710,830	23.62%	2,119,378
Sewerage	22.78%	2,738,858	25.38%	2,277,553
Other	2.19%	263,724	0.50%	154,628
	<u>100.00%</u>	<u>12,022,993</u>	<u>100%</u>	<u>8,972,217</u>

The provision for bad debts could be allocated between the different categories of debtors as follows:

Government	0.00%	-	2.31%	207,486
Commercial	3.27%	392,728	2.70%	241,973
Municipal	0.00%	-	0.00%	-
Residential	94.96%	11,416,680	94.40%	8,469,541
Other	1.78%	213,585	0.59%	53,217
	<u>100.00%</u>	<u>12,022,993</u>	<u>100%</u>	<u>8,972,217</u>

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 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.

	2016 R	2015 R
Financial assets exposed to credit risk at year end are as follows:		
Trade receivables and other receivables	3,039,101	3,444,182
Cash and Cash Equivalents	26,748,233	11,129,765
	<u>29,787,334</u>	<u>14,573,947</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, 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 on-going 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	Over 10 Years
2016				
Long Term liabilities	43,931	39,482	-	-
Capital repayments	37,531	36,253	-	-
Interest	6,400	3,229	-	-
Trade and Other Payables	6,991,966	-	-	-
Unspent conditional government grants and receipts	10,513,800	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>17,549,697</u>	<u>39,482</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2015				
Long Term liabilities	65,102	17,557	-	-
Capital repayments	60,984	13,959	-	-
Interest	4,118	3,598	-	-
Trade and Other Payables	3,484,097	-	-	-
Unspent conditional government grants and receipts	7,013,344	-	-	-
	<u>10,562,543</u>	<u>17,557</u>	<u>-</u>	<u>-</u>

		2016 R	2015 R
43	FINANCIAL INSTRUMENTS		
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows: The fair value of financial instruments approximates the amortised costs as reflected below.		
43.1	Financial Assets		
	Consumer Debtors		
	Trade receivables from exchange transactions	1,849,170	1,792,053
	Short-term Investment Deposits		
	Call Deposits	23,385,721	10,980,159
	Bank Balances and Cash		
	Bank Balances	3,251,404	147,906
	Cash Floats and Advances	2,850	1,700
		<u>28,489,145</u>	<u>12,921,818</u>
	SUMMARY OF FINANCIAL ASSETS		
	Financial instruments at amortised cost	28,489,145	12,921,818
	At amortised cost	<u>28,489,145</u>	<u>12,921,818</u>
	FINANCIAL INSTRUMENTS (CONTINUE)		
43.2	Financial Liability		
	Long-term Liabilities		
	Capitalised Lease Liability	36,251	13,959
	Trade Payables		
	Trade creditors	6,093,963	2,570,020
	Debtors with credit balances	380,865	376,529
	Retentions	506,510	528,983
	Deposits	4,000	8,565
	Other		
	Current Portion of Long-term Liabilities		
	Capitalised Lease Liability	37,531	60,984
		<u>7,059,121</u>	<u>3,559,040</u>
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	<u>7,059,121</u>	<u>3,559,040</u>
44	STATUTORY RECEIVABLES		
	Taxes		
	VAT receivable	<u>2,211,373</u>	<u>848,170</u>
	Other receivables for non exchange transactions		
	Rates	784,221	588,218
	Traffic fines	10,224,741	7,262,271
		<u>11,008,962</u>	<u>7,850,489</u>
45	EVENTS AFTER THE REPORTING DATE		
	The municipality has no events after reporting date during the financial year ended 2015/2016.		
46	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		

