

Beaufort West

MUNICIPALITY



[These financial statements have been audited]

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2016

BEAUFORT WEST LOCAL MUNICIPALITY

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BEAUFORT WEST LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

GENERAL INFORMATION

NATURE OF BUSINESS

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

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The Beaufort West Municipality includes the following areas:

Beaufort West
Nelspoort
Merweville
Murraysburg

MUNICIPAL MANAGER

Mr. J. Booysen

CHIEF FINANCIAL OFFICER

Mr. F. Sabbat

REGISTERED OFFICE

112 Donkin Street
BEAUFORT WEST
6970

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

Nedbank, Beaufort West

ATTORNEYS

Crawford Attorneys, Beaufort West
Van Niekerk Attorneys, Beaufort West

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)
Remuneration of Public Office Bearers Act (Act no 20 of 1998)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALGBC Leave Regulations

BEAUFORT WEST LOCAL MUNICIPALITY

MEMBERS OF THE BEAUFORT WEST LOCAL MUNICIPALITY

| WARD | COUNCILLOR |
|--------------|---------------|
| 1 | L Deyce |
| 2 | A.M. Slabbert |
| 3 | G. de Vos |
| 4 | S.M. Motsoane |
| 5 | M. Furmen |
| 6 | G.P. Adolph |
| 7 | Vacant |
| Proportional | J. Diedericks |
| Proportional | G.T. Murray |
| Proportional | T. Prince |
| Proportional | R.T. Hugo |
| Proportional | L. Basson |
| Proportional | P. Simon |

Councillors which resigned during the 2015/2016 Financial Year.

| WARD | COUNCILLOR |
|--------------|------------------|
| 7 | J. Bostander |
| Proportional | E.A.J. Beyers |
| Proportional | R. van der Linde |
| Proportional | D.E. Welgemoed |
| Proportional | A.D. Willemse |

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2016, which are set out on pages 1 to 100 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.

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. J. Booyse
Municipal Manager

28 November 2016

Date

BEAUFORT WEST LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of BEAUFORT WEST LOCAL MUNICIPALITY for the fiscal year

In rendering a corporate financial management service to all departments, the Finance Department's primary objective is to assist the Municipal Manager and Senior Management to manage their budgets and ensure the effective application of financial resources in rendering services to the community.

Beaufort West Municipality is now compliant with the requirements of GRAP. It has been a long, difficult and very expensive process, the worth of which is at best minimal. In times when municipalities are battling to balance their budgets and when there is little or no local economic growth, to be able to know what the depreciated replacement cost of a pipe buried three metres under the ground beggars belief. It was once said that municipal financials were opaque and there was truth in that statement, but in making them less opaque and embracing transparency, we have assumed that people will understand them better and, even more so, that they actually care about what they are reading. People, just like banks and credit agencies, want to know what the budget is, what the debtors are like and have you got cash to pay your creditors. Nothing we have done in the last six years, in order to reach GRAP compliance, changes that.

2. KEY FINANCIAL INDICATORS

The economic downturn and the Eskom issues continue to play havoc with good financial management. The Beaufort West economy has been battered of late and all indications are that it will get worse before it gets better.

This is not because of bad or incompetent management, but because it is the nature of the business and the economy. I would therefore hope that National and Provincial bureaucrats take heed of this fact before making any incorrect or ill-conceived statements or judgements.

Financial Statement Ratios:

| INDICATOR | 2015/2016 | 2014/2015 |
|---|--------------|-------------|
| Surplus / (Deficit) for the year before Appropriations | (11 246 623) | 85 788 508 |
| Accumulated Surplus / (Deficit) at the end of the Year | 400 486 220 | 402 966 600 |
| Expenditure Categories as a percentage of Total Expenses: | | |
| Employee related costs | 24.92% | 28.56% |
| Remuneration of Councillors | 1.41% | 1.69% |
| Debt Impairment | 21.62% | 15.60% |
| Collection Cost | 0.00% | 0.17% |
| Depreciation and Amortisation | 4.77% | 5.84% |
| Impairments | 0.00% | 0.00% |
| Repairs and Maintenance | 7.52% | 7.06% |
| Actuarial losses | 0.00% | 0.08% |
| Finance Charges | 1.80% | 2.11% |
| Bulk Purchases | 14.95% | 16.92% |
| Contracted services | 3.73% | 3.11% |
| Stock Adjustments | 2.62% | 2.61% |
| Operating Grant Expenditure | 0.80% | 0.29% |
| General Expenses | 15.86% | 15.62% |
| Loss on disposal of Property, Plant and Equipment | 0.01% | 0.33% |
| Fair Value Adjustments | 0.00% | 0.00% |
| Current Ratio: | | |
| Creditors Days | 82 | 105 |
| Debtors Days (Excluding Traffic Fines) | 208 | 202 |

One indicator needing comment is that of repairs and maintenance. In recent years there has been made much comments as to how low this ratio is. It should be noted that the ratio improvement has been achieved despite the massive increases in Eskom charges.

3. OPERATING RESULTS

The overall operating results for the year ended 30 June 2016 are as follows:

| DETAILS | Actual | Actual | Percentage | Budgeted | Variance actual/ budgeted |
|---|-------------|-------------|------------|-------------|------------------------------|
| | 2015/2016 | 2014/2015 | | Variance | |
| | R | R | % | R | % |
| Income: | | | | | |
| Opening surplus / (deficit) | 402 966 602 | 322 761 913 | 24.85% | 419 368 888 | -3.91% |
| Operating income for the year (incl. gains in disposal of assets) | 309 321 333 | 342 908 545 | -9.79% | 316 535 535 | -2.28% |
| Appropriations for the year | 8 766 242 | (5 583 819) | -256.99% | 11 955 287 | -26.67% |
| | 721 054 177 | 660 086 639 | 9.24% | 747 859 710 | -3.58% |
| Expenditure: | | | | | |
| Operating expenditure for the year | 320 567 956 | 257 120 037 | 24.68% | 300 305 049 | 6.75% |
| Sundry transfers | - | - | 0.00% | - | - |
| Closing surplus / (deficit) | 400 486 221 | 402 966 602 | -0.62% | 447 554 661 | -10.52% |
| | 721 054 177 | 660 086 639 | 9.24% | 747 859 710 | -3.58% |

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R 18 486 675 (2014/2015: R 40 500 198), and in percentage terms amounts to 50.75% of budget. Full details of Property, Plant and Equipment are disclosed in note numbers 13 & 15 to the Annual Financial Statements.