47	CONTINGENT LIABILITY	2016 R	2015 R												
	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>Name of Claimant</u></th> <th style="text-align: left;"><u>Nature of Liability</u></th> <th style="text-align: left;"><u>Estimated Effect</u></th> <th style="text-align: left;"><u>Possibility of Reimbursement</u></th> </tr> </thead> <tbody> <tr> <td>Markotter Attorneys</td> <td>Claim for damages</td> <td>Unknown</td> <td>Unknown</td> </tr> <tr> <td colspan="4">Cost relating to the transfer of 252 houses to the beneficiaries, which the attorney alleges should have been allocated to his firm. The municipality is disputing the claim</td> </tr> </tbody> </table>	<u>Name of Claimant</u>	<u>Nature of Liability</u>	<u>Estimated Effect</u>	<u>Possibility of Reimbursement</u>	Markotter Attorneys	Claim for damages	Unknown	Unknown	Cost relating to the transfer of 252 houses to the beneficiaries, which the attorney alleges should have been allocated to his firm. The municipality is disputing the claim					
<u>Name of Claimant</u>	<u>Nature of Liability</u>	<u>Estimated Effect</u>	<u>Possibility of Reimbursement</u>												
Markotter Attorneys	Claim for damages	Unknown	Unknown												
Cost relating to the transfer of 252 houses to the beneficiaries, which the attorney alleges should have been allocated to his firm. The municipality is disputing the claim															
48	RELATED PARTIES														
48.1	Related Parties														
	<u>Councillors</u>														
	G. Lottering	303	315												
	N.D. Jaftha	-	-												
	N.S. Abrahams	244	213												
	I.J. Windvogel	541	65												
	L. Jaquet	-	-												
	S. Botes	604	532												
	C. Stols	-	-												
		1,691	1,125												
	<u>Key Management</u>														
	H.F.W. Mettler														
	J.D. Neethling														
	A. Vorster														
	Municipal Manager														
	Chief Financial Officer														
	Director Corporate / Community Services														
48.2	Related Party Transactions														
	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.														
48.3	Related Party Loans														
	No loans were granted to councillors or senior management employees.														
48.4	Compensation of key management personnel														
	The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.														
48.5	Other related party transactions														
	The following purchases were made during the year where Councillors or staff have an interest:														
	<i>None</i>														
49	SERVICE IN KIND														
	<i>As per GRAP 23 par 99-107 the following transactions are regarded as service in kind</i>														
	<i>Johan Pieterse - MISA (Municipal Infrastructure Support Agency) advisor</i>	776,694	-												
	<i>The auditor General - Audit fees over and above 1% contributed by National Treasury</i>	1,119,856	1,497,319												
	Total	1,896,551	1,497,319												

**APPENDIX A - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016**

EXTERNAL LOANS	Rate	Redeemable	Balance at 30 JUNE 2015	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2016
ANNUITY LOANS				-		-
Total Annuity Loans			-	-	-	-
LEASE LIABILITY						
7 Tablets - new			36,246		24,929	11,317
Minolta B283			11,408		10,509	899
Minolta B501			22,074		20,333	1,741
Minolta C280			5,215		5,215	0
Minolta Bizhub C284E			-	74,015	14,190	59,825
TOTAL EXTERNAL LOANS			74,943	74,015	75,176	73,782

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

Grant Description	Balance 30 JUNE 2015	Correction of error	Balance 30 JUNE 2015	Grants Received	Capital Expenditure during the year Transferred to Revenue	Operating Expenditure during the year Transferred to Revenue	VAT Recognised	Balance 30 June 2016
	R	R	R	R	R	R		R
UNSPENT AND UNPAID GOVERNMENT GRANTS								
<u>National Government Grants</u>								
Equitable Share	-	-	-	15,247,000	-	15,247,000		-
Local Government Financial Management Grant	-	-	-	1,600,000	175,155	1,421,490	3,355	-
Municipal Infrastructure Grant	-	-	-	9,466,000	5,434,545	373,300	900,836	2,757,319
Municipal Systems Improvement Grant	-	-	-	942,000	-	942,000	-	-
EPWP	-	-	-	1,000,000	-	1,000,000	-	-
Integrated National Electrification Program	-	-	-	3,000,000	2,648,368	-	351,632	-
Total National Government Grants	-	-	-	31,255,000	8,258,068	18,983,790	1,255,823	2,757,319
<u>Provincial Government Grants</u>								
Sport & Recreation	-	-	-	-	-	-	-	-
Financial Management Improvement Grant	-	-	-	5,535,124	138,050	2,811,825	76,417	2,508,832
CDW	-	-	-	72,000	-	72,000	-	-
Thusong Centre	-	-	-	211,000	-	211,000	-	-
Roads Maintenance	-	-	-	30,000	-	26,819	3,182	(1)
Housing Beneficiaries	907,686	726,808	180,878	-	-	180,876	-	2
Accelareted housing	4,905,658	(726,808)	5,632,466	5,000,000	5,100,326	61,796	722,697	4,747,647
Infrastructure support grant	1,200,000	-	1,200,000	237,000	1,182,246	237,000	17,754	-
Electricity Master Plan	-	-	-	250,000	-	250,000	-	-
Drought Relief	-	-	-	500,000	-	-	-	500,000
Advertising sms's	-	-	-	29,000	-	25,439	3,561	-
IDP related Projects	-	-	-	200,000	198,987	-	1,013	-
Library Grant	-	-	-	1,299,000	86,250	1,212,750	-	-
Total Provincial Government Grants	7,013,344	-	7,013,344	13,363,124	6,705,859	5,089,505	824,624	7,756,480
<u>Other Grant Providers</u>								
EPWP District Mun.	-	-	-	-	-	-	-	-
Total Other Grant Providers	-	-	-	-	-	-	-	-
Total	7,013,344	-	7,013,344	44,618,124	14,963,927	24,073,295	2,080,447	10,513,799

APPENDIX C(1) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue - Standard								
Governance and administration	23,551	37,660	61,211	36,197	(25,013)	59.1%	153.7%	50,754
Executive and council	2,273	–	2,273	2,277	4	100.2%	100.2%	1,866
Budget and treasury office	20,293	37,647	57,940	32,567	(25,373)	56.2%	160.5%	47,962
Corporate services	985	13	998	1,354	356	135.6%	137.4%	927
Community and public safety	11,972	(5,170)	6,802	6,531	(271)	96.0%	54.6%	6,292
Community and social services	2,259	–	2,259	2,181	(78)	96.5%	96.5%	1,894
Sport and recreation	283	–	283	283	–	100.0%	100.0%	283
Public safety	9,430	(5,170)	4,260	4,068	(192)	95.5%	43.1%	4,115
Housing	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–
Economic and environmental services	2,022	26	2,048	2,475	427	120.8%	122.4%	1,673
Planning and development	300	–	300	–	(300)	–	–	200
Road transport	1,722	26	1,748	2,475	727	141.6%	143.7%	1,473
Environmental protection	–	–	–	–	–	–	–	–
Trading services	26,530	2,534	29,064	29,366	303	101.0%	110.7%	25,822
Electricity	15,853	(347)	15,506	16,033	527	103.4%	101.1%	13,912
Water	4,290	1,450	5,740	5,972	232	104.0%	139.2%	5,319
Waste water management	3,981	886	4,867	4,336	(531)	89.1%	108.9%	3,894
Waste management	2,406	545	2,951	3,026	75	102.5%	125.8%	2,696
Other	–	–	–	–	–	–	–	–
Total Revenue - Standard	64,074	35,050	99,124	74,570	(24,554)	75.2%	116.4%	84,540
Expenditure - Standard								
Governance and administration	19,241	9,468	28,709	21,861	(6,848)	76.1%	113.6%	38,729
Executive and council	5,344	70	5,414	4,963	(450)	91.7%	92.9%	5,039
Budget and treasury office	10,270	9,303	19,572	13,769	(5,803)	70.4%	134.1%	30,583
Corporate services	3,627	96	3,723	3,128	(595)	84.0%	86.2%	3,106
Community and public safety	11,541	(3,786)	7,755	6,725	(1,030)	86.7%	58.3%	6,793
Community and social services	2,679	(212)	2,466	2,110	(356)	85.6%	78.8%	2,069
Sport and recreation	535	(81)	454	342	(112)	75.4%	64.0%	321
Public safety	8,327	(3,493)	4,834	4,273	(562)	88.4%	51.3%	4,403
Housing	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–
Economic and environmental services	4,180	823	5,003	5,315	313	106.3%	127.2%	4,258
Planning and development	467	(20)	447	275	(172)	61.5%	58.9%	382
Road transport	3,713	843	4,555	5,040	485	110.6%	135.8%	3,876
Environmental protection	–	–	–	–	–	–	–	–
Trading services	18,817	2,685	21,502	19,369	(2,133)	90.1%	102.9%	22,991
Electricity	12,890	272	13,162	10,506	(2,656)	79.8%	81.5%	9,745
Water	1,690	1,160	2,850	3,662	812	128.5%	216.6%	3,469
Waste water management	2,574	649	3,223	2,792	(432)	86.6%	108.5%	2,095
Waste management	1,662	604	2,267	2,410	143	106.3%	145.0%	7,682
Other	–	–	–	–	–	–	–	–
Total Expenditure - Standard	53,779	9,190	62,969	53,271	(9,698)	84.6%	99.1%	72,772
Surplus/(Deficit) for the year	10,296	25,859	36,155	21,299	(14,856)	58.9%	206.9%	11,768