The capital expenditure of R 18 486 675 (2015/16) was financed as follows:

| DETAILS | Actual | Budgeted | Percentage | Source of |
|-----------------------------------|------------|------------|------------|------------------|
| | 2015/2016 | 2015/2016 | Variance | funding as % |
| | R | R | % | of total Cap exp |
| Appropriation Account (Own Funds) | 1 420 984 | 5 317 668 | 26.72% | 7.69% |
| External Loans | 2 265 301 | - | - | - |
| Grants and Subsidies | 14 486 188 | 28 500 121 | 50.83% | 78.36% |
| Leased Assets | 243 958 | 2 460 000 | 9.92% | 1.32% |
| Public Contributions | 70 243 | 151 040 | 47% | 0.38% |
| | 18 486 675 | 36 428 829 | 50.75% | 100.00% |

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

| DETAILS | 2015/2016 |
|--|--------------|
| <i>Variance per Category:</i> | |
| Budgeted surplus before appropriations | (27 477 109) |
| Revenue variances | 6 880 527 |
| Expenditure variances: | |
| Executive & Council | 145 058 |
| Budget & Treasury | 7 341 815 |
| Corporate Services | 662 194 |
| Planning & Development | (548 159) |
| Health | - |
| Community & Social Services | (1 573 384) |
| Housing | 2 269 110 |
| Public Safety | 18 335 730 |
| Sport & Recreation | (1 505 232) |
| Environmental Protection | - |
| Waste Management | (595 937) |
| Waste Water Management | (1 476 313) |
| Road Transport | (1 117 989) |
| Water | 1 329 025 |
| Electricity | (2 566 527) |
| Other | (436 484) |
| Actual surplus before appropriations | (333 675) |

| DETAILS | 2015/2016 |
|--|--------------------|
| <i>Variance per Expenditure by Type:</i> | |
| Budgeted surplus before appropriations | (27 477 109) |
| Employee related costs | (1 401 602) |
| Remuneration of councillors | (253 636) |
| Debt impairment | 32 078 212 |
| Depreciation & asset impairment | (783 802) |
| Finance charges | 4 215 317 |
| Bulk purchases | (938 295) |
| Other materials | (2 502 281) |
| Contracted services | 3 259 963 |
| Grants and subsidies paid | (25 121) |
| Impairments | - |
| Other expenditure | (13 409 126) |
| Loss on disposal of PPE | 23 278 |
| Actual surplus before appropriations | <u>(7 214 202)</u> |

Details of the operating results per segmental classification of expenditure and of operational results per category of expenditure, together with an explanation of variances of more than 1% from budget, are included in Statement of Comparisons of Budget and Actual Amounts

5.2 Capital Budget:

| DETAILS | Actual 2015/2016 R | Budgeted 2015/2016 R | Variance actual/ budgeted R |
|---|--------------------------|----------------------------|-----------------------------------|
| Vote 1 - Municipal Manager | 48 102 | 40 000 | 8 102 |
| Vote 2 - Director: Corporate Service | 1 630 262 | 1 637 552 | (7 290) |
| Vote 3 - Director: Financial Services | 292 424 | 48 165 | 244 259 |
| Vote 4 - Director: Engineering Services | 13 782 495 | 24 306 225 | (10 523 730) |
| Vote 5 - Director: Community Services | 32 733 | 622 942 | (590 209) |
| Vote 6 - Director: Electrical Services | 2 700 658 | 9 773 945 | (7 073 287) |
| | <u>18 486 675</u> | <u>36 428 829</u> | <u>(17 942 154)</u> |

Refer to Note numbers 13, 15 and 44 for more detail.

5. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June was :

| 2016 R | 2015 R |
|-------------------|-------------------|
| <u>11 120 035</u> | <u>11 542 433</u> |
| <u>2 802 456</u> | <u>4 092 471</u> |

New loans taken up during the financial year to enable the municipality to finance part of its capital requirements.

Refer to Note number 3 and Appendix "A" for more detail.

6. NON-CURRENT PROVISIONS AND NON-CURRENT EMPLOYEE BENEFITS

| | 2016 | 2015 |
|---|-------------------|-------------------|
| | R | R |
| Non-current Provisions and Employee Benefits at 30 June are made up as follows: | <u>49 906 018</u> | <u>52 565 894</u> |
| Provision for Post Retirement Benefits | 26 108 508 | 24 304 277 |
| Provision for Ex-Gratia Pension Benefits | 24 781 | 23 756 |
| Provision for Long Service Awards | 3 723 388 | 3 361 279 |
| Provision for Rehabilitation of Landfill-sites | 20 049 341 | 24 876 582 |
| Provision for Clearing of Alien Vegetation | - | - |
| | <u>49 906 018</u> | <u>52 565 894</u> |

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Notes number 4 and 5 for more detail.

7. CURRENT LIABILITIES

Current Liabilities are made up as follows:

| | | | |
|--|----------------|-------------------|-------------------|
| Consumer Deposits | Note Number 6 | 1 292 897 | 1 227 349 |
| Current Employee benefits | Note Number 7 | 8 401 419 | 7 979 706 |
| Provisions | Note Number 8 | 5 264 718 | - |
| Payables from exchange transactions | Note Number 9 | 31 501 911 | 33 278 344 |
| Unspent Conditional Government Grants and Receipts | Note Number 10 | 11 091 769 | 4 709 333 |
| Unspent Public Contributions | Note Number 11 | 80 747 | 145 955 |
| Cash and Cash Equivalents | Note Number 23 | 520 342 | 1 932 245 |
| Current Portion of Long-term Liabilities | Note Number 3 | 2 985 579 | 3 763 632 |
| | | <u>61 139 381</u> | <u>53 036 564</u> |

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason to why the municipality will not be able to meet its obligations.

Refer to the indicated Note numbers for more detail.

8. INTANGIBLE ASSETS

The net value of Intangible Assets is: 470 701 316 106

These are assets which cannot physically be identified and verified and are all in respect of computer software.

Refer to Note Number 15 for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment is: 456 270 397 452 853 343

Refer to Note Number 13 for more detail.

10. INVESTMENT PROPERTY

The net carrying value of Investment Property is: 8 149 775 8 399 030

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

The cost model in terms of GRAP 16 is being applied on Investment Property.

Cost at implementation of GRAP 16 was determined by valuation roll of 1 July 2009. Impairment was calculated based on valuation roll of 1 July 2013.

Refer to Note Number 13 for more detail.

11. CAPITALISED RESTORATION COST

The net value of Capitalised Restoration Cost is: 170 735 1 160 239

Refer to Note Number 16 for more detail.

12. HERITAGE ASSETS

| <u>2016</u> | <u>2015</u> |
|------------------|------------------|
| <u>R</u> | <u>R</u> |
| <u>5 225 000</u> | <u>5 225 000</u> |

The net value of Heritage Assets is:

Refer to Note Number 17 for more detail.

13. INVESTMENTS

The municipality held Investments to the value of :

| | |
|-------------------|-------------------|
| <u>18 037 268</u> | <u>15 036 392</u> |
|-------------------|-------------------|

These investments are ring-fenced for purposes of either the security for and repayment of Long-term Liabilities, Unspent Conditional Grants and Capital Commitments.

Refer to Note Number 23 for more detail.

14. CURRENT ASSETS

Current Assets are made up as follows:

| | | | |
|---|----------------|-------------------|-------------------|
| Inventory | Note Number 19 | 3 728 621 | 2 991 660 |
| Receivables from exchange transactions | Note Number 20 | 13 967 550 | 18 830 684 |
| Receivables from non-exchange transactions | Note Number 21 | 15 660 680 | 21 928 697 |
| Unpaid Conditional Government Grants and Receipts | Note Number 10 | 1 | 913 053 |
| Operating Lease Asset | Note Number 22 | 53 002 | 15 412 |
| Taxes | Note Number 12 | 6 041 900 | 6 444 459 |
| Cash and Cash Equivalents | Note Number 23 | 18 049 520 | 15 048 617 |
| | | <u>57 501 274</u> | <u>66 172 582</u> |

Refer to the indicated Note numbers for more detail.

15. INTER-GOVERNMENTAL GRANTS

The municipality plays the major role in the upliftment of the poor and in sustaining and improving infrastructure for all its citizens for which it uses grants received from government and other organisations, and thus it has a big responsibility as custodian of these funds.

Refer to note 10 and 17 for more detail

16. EVENTS AFTER THE REPORTING DATE

Full details of all events after reporting date are disclosed in note 49.

17. DISCLOSURE ISSUES

Possible outflow of recourses due to the contingent liability disclosed in note 52.

18. EXPRESSION OF APPRECIATION

I am grateful to the Municipal Manager, Directors and Heads of Departments for the support they extended during the financial year.

The work involved in producing these financial statements just gets more detailed each year and therefore my heartfelt thanks goes to my own staff at all levels and in all departments, for their hard work and dedication.



Mr. F Sabbat
CHIEF FINANCIAL OFFICER

28 November 2016

Date

BEAUFORT WEST LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

| | Notes | 2016 R (Actual) | 2015 R (Restated) |
|--|-------|-----------------------|-------------------------|
| NET ASSETS AND LIABILITIES | | | |
| Net Assets | | 407 470 284 | 418 716 887 |
| Capital Replacement Reserve | 2 | 3 078 397 | 10 491 152 |
| Housing Development Fund | 2 | 3 903 397 | 4 062 271 |
| Self Insurance Reserve | 2 | 2 270 | 1 196 864 |
| Accumulated Surplus | | 400 486 220 | 402 966 600 |
| Non-Current Liabilities | | 61 026 053 | 64 108 327 |
| Long-term Liabilities | 3 | 11 120 035 | 11 542 433 |
| Employee benefits | 4 | 29 856 677 | 27 689 312 |
| Non-Current Provisions | 5 | 20 049 341 | 24 876 582 |
| Current Liabilities | | 61 139 381 | 53 036 564 |
| Consumer Deposits | 6 | 1 292 897 | 1 227 349 |
| Current Employee benefits | 7 | 8 401 419 | 7 979 706 |
| Provisions - current portion | 8 | 5 264 718 | - |
| Payables From Exchange Transactions | 9 | 31 501 911 | 33 278 344 |
| Unspent Conditional Government Grants and Receipts | 10 | 11 091 769 | 4 709 333 |
| Unspent Public Contributions | 11 | 80 747 | 145 955 |
| Cash and Cash Equivalents | 23 | 520 342 | 1 932 245 |
| Current Portion of Long-term Liabilities | 3 | 2 985 579 | 3 763 632 |
| Total Net Assets and Liabilities | | 529 635 718 | 535 861 778 |
| ASSETS | | | |
| Non-Current Assets | | 472 134 444 | 469 689 196 |
| Property, Plant and Equipment | 13 | 456 270 397 | 452 853 343 |
| Investment Property | 14 | 8 149 775 | 8 399 030 |
| Intangible Assets | 15 | 470 701 | 316 106 |
| Capitalised Restoration Cost | 16 | 170 735 | 1 160 239 |
| Heritage Assets | 17 | 5 225 000 | 5 225 000 |
| Long-Term Receivables | 18 | 1 847 836 | 1 735 478 |
| Current Assets | | 57 501 274 | 66 172 582 |
| Inventory | 19 | 3 728 621 | 2 991 660 |
| Trade Receivables from exchange transactions | 20 | 13 967 550 | 18 830 684 |
| Other Receivables from non-exchange transactions | 21 | 15 660 680 | 21 928 697 |
| Unpaid Conditional Government Grants and Receipts | 10 | 1 | 913 053 |
| Operating Lease Asset | 22.1 | 53 002 | 15 412 |
| Taxes | 12 | 6 041 900 | 6 444 459 |
| Cash and Cash Equivalents | 23 | 18 049 520 | 15 048 617 |
| Total Assets | | 529 635 718 | 535 861 778 |

BEAUFORT WEST 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 | 197 492 336 | 237 977 415 | 694 211 | 237 283 204 |
| Taxation Revenue | 26 031 092 | 24 583 024 | - | 24 583 024 |
| Property taxes | 26 031 092 | 24 583 024 | - | 24 583 024 |
| Transfer Revenue | 110 558 233 | 166 731 201 | 0 | 166 731 201 |
| Government Grants and Subsidies - Capital | 14 556 431 | 37 652 483 | 0 | 37 652 483 |
| Government Grants and Subsidies - Operating | 96 001 801 | 76 782 411 | - | 76 782 411 |
| Contributed PPE | - | 52 296 307 | - | 52 296 307 |
| Other Revenue | 60 903 011 | 46 663 190 | 694 211 | 45 968 979 |
| Actuarial Gains | 506 605 | - | - | - |
| Fines | 60 208 467 | 45 968 979 | - | 45 968 979 |
| Reversal of Impairment | 35 932 | 538 062 | 538 062 | - |
| Rehabilitation Income | 152 007 | 156 149 | 156 149 | - |
| Gain on disposal of PPE | - | - | - | - |
| Revenue from Exchange Transactions | 111 828 997 | 104 931 130 | (7 636) | 104 938 766 |
| Property Rates - penalties imposed and collection charges | 553 226 | 473 809 | - | 473 809 |
| Service Charges | 97 609 062 | 88 399 264 | - | 88 399 264 |
| Rental of Facilities and Equipment | 1 084 577 | 1 675 920 | (1 665) | 1 677 585 |
| Interest Earned - external investments | 1 883 282 | 1 892 682 | - | 1 892 682 |
| Interest Earned - outstanding debtors | 2 040 656 | 1 968 539 | - | 1 968 539 |
| Licences and Permits | 563 139 | 538 676 | - | 538 676 |
| Agency Services | 659 511 | 609 253 | - | 609 253 |
| Other Income | 7 435 544 | 9 372 987 | (5 971) | 9 378 958 |
| Total Revenue | 309 321 333 | 342 908 545 | 686 575 | 342 221 970 |
| EXPENDITURE | | | | |
| Employee related costs | 79 879 565 | 73 425 608 | - | 73 425 608 |
| Remuneration of Councillors | 4 522 248 | 4 355 922 | - | 4 355 922 |
| Debt Impairment | 69 311 226 | 40 121 041 | - | 40 121 041 |
| Collection Cost | 7 200 | 444 454 | - | 444 454 |
| Depreciation and Amortisation | 15 280 200 | 15 014 002 | (30 191) | 15 044 193 |
| Impairments | - | 5 971 | (3 164 985) | 3 170 956 |
| Repairs and Maintenance | 24 107 663 | 18 143 202 | - | 18 143 202 |
| Actuarial losses | - | 216 003 | - | 216 003 |
| Finance Charges | 5 754 200 | 5 424 525 | 971 136 | 4 453 389 |
| Bulk Purchases | 47 916 083 | 43 515 095 | 156 834 | 43 358 262 |
| Contracted services | 11 956 991 | 7 999 251 | - | 7 999 251 |
| Grants and Subsidies Paid | 34 879 | 64 452 | - | 64 452 |
| Stock Adjustments | 8 400 222 | 6 715 073 | 158 848 | 6 556 224 |
| Other Operating Grant Expenditure | 2 539 411 | 676 407 | - | 676 407 |
| Loss on disposal of PPE | 23 278 | 841 434 | - | 841 434 |
| General Expenses | 50 834 790 | 40 157 597 | 167 486 | 39 990 111 |
| Total Expenditure | 320 567 956 | 257 120 037 | (1 740 872) | 258 860 909 |
| Operating Surplus for the Year | (11 246 623) | 85 788 508 | 2 427 447 | 83 361 061 |
| Loss on disposal of Property, Plant and Equipment/Investment Property | - | - | - | - |
| Gain on disposal of Property, Plant & Equipment/Investment Property | - | - | - | - |
| Fair Value Adjustments | - | - | - | - |
| NET SURPLUS FOR THE YEAR | (11 246 623) | 85 788 508 | 2 427 447 | 83 361 061 |

BEAUFORT WEST LOCAL MUNICIPALITY

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

| | Self Insurance Reserve | Housing Development Fund | Capital Replacement Reserve | Accumulated Surplus/ (Deficit) | Total |
|---|---------------------------------------|---|--|---|--------------------|
| | R | R | R | R | R |
| Balance at 1 July 2014 | 1 118 685 | 4 198 159 | 4 849 606 | 341 591 646 | 351 758 096 |
| Correction of error - See Note 39.02 | - | - | - | (18 829 732) | (18 829 732) |
| Restated Balance at 1 July 2014 | 1 118 685 | 4 198 159 | 4 849 606 | 322 761 913 | 332 928 363 |
| Net Surplus/(Deficit) for the year | - | - | - | 83 361 061 | 83 361 061 |
| Correction of error - See Note 39.01 | - | - | - | 2 427 445 | 2 427 445 |
| Contribution to Insurance Reserve | 367 738 | - | - | (367 738) | - |
| Insurance claims processed | (289 559) | - | - | 289 559 | - |
| Transfer to CRR | - | - | 7 699 667 | (7 699 667) | - |
| Property, Plant and Equipment purchased | - | - | (2 058 121) | 2 058 121 | - |
| Transfer to Housing Development Fund | - | (135 888) | - | 135 888 | - |
| Rounding | - | - | - | 18 | 18 |
| Balance at 30 JUNE 2015 | 1 196 864 | 4 062 271 | 10 491 152 | 402 966 600 | 418 716 887 |
| Restated Balance at 1 July 2015 | 1 196 864 | 4 062 271 | 10 491 152 | 402 966 600 | 418 716 887 |
| Net Surplus/(Deficit) for the year | - | - | - | (11 246 623) | (11 246 623) |
| Transfer to/from CRR | - | - | (5 991 771) | 5 991 771 | - |
| Property, Plant and Equipment purchased | - | - | (1 420 984) | 1 420 984 | - |
| Contribution to Insurance Reserve | (1 047 539) | - | - | 1 047 539 | - |
| Insurance claims processed | (147 055) | - | - | 147 055 | - |
| Transfer to Housing Development Fund | - | (158 874) | - | 158 874 | - |
| Rounding | - | - | - | 21 | 21 |
| Balance at 30 June 2016 | 2 270 | 3 903 397 | 3 078 397 | 400 486 220 | 407 470 284 |

BEAUFORT WEST LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

| | Notes | 2016 R | 2015 R |
|---|-----------|---------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts | | | |
| Ratepayers and other | | 199 144 951 | 120 621 813 |
| Government | | 122 447 181 | 118 123 555 |
| Interest | | 3 923 938 | 3 861 221 |
| Payments | | | |
| Suppliers and employees | | (295 514 716) | (194 833 233) |
| Finance charges | 34 | (5 754 200) | (5 424 525) |
| Transfers and Grants | | (34 879) | (64 452) |
| Net Cash from Operating Activities | 40 | 24 212 275 | 42 284 379 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant and Equipment | | (18 211 835) | (40 355 974) |
| Proceeds on Disposal of Fixed Assets | | (0) | 222 377 |
| Purchase of Intangible Assets | | (274 841) | (144 224) |
| (Increase)/Decrease in Long-term Receivables | | (112 358) | 1 941 109 |
| Net Cash from Investing Activities | | (18 599 033) | (38 336 712) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| New loans raised | | 2 802 456 | 789 592 |
| New loans (repaid) | | (4 002 908) | (3 558 036) |
| Rounding | | 17 | 12 |
| Net Cash from Financing Activities | | (1 200 435) | (2 768 431) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 4 412 806 | 1 179 236 |
| Cash and Cash Equivalents at the beginning of the year | | 13 116 372 | 11 937 136 |
| Cash and Cash Equivalents at the end of the year | 41 | 17 529 178 | 13 116 372 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 4 412 806 | 1 179 236 |

BEAUFORT WEST 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) | Explanations for material variances |
| ASSETS | | | | |
| Current assets | | | | |
| Cash | 12 230 | 783 283 | (771 053) | Cash flow constraints |
| Call investment deposits | 18 037 290 | 5 000 000 | 13 037 290 | Unspent conditional grants and CRR contributions |
| Consumer debtors | 13 967 550 | 30 579 100 | (16 611 550) | Increase in provision for bad debts |
| Other Receivables | 21 755 583 | 20 543 997 | 1 211 586 | |
| Inventory | 3 728 621 | 3 171 160 | 557 461 | |
| Total current assets | 57 501 274 | 60 077 540 | (2 576 266) | |
| Non current assets | | | | |
| Long-term receivables | 1 847 836 | 1 839 607 | 8 229 | |
| Investment property | 8 149 775 | 8 381 248 | (231 473) | |
| Property, plant and equipment | 456 270 397 | 472 026 874 | (15 756 477) | Underspending of the capital budget |
| Intangible Assets | 470 701 | 826 883 | (356 182) | |
| Other non-current assets | 5 395 735 | 7 128 294 | (1 732 559) | Additional accumulated depreciation shortened useful life |
| Total non current assets | 472 134 444 | 490 202 906 | (18 068 462) | |
| TOTAL ASSETS | 529 635 718 | 550 280 446 | (20 644 728) | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Bank overdraft | 520 342 | - | 520 342 | Cash flow problems and increase in payables |
| Borrowing | 2 985 579 | 2 779 743 | 205 836 | |
| Consumer deposits | 1 292 897 | 1 374 349 | (81 452) | |
| Trade and other payables | 42 674 427 | 35 366 972 | 7 307 455 | |
| Provisions and Employee Benefits | 13 666 136 | 12 998 497 | 667 639 | |
| Total current liabilities | 61 139 381 | 52 519 561 | 8 619 820 | |
| Non current liabilities | | | | |
| Borrowing | 11 120 035 | 11 546 769 | (426 734) | |
| Provisions and Employee Benefits | 49 906 018 | 34 864 455 | 15 041 563 | Reallocation of provision in terms of actual rehabilitation costs |
| Total non current liabilities | 61 026 053 | 46 411 224 | 14 614 829 | |
| TOTAL LIABILITIES | 122 165 434 | 98 930 785 | 23 234 649 | |
| NET ASSETS | 407 470 283 | 451 349 661 | (43 879 378) | |
| COMMUNITY WEALTH | | | | |
| Accumulated Surplus/(Deficit) | 400 486 220 | 447 554 661 | (47 068 441) | Under performance wrt Revenue ie Grants, Fines, Additional Debt Impairment |
| Reserves | 6 984 064 | 3 795 000 | 3 189 064 | Additional contribution to CRR |
| TOTAL COMMUNITY WEALTH/EQUITY | 407 470 284 | 451 349 661 | (43 879 377) | |

BEAUFORT WEST 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 adjustments |
| ASSETS | | | | |
| Current assets | | | | |
| Cash | 950 000 | (166 717) | 783 283 | Decrease in available cash |
| Call investment deposits | 3 004 382 | 1 995 618 | 5 000 000 | Unspent conditional grant funds |
| Consumer debtors | 32 252 237 | (1 673 137) | 30 579 100 | Increase in payment percentage |
| Other Receivables | 4 815 000 | 15 728 997 | 20 543 997 | Traffic fines into IGRAP1 |
| Inventory | 3 638 000 | (466 840) | 3 171 160 | Decrease in stock movement |
| Total current assets | 44 659 619 | 15 417 921 | 60 077 540 | |
| Non current assets | | | | |
| Long-term receivables | 3 933 948 | (2 094 341) | 1 839 607 | Expected decrease in arrangements with debtors |
| Investment property | 8 336 455 | 44 793 | 8 381 248 | |
| Property, plant and equipment | 406 541 898 | 65 484 976 | 472 026 874 | PPE corrections |
| Intangible Assets | 100 078 | 726 805 | 826 883 | Additional ICT equipment for SCOA and Disaster Recovery |
| Other non-current assets | 1 491 052 | 5 637 242 | 7 128 294 | Increase in capitalization restoration costs |
| Total non current assets | 420 403 431 | 69 799 475 | 490 202 906 | |
| TOTAL ASSETS | 465 063 050 | 85 217 396 | 550 280 446 | |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Borrowing | 3 953 229 | (1 173 486) | 2 779 743 | Settlement of loans and finance leases |
| Consumer deposits | 1 373 880 | 469 | 1 374 349 | |
| Trade and other payables | 23 995 611 | 11 371 361 | 35 366 972 | Mainly unspent conditional grants |
| Provisions and Employee Benefits | 8 018 860 | 4 979 637 | 12 998 497 | Post employee benefits and landfill sites |
| Total current liabilities | 37 341 580 | 15 177 981 | 52 519 561 | |
| Non current liabilities | | | | |
| Borrowing | 15 084 877 | (3 538 108) | 11 546 769 | Settlement of loans |
| Provisions and Employee Benefits | 31 457 642 | 3 406 813 | 34 864 455 | Post employee benefits and landfill sites |
| Total non current liabilities | 46 542 519 | (131 295) | 46 411 224 | |
| TOTAL LIABILITIES | 83 884 099 | 15 046 686 | 98 930 785 | |
| NET ASSETS | 381 178 951 | 70 170 710 | 451 349 661 | |
| COMMUNITY WEALTH | | | | |
| Accumulated Surplus/(Deficit) | 369 863 699 | 77 690 962 | 447 554 661 | Net of all reasons |
| Reserves | 11 315 252 | (7 520 252) | 3 795 000 | Adjustment to reflect cash funded |
| TOTAL COMMUNITY WEALTH/EQUITY | 381 178 951 | 70 170 710 | 451 349 661 | |

BEAUFORT WEST 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 (Actual) | 2016 R (Final Budget) | 2016 R (Variance) | Explanations for material variances |
|---|-----------------------|-----------------------------|-------------------------|--|
| REVENUE BY SOURCE | | | | |
| Property rates | 26 031 092 | 26 186 768 | (155 676) | |
| Property rates - penalties & collection charges | 553 226 | 620 000 | (66 774) | |
| Service charges | 97 609 062 | 105 871 925 | (8 262 863) | Less income received from electricity than anticipated |
| Rental of facilities and equipment | 1 084 577 | 1 224 916 | (140 339) | |
| Interest earned - external investments | 1 883 282 | 1 240 000 | 643 282 | More cash available to be invested |
| Interest earned - outstanding debtors | 2 040 656 | 2 135 000 | (94 344) | |
| Fines | 60 208 467 | 46 057 550 | 14 150 917 | More fines revenue recognised into IGRAP1 |
| Licences and permits | 563 139 | 588 150 | (25 011) | |
| Agency services | 659 511 | 670 000 | (10 489) | |
| Government Grants and Subsidies - Operating | 96 001 801 | 95 975 961 | 25 840 | |
| Other revenue | 8 130 088 | 7 314 104 | 815 984 | Mainly sold of municipal land and buildings (Kwa-Mand Clinic) |
| Total Operating Revenue | 294 764 901 | 287 884 374 | 6 880 527 | |
| EXPENDITURE BY TYPE | | | | |
| Employee related costs | 79 879 565 | 81 281 167 | (1 401 602) | Mainly due to vacancies |
| Remuneration of councillors | 4 522 248 | 4 775 884 | (253 636) | Mainly due to few resignations |
| Debt impairment | 69 311 226 | 37 233 014 | 32 078 212 | Change in debt impairment methodology on trade debtors and IGRAP1 on traffic fines |
| Depreciation & asset impairment | 15 280 200 | 16 064 002 | (783 802) | Underspent on capital budget |
| Finance charges | 5 754 200 | 1 538 883 | 4 215 317 | Additional interest on non-current provisions and employee benefits |
| Bulk purchases | 56 316 305 | 57 254 600 | (938 295) | |
| Other materials | 24 107 663 | 26 609 944 | (2 502 281) | Less repairs due to cash flow |
| Contracted services | 11 956 991 | 8 697 028 | 3 259 963 | Mainly additional security services and Traffic Fines Commission |
| Grants and subsidies paid | 34 879 | 60 000 | (25 121) | |
| Impairments | - | - | - | |
| Other expenditure | 53 381 401 | 66 790 527 | (13 409 126) | Less expenditure due to cash flow |
| Loss on disposal of PPE | 23 278 | - | 23 278 | |
| Total Operating Expenditure | 320 567 956 | 300 305 049 | 20 262 907 | |
| Operating Deficit for the year | (25 803 055) | (12 420 675) | (13 382 380) | |
| Government Grants and Subsidies - Capital | 14 556 431 | 28 651 161 | (14 094 730) | Less capital grants received and expensed than anticipated |
| Net Surplus/(Deficit) for the year | (11 246 623) | 16 230 486 | (27 477 109) | |

**BEAUFORT WEST 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 | |
|---|---------------------|-------------------|---------------------|--|
| | (Approved Budget) | (Adjustments) | (Final Budget) | Reasons for material adjustments |
| REVENUE BY SOURCE | | | | |
| Property rates | 26 186 768 | - | 26 186 768 | |
| Property rates - penalties & collection charges | 620 000 | - | 620 000 | |
| Service charges | 103 838 449 | 2 033 476 | 105 871 925 | Anticipated more electricity sales |
| Rental of facilities and equipment | 1 145 792 | 79 124 | 1 224 916 | |
| Interest earned - external investments | 1 240 000 | - | 1 240 000 | |
| Interest earned - outstanding debtors | 2 135 000 | - | 2 135 000 | |
| Fines | 16 135 050 | 29 922 500 | 46 057 550 | Due to implementation of IGRAP1 on traffic fines |
| Licences and permits | 588 150 | - | 588 150 | |
| Agency services | 670 000 | - | 670 000 | |
| Government Grants and Subsidies - Operating | 98 681 000 | (2 705 039) | 95 975 961 | Less grants received |
| Other revenue | 5 937 104 | 1 377 000 | 7 314 104 | Additional income from sale of land and buildings |
| Total Operating Revenue | 257 177 313 | 30 707 061 | 287 884 374 | |
| EXPENDITURE BY TYPE | | | | |
| Employee related costs | 81 529 399 | (248 232) | 81 281 167 | |
| Remuneration of councillors | 4 775 884 | - | 4 775 884 | |
| Debt impairment | 7 191 014 | 30 042 000 | 37 233 014 | Change in debt impairment methodology on trade debtors and IGRAP1 on traffic fines |
| Depreciation & asset impairment | 16 064 002 | - | 16 064 002 | |
| Finance charges | 1 538 883 | - | 1 538 883 | |
| Bulk purchases | 57 254 600 | - | 57 254 600 | |
| Other materials | 28 354 544 | (1 744 600) | 26 609 944 | Due to cash flow constraints |
| Contracted services | 4 750 820 | 3 946 208 | 8 697 028 | Mainly additional security services and Traffic Fines Commission |
| Grants and subsidies paid | 60 000 | - | 60 000 | |
| Other expenditure | 67 195 753 | (405 226) | 66 790 527 | |
| Total Operating Expenditure | 268 714 899 | 31 590 150 | 300 305 049 | |
| Operating Deficit for the year | (11 537 586) | (883 089) | (12 420 675) | |
| Government Grants and Subsidies - Capital | 16 643 000 | 12 008 161 | 28 651 161 | Additional grants received |
| Net Surplus for the year | 5 105 414 | 11 125 072 | 16 230 486 | |

BEAUFORT WEST 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 (Actual) | 2016 R (Final Budget) | 2016 R (Variance) | Explanations for material variances |
|--|-----------------------|-----------------------------|-------------------------|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Ratepayers and other | 199 144 951 | 151 235 555 | 47 909 396 | Movement of prior year outstanding traffic fines revenue |
| Government - operating | 107 960 992 | 93 878 905 | 14 082 087 | More grants received than anticipated |
| Government - capital | 14 486 188 | 26 908 000 | (12 421 812) | Mainly unspent capital grant expenditure re grant revenue |
| Interest | 3 923 938 | 3 375 000 | 548 938 | Increase in cash available for investments |
| Payments | | | | |
| Suppliers and Employees | (295 514 716) | (243 761 819) | (51 752 897) | Mainly due to movement in Trade Payables, Unspent Grants, Debt Impairment |
| Finance charges | (5 754 200) | (1 538 883) | (4 215 317) | Additional interest on non-current provisions and employee benefits |
| Transfers and Grants | (34 879) | (60 000) | 25 121 | |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | <u>24 212 275</u> | <u>30 036 758</u> | <u>(5 824 483)</u> | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts | | | | |
| Proceeds on disposal of Assets | (0) | - | (0) | |
| Decrease/(increase) in non-current receivables | (112 358) | (104 129) | (8 229) | |
| Payments | | | | |
| Capital assets | (18 486 676) | (36 428 829) | 17 942 153 | Less Grant Funding were utilized. |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | <u>(18 599 033)</u> | <u>(36 532 958)</u> | <u>17 933 924</u> | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts | | | | |
| Borrowing | 2 802 456 | - | 2 802 456 | Take up of new loan |
| Increase/(decrease) in consumer deposits | - | 147 000 | (147 000) | |
| Payments | | | | |
| Repayment of borrowing | (4 002 908) | (983 889) | (3 019 019) | Take up of new loan |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | <u>(1 200 452)</u> | <u>(836 889)</u> | <u>-363 563</u> | |
| NET INCREASE/(DECREASE) IN CASH HELD | 4 412 789 | (7 333 088) | 11 745 877 | Net of all reasons |
| Cash and Cash Equivalents at the beginning of the year | 13 116 372 | 13 116 372 | - | |
| Cash and Cash Equivalents at the end of the year | 17 529 178 | 5 783 284 | 11 745 894 | |

**BEAUFORT WEST 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 (Approved Budget) | 2016 R (Adjustments) | 2016 R (Final Budget) | Reasons for material adjustments |
|--|--------------------------------|----------------------------|-----------------------------|------------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Ratepayers and other | 149 107 417 | 2 128 138 | 151 235 555 | Anticipated more electricity sales |
| Government - operating | 98 681 000 | (4 802 095) | 93 878 905 | Less grants received |
| Government - capital | 16 643 000 | 10 265 000 | 26 908 000 | Additional grants received |
| Interest | 3 375 000 | - | 3 375 000 | |
| Payments | | | | |
| Suppliers and Employees | (243 861 000) | 99 181 | (243 761 819) | |
| Finance charges | (1 538 883) | - | (1 538 883) | |
| Transfers and Grants | (60 000) | - | (60 000) | |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | <u>22 346 534</u> | <u>7 690 224</u> | <u>30 036 758</u> | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts | | | | |
| Decrease/(increase) in non-current receivables | - | (104 129) | (104 129) | |
| Payments | | | | |
| Capital assets | (20 024 200) | (16 404 629) | (36 428 829) | Additional grants received |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | <u>(20 024 200)</u> | <u>(16 508 758)</u> | <u>(36 532 958)</u> | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Receipts | | | | |
| Borrowing | - | - | - | |
| Increase/(decrease) in consumer deposits | - | 147 000 | 147 000 | |
| Payments | | | | |
| Repayment of borrowing | (1 977 698) | 993 809 | (983 889) | Take up of new loan |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | <u>(1 977 698)</u> | <u>1 140 809</u> | <u>(836 889)</u> | |
| NET INCREASE/(DECREASE) IN CASH HELD | 344 636 | (7 677 724) | (7 333 088) | Net of all reasons |
| Cash and Cash Equivalents at the beginning of the year | 3 609 746 | 9 506 626 | 13 116 372 | |
| Cash and Cash Equivalents at the end of the year | <u>3 954 382</u> | <u>1 828 902</u> | <u>5 783 284</u> | |
| | - | - | - | |

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 Assets where the acquisition cost of an asset could not be determined.

In terms of Directive 11: "Changes in Measurement Bases following the Initial Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality did not elect to change the measurement bases selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the initial adoption of Standards of GRAP.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

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

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 a separate additional financial statement, namely Statement of Comparison of Budget and Actual Amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, 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 to Actual Amounts in the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget to Actual Amounts in the Financial Statements.

BEAUFORT WEST MUNICIPALITY

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

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

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

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2015/16 financial year.

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

| Standard | Description | Effective Date |
|--|---|-----------------------|
| GRAP 20 (Original – June 2011) | <p>Related Party Disclosure</p> <p>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.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p> | Unknown |
| GRAP 32 (Original – Aug 2013) | <p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> | Unknown |
| GRAP 108 (Original – Sept 2013) | <p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p> | Unknown |
| GRAP 109 | <p>Accounting by Principles and Agents</p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the</p> | Unknown |

BEAUFORT WEST 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. | |
| IGRAP17 | <p>Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</p> <p>This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls 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.

1.9.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress, as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.9.3 Self Insurance Reserve

A Self Insurance Reserve has been established and, subject to external insurance where deemed necessary, covers claims that may occur. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

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

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- Contributions to the fund by Business Units are transferred via the Statement of Changes in Net Assets to the reserve in line with amounts budgeted for in the operating budget. The contributions to the reserve are charged to the Business Units based on the previous year's insured value of the assets under their control.
 - The Council determines annually to contribute to the Self Insurance Reserve.
 - The total amount of insurance premiums paid to external insurers are regarded as expenses and must be shown as such in the Statement of Financial Performance. These premiums do not affect the Self Insurance Reserve.
 - Claims received from external insurers are recognised as revenue in the Statement of Financial Performance.
 - Claims received to meet repairs of damages on assets are reflected as income in the Statement of Financial Performance.
 - Repair and replacement costs not fully covered by external insurance are financed from the insurance reserve. The repair and replacement cost is regarded as an expense and is reflected in the Statement of Financial Performance. An amount equal to the expense is transferred from the Insurance Reserve to the Accumulated Surplus via the Statement of Changes in Net Assets.
 - Amounts paid on behalf of employees in respect of medical costs for injuries sustained whilst on duty are regarded as expenses and are recorded in the Statement of Financial Performance when incurred. An amount equal to these expenses is transferred from the Insurance Reserve to the Accumulated Surplus account via the Statement of Changes in Net Assets.

1.10. LEASES

1.10.1 Municipality as Lessee

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

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis

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

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. BORROWING COST

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

1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

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

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

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

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met, an amount equal to the conditions met, are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as an 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.

1.13. 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

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

will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

1.14. UNSPENT PUBLIC CONTRIBUTIONS

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

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

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

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

1.15. 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:

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

- (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.

1.16. 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.

1.16.1 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 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are 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.

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

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.

1.16.2 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.

1.16.3 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 basic salary 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.

1.16.4 Staff Bonuses Accrued

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

1.16.5 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.

1.16.6 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

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

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.

1.17. 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

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

an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

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 | 5-130 | Buildings | 15-105 |
| Pedestrian Malls | 10-30 | Specialist vehicles | 3-70 |
| Electricity | 6-130 | Other vehicles | 3-70 |
| Water | 10-130 | Office equipment | 3-25 |
| Sewerage | 10-130 | Furniture and fittings | 2-30 |
| Housing | 30 | Watercraft | 15 |
| | | Bins and containers | 5 |
| | | Specialised plant and | |
| | | Equipment | 3-40 |
| <u>Community</u> | | <u>Other plant and</u> | |
| Buildings | 10-105 | Equipment | 3-40 |
| Recreational Facilities | 15-105 | Landfill sites | 10-100 |
| Security | 30 | Quarries | 5-25 |
| Halls | 30-105 | Emergency equipment | 3-30 |
| Libraries | 20-105 | Computer equipment | 3-20 |
| Parks and gardens | 20-105 | | |
| Other assets | 7-105 | | |
| <u>Finance lease assets</u> | | | |
| Office equipment | 3-9 | | |
| Other assets | 3-9 | | |

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.

1.17.4 De-recognition

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

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.

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

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

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> | <u>Years</u> |
|--------------------------|--------------|
| Computer Software | 3 - 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.

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.

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

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.

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.

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

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

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.

- (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

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

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.

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.

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

- 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.

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

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

the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.22. 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

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

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.

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

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

recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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

1.23.2.2 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.

1.23.2.4 Non-Current Investments

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

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

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

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

1.23.3 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

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delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

1.23.3.2 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

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

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

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

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 De-recognition

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) de-recognise 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.

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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 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 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

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.

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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.

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.

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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.

Interest revenue is recognised using the effective interest rate method.

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

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

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

of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

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

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

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- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

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

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

Management personnel include:

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

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

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

1.27. UNAUTHORISED EXPENDITURE

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

1.28. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000),

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

the Remuneration of Public Office Bearers Act (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 and Long service awards*

The cost of post-retirement medical obligations and long service awards 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.

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.

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

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.

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 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 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 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.

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

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.

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:

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

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

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

1.35. TAXATION

1.35.1 *Current tax assets and liabilities*

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

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

1.35.2 *Deferred tax assets and liabilities*

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

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

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

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

1.35.3 *Tax expenses*

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

BEAUFORT WEST MUNICIPALITY

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

| | | 2016 R | 2015 R |
|----------|--|------------------|-------------------|
| 2 | NET ASSET RESERVES | | |
| | RESERVES | 6 984 064 | 15 750 287 |
| | Capital Replacement Reserve | 3 078 397 | 10 491 152 |
| | Housing Development Fund | 3 903 397 | 4 062 271 |
| | Self Insurance Reserve | 2 270 | 1 196 864 |
| | Total Net Asset Reserve and Liabilities | 6 984 064 | 15 750 287 |

The above balances are represented by cash of R223 521 for the current year and R219 642 (2015) and is invested together with the other investments of the municipality (See Note 42)

| | | 2016 R | 2015 R |
|----------|---|-------------------|-------------------|
| 3 | LONG TERM LIABILITIES | | |
| | Annuity Loans - At amortised cost | 12 811 532 | 12 023 739 |
| | Balance previously reported | - | 12 028 075 |
| | Correction of Error - Note 39.05 | - | (4 336) |
| | Capitalised Lease Liability - At amortised cost | 1 294 082 | 3 282 326 |
| | | 14 105 614 | 15 306 065 |
| | Less: Current Portion transferred to Current Liabilities | 2 985 579 | 3 763 632 |
| | Annuity Loans - At amortised cost | 2 002 658 | 1 575 262 |
| | Capitalised Lease Liability - At amortised cost | 982 921 | 2 188 370 |
| | Total Long-term Liabilities - At amortised cost using the effective interest rate method | 11 120 035 | 11 542 433 |

Annuity loans at amortised cost is calculated at 6.8%-14.00% interest rate, with last maturity date of 31 July 2029. Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. The loans are unsecured.

Finance Lease loans at amortised cost is calculated at 8.50%-20.50% interest rate, with last maturity date of 30 May 2019. Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. The loans are unsecured.

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

| | 2016 R | 2015 R |
|---|-------------------|-------------------------------------|
| | | Minimum annuity payments |
| Payable within one year | 3 267 038 | 2 779 743 |
| Payable within two to five years | 8 407 216 | 7 479 172 |
| Payable after five years | 8 677 448 | 9 872 319 |
| | 20 351 702 | 20 131 235 |
| Less: Future finance obligations | (7 540 170) | (8 103 160) |
| Present value of annuity obligations | 12 811 532 | 12 028 075 |

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

| | 2016 R | 2015 R |
|---|------------------|-----------------------------------|
| | | Minimum lease payments |
| Payable within one year | 1 045 984 | 2 382 345 |
| Payable within two to five years | 327 741 | 1 148 367 |
| Payable after five years | - | - |
| | 1 373 725 | 3 530 712 |
| Less: Future finance obligations | (79 643) | (248 386) |
| Present value of lease obligations | 1 294 082 | 3 282 326 |

Leases are secured by property, plant and equipment - Note 13

BEAUFORT WEST MUNICIPALITY

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

3 LONG TERM LIABILITIES (CONTINUED)

The capitalised lease liability consist out of the following contracts:

| Supplier | Description of leased item | Effective Interest rate | Annual Escalation | Lease Term | Maturity Date |
|-----------|--|-------------------------|-------------------|------------|---------------|
| Eqstra | CZ 8282 Isuzu KB250D Fleetside A/C P/U S/C | 8.50% | 0% | 3 Years | 2016/02/28 |
| Eqstra | CZ 8340 Isuzu KB250D Fleetside A/C P/U S/C | 8.50% | 0% | 3 Years | 2016/02/28 |
| Eqstra | CZ 8341 Isuzu KB250D Fleetside A/C P/U S/C | 8.50% | 0% | 3 Years | 2016/02/28 |
| Eqstra | CZ 8343 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/02/28 |
| Eqstra | CZ 8408 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/04/30 |
| Eqstra | CZ 8410 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/04/30 |
| Eqstra | CZ 8414 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/04/30 |
| Eqstra | CZ 8415 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/04/30 |
| Eqstra | CZ 8418 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/04/30 |
| Eqstra | CZ 8419 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/04/30 |
| Eqstra | CZ 8421 Toyota Yaris Zen3 Acs | 8.50% | 0% | 3 Years | 2016/04/30 |
| Eqstra | CZ 8422 Toyota Yaris Zen3 Acs | 8.50% | 0% | 3 Years | 2016/04/30 |
| Panasonic | Machine Photocopy Kyocera Fs1128 | 9.00% | 0% | 5 Years | 2016/08/30 |
| Panasonic | Machine Photocopy Kyocera Fs 6025 | 9.00% | 0% | 5 Years | 2016/07/30 |
| Panasonic | PABX Telephone System | 9.00% | 15% | 5 Years | 2016/03/30 |
| Panasonic | CCTV Camera's | 20.50% | 0% | 3 Years | 2015/09/30 |
| Eqstra | CZ 2078 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/09/30 |
| Eqstra | CZ 2477 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/09/30 |
| Eqstra | CZ 4155 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/09/30 |
| Eqstra | CZ 8684 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/09/30 |
| Eqstra | CZ 8685 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/09/30 |
| Eqstra | CZ 8686 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/09/30 |
| Eqstra | CZ 8687 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/09/30 |
| Eqstra | CZ 5753 Sedan Toyota Etios | 8.50% | 0% | 3 Years | 2016/09/30 |
| Eqstra | CZ 5136 Sedan Toyota Etios | 8.50% | 0% | 3 Years | 2016/09/30 |
| Eqstra | CZ 6192 Sedan Toyota Etios | 8.50% | 0% | 3 Years | 2016/09/30 |
| Eqstra | CZ 8563 Isuzu KB250D Fleetside A/c P/u S/c | 8.50% | 0% | 3 Years | 2016/06/30 |
| Eqstra | CZ 1096 Isuzu KB250D Leed Fleetside P/u S | 8.50% | 0% | 3 Years | 2016/11/30 |
| Eqstra | CZ 5366 Isuzu KB250D Leed Fleetside P/u S | 8.50% | 0% | 3 Years | 2016/10/30 |
| Eqstra | CZ 4898 Isuzu KB250D Leed Fleetside P/u S | 8.50% | 0% | 3 Years | 2016/10/30 |
| Eqstra | CZ 4296 Isuzu KB250D Leed Fleetside P/u S | 8.50% | 0% | 3 Years | 2016/10/30 |
| Eqstra | CZ 2295 Isuzu KB250D Leed Fleetside P/u S | 8.50% | 0% | 3 Years | 2016/10/30 |
| Eqstra | CZ 1461 Isuzu KB250D Leed Fleetside P/u S | 8.50% | 0% | 3 Years | 2016/10/30 |
| Eqstra | CZ 8728 Sedan Toyota Etios | 8.50% | 0% | 3 Years | 2016/10/30 |
| Eqstra | CZ 6743 Isuzu KB250D Leed Fleetside P/u S | 8.50% | 0% | 3 Years | 2016/11/30 |
| Westbank | CZ 3697 Truck Nissan UD 90B F/C C/C | 8.50% | 0% | 3 Years | 2017/01/30 |
| Ricoh | Machine Photocopy Ricoh Mp2501spf | 8.50% | 0% | 3 Years | 2017/03/30 |
| Ricoh | Machine Photocopy Ricoh Mp2501spf | 8.50% | 0% | 3 Years | 2017/03/30 |
| Ricoh | Machine Photocopy Ricoh Mp2501spf | 8.50% | 0% | 3 Years | 2017/03/30 |
| Ricoh | Machine Photocopy Ricoh Mp2501spf | 8.50% | 0% | 3 Years | 2017/03/30 |
| Ricoh | Machine Photocopy Ricoh Mp2501spf | 8.50% | 0% | 3 Years | 2017/03/30 |
| Ricoh | Machine Photocopy Ricoh Mp2501spf | 8.50% | 0% | 3 Years | 2017/03/30 |
| Ricoh | Machine Photocopy Ricoh Mp2501spf | 8.50% | 0% | 3 Years | 2017/03/30 |
| Ricoh | Machine Photocopy Ricoh Mp2501spf | 8.50% | 0% | 3 Years | 2017/03/30 |
| Minolta | Machine Photocopy Konica Minolta | 8.50% | 0% | 3 Years | 2017/03/30 |
| Minolta | Machine Photocopy Konica Minolta | 8.50% | 0% | 3 Years | 2017/03/30 |
| Minolta | Machine Photocopy Konica Minolta | 8.50% | 0% | 3 Years | 2017/03/30 |
| Eqstra | CZ 9005 Isuzu KB250D Leed Fleetside P/u S | 9.00% | 0% | 3 Years | 2017/05/30 |
| Eqstra | CZ 4033 Isuzu KB250D Leed Fleetside P/U S/C | 9.25% | 0% | 3 Years | 2017/09/30 |
| Fintech | Machine Franking Neopost IJ - 40 | 9.25% | 0% | 3 Years | 2017/06/30 |
| Nashua | Machine Photocopy Nashua MP 2501SPF | 9.25% | 0% | 3 Years | 2017/11/10 |
| Nashua | Machine Photocopy Nashua MPC6502SP | 9.25% | 0% | 3 Years | 2018/03/30 |
| Eqstra | CZ 7488 Isuzu KB 250D Leed Fleetside P/U S/C | 9.25% | 0% | 3 Years | 2018/04/30 |
| Eqstra | CZ 9327 Isuzu KB 250D Leed Fleetside P/U S/C | 9.25% | 0% | 3 Years | 2018/04/30 |
| Minolta | Machine Photocopy Samsung Pro Xpress | 9.75% | 0% | 3 Years | 2018/10/30 |
| Nashua | Machine Photocopy Nashua | 9.50% | 0% | 3 Years | 2018/08/30 |
| Eqstra | CZ 2168 Sedan Toyota ETIO'S | 9.25% | 0% | 3 Years | 2018/08/30 |
| Fintech | Machine Photocopy Ricoh MP 301 spf | 9.75% | 0% | 3 Years | 2019/05/30 |
| Fintech | Machine Photocopy Ricoh MP 301 spf | 9.75% | 0% | 3 Years | 2019/05/30 |
| Fintech | Machine Photocopy Ricoh MP 301 spf | 9.75% | 0% | 3 Years | 2019/05/30 |
| Fintech | Machine Photocopy Ricoh MP 301 spf | 9.75% | 0% | 3 Years | 2019/05/30 |
| Nashua | Machine Photocopy MPC2003SP | 9.75% | 0% | 3 Years | 2018/10/30 |

BEAUFORT WEST MUNICIPALITY

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

| | Notes | 2016 R | 2015 R |
|--|-------|-------------------|-------------------|
| 4 EMPLOYEE BENEFITS | | | |
| Post Retirement Benefits | 4.1 | 26 108 508 | 24 304 277 |
| Long Service Awards | 4.2 | 3 723 388 | 3 361 279 |
| Pension Murraysburg | | 24 781 | 23 756 |
| Total Non-current Employee Benefit Liabilities | | 29 856 677 | 27 689 312 |
| <u>Post Retirement Benefits</u> | | | |
| Balance 1 July | | 25 147 337 | 23 541 177 |
| Contribution for the year | | (854 217) | (856 858) |
| Expenditure for the year | | 3 091 258 | 2 857 764 |
| Actuarial Loss/(Gain) | | (429 270) | (394 746) |
| Total post retirement benefits 30 June | | 26 955 108 | 25 147 337 |
| Less: Transfer of Current