**APPENDIX C(2) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue by Vote								
Vote 1 - Executive and Council	2,273	-	2,273	2,277	4	100.2%	100.2%	1,866
Vote 2 - Director Finance	20,293	37,647	57,940	32,567	(25,373)	56.2%	160.5%	47,962
Vote 3 - Director Corporate	1,285	13	1,298	1,342	44	103.4%	104.4%	1,127
Vote 4 - Director Community	11,972	(5,170)	6,802	6,531	(271)	96.0%	54.6%	6,292
Vote 5 - Director Technical Services	28,252	2,560	30,812	31,853				27,295
Total Revenue by Vote	64,074	35,050	99,124	74,570	(24,554)	75.2%	116.4%	84,540
Expenditure by Vote, to be appropriated								
Vote 1 - Executive and Council	5,343	70	5,413	4,963	(449)	91.7%	92.9%	5,039
Vote 2 - Director Finance	10,270	9,706	19,976	14,823	(5,153)	74.2%	144.3%	31,486
Vote 3 - Director Corporate	4,095	76	4,170	3,403	(767)	81.6%	83.1%	3,489
Vote 4 - Director Community	11,542	(3,786)	7,756	6,725	(1,031)	86.7%	58.3%	6,793
Vote 5 - Director Technical Services	22,530	3,125	25,654	23,356	(2,298)	91.0%	103.7%	25,965
Total Expenditure by Vote	53,779	9,190	62,969	53,271	(9,698)	84.6%	99.1%	72,772
Surplus/(Deficit) for the year	10,296	25,859	36,155	21,299	(14,856)	58.9%	206.9%	11,768

APPENDIX C(3) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
REVENUE AND EXPENDITURE

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue By Source								
Property rates	2,721	(40)	2,681	2,725	44	101.7%	100.2%	2,462
Service charges	18,798	(691)	18,107	18,930	823	104.5%	100.7%	17,399
Rental of facilities and equipment	323	58	381	337	(43)	88.6%	104.5%	273
Interest earned - external investments	500	810	1,310	1,622	312	123.8%	324.5%	812
Interest earned - outstanding debtors	600	400	1,000	956	(44)	95.6%	159.3%	711
Fines	8,952	(5,170)	3,782	3,552	(230)	93.9%	39.7%	3,582
Licences and permits	220	-	220	264	44	120.1%	120.1%	255
Transfers recognised - operating	21,250	20,234	41,484	24,073	(17,411)	58.0%	113.3%	40,216
Other revenue	418	3,631	4,049	4,476	428	110.6%	1071.4%	4,019
Gains on disposal of PPE	-	-	-	33	33	#DIV/0!	#DIV/0!	-
Total Revenue (excluding capital transfers and contributions)	53,782	19,232	73,013	56,970	(16,043)	379.7%	105.9%	69,729
Expenditure By Type								
Employee related costs	14,248	(510)	13,738	12,994	(744)	94.6%	91.2%	13,048
Remuneration of councillors	2,582	-	2,582	2,586	4	100.1%	100.1%	2,411
Debt impairment	8,750	(3,450)	5,300	5,621	321	106.1%	64.2%	5,224
Depreciation & asset impairment	1,895	-	1,895	2,354	459	124.2%	124.2%	1,744
Finance charges	300	270	570	863	293	151.4%	287.6%	562
Bulk purchases	9,581	(110)	9,471	7,525	(1,946)	79.5%	78.5%	6,748
Other materials	-	-	-	-	-	-	-	-
Contracted services	1,292	595	1,887	7,705	5,819	408.4%	596.4%	24,510
Transfers and grants	-	-	-	-	-	-	-	-
General Expenses	15,130	8,954	24,084	10,289	(13,795)	42.7%	68.0%	16,349
Loss on disposal of PPE	-	-	-	699	699	#DIV/0!	#DIV/0!	108
Total Expenditure	53,779	5,748	59,527	50,635	(8,891)	1035.6%	94.2%	70,705
Surplus/(Deficit)	3	13,483	13,486	6,335	(7,151)	47.0%	208208.5%	(977)
Transfers recognised - capital	10,293	3,113	13,406	14,964	1,558	111.6%	145.4%	12,745
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	10,296	16,596	26,892	21,299	(5,593)	79.2%	206.9%	11,768

APPENDIX C(4) - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Capital expenditure - Vote								
Single-year expenditure								
Vote 1 - Executive and Council	-	-	-	-	-	-	-	-
Vote 2 - Director Finance	200	242	442	197	(244)	44.7%	98.6%	-
Vote 3 - Director Corporate	-	4,500	4,500	-	(4,500)	-	-	297
Vote 4 - Director Community	2,150	3,371	5,521	121	(5,401)	2.2%	5.6%	-
Vote 5 - Director Technical Services	7,943	17,984	25,926	14,846	(11,081)	57.3%	186.9%	20,108
Capital single-year expenditure	10,293	26,096	36,389	15,163	(21,226)	42%	147%	20,405
Total Capital Expenditure - Vote	10,293	26,096	36,389	15,163	(21,226)	42%	147%	20,405
Capital Expenditure - Standard								
Governance and administration	200	4,742	4,942	887	(4,055)	17.9%	443.5%	27
Executive and council	-	-	-	-	-	-	-	17
Budget and treasury office	200	242	442	868	427	196.6%	434.1%	-
Corporate services	-	4,500	4,500	19	(4,481)	0.4%	#DIV/0!	10
Community and public safety	2,150	3,571	5,721	634	(5,087)	11.1%	29.5%	264
Community and social services	-	5,170	5,170	121	(5,049)	2.3%	#DIV/0!	264
Sport and recreation	2,150	(1,799)	351	332	(20)	94.4%	15.4%	-
Public safety	-	200	200	182	(18)	91.1%	#DIV/0!	-
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Economic and environmental services	830	(0)	830	700	(129)	84.4%	84.4%	9,470
Planning and development	-	-	-	6	6	#DIV/0!	#DIV/0!	-
Road transport	830	(0)	830	694	(136)	83.6%	83.6%	9,470
Environmental protection	-	-	-	-	-	-	-	-
Trading services	7,113	17,784	24,897	13,074	(11,823)	52.5%	183.8%	10,644
Electricity	3,000	-	3,000	2,658	(342)	88.6%	88.6%	6
Water	2,159	4,348	6,506	2,114	(4,392)	32.5%	97.9%	6,178
Waste water management	1,954	13,436	15,391	8,282	(7,109)	53.8%	423.8%	4,460
Waste management	-	-	-	20	20	#DIV/0!	#DIV/0!	-
Other	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	10,293	26,096	36,389	15,296	(21,093)	42%	149%	20,405
Funded by:								
National Government	10,293	3,000	13,293	8,258	(5,035)	62.1%	80.2%	9,257
Provincial Government	-	13,430	13,430	6,706	(6,724)	49.9%	#DIV/0!	10,989
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
Transfers recognised - capital	10,293	16,430	26,723	14,964	(11,759)	56%	145%	20,245
Public contributions & donations	-	9,500	9,500	-	(9,500)	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	-	167	167	200	33	119.8%	#DIV/0!	160
Total Capital Funding	10,293	26,096	36,389	15,163	(21,226)	42%	147%	20,405

APPENDIX G - Unaudited
PRINCE ALBERT LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
CASH FLOWS

Description	2015/2016							2014/2015
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts					-	-	-	
Ratepayers and other	22,555	(7,729)	14,826	28,604	13,778	192.9%	126.8%	25,539
Government - operating	23,530	17,954	41,484	24,073	(17,411)	58.0%	102.3%	40,216
Government - capital	7,293	6,113	13,406	14,964	1,558	111.6%	205.2%	12,745
Interest	500	1,210	1,710	2,578	868	150.8%	515.6%	1,523
Dividends	-	-	-	-	-	-	-	-
Payments								
Suppliers and employees	(41,397)	(1,079)	(42,476)	(27,749)	14,726	65.3%	67.0%	(65,182)
Finance charges	-	270	270	(863)	(1,133)	-319.6%	#DIV/0!	(562)
Transfers and Grants	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	12,481	16,738	29,220	41,607	12,387	142.4%	333.4%	14,279
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts					24,774	-	-	
Purchase of Property, Plant and Equipment	-	-	-	-	-	-	-	-
Disposal of Investment Properties	-	-	-	7	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
Payments								
Capital assets	(10,293)	(26,096)	(36,389)	(26,014)	10,375	71.5%	252.7%	(12,718)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(10,293)	(26,096)	(36,389)	(26,008)	10,382	71.5%	252.7%	(12,718)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	74	74	#DIV/0!	#DIV/0!	49
Increase (decrease) in consumer deposits	-	-	-	20	20	#DIV/0!	#DIV/0!	20
Payments					20,851			
Repayment of borrowing	-	-	-	(75)	(75)	#DIV/0!	#DIV/0!	(68)
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	19	19	#DIV/0!	#DIV/0!	2
NET INCREASE/ (DECREASE) IN CASH HELD	2,189	(9,358)	(7,169)	15,618	22,788	-217.9%	713.6%	1,563
Cash/cash equivalents at the year begin:	564	15,810	16,374	11,130	(5,244)	68.0%	1972.5%	9,569
Cash/cash equivalents at the year end:	2,753	6,452	9,205	26,748	17,563	290.6%	971.6%	11,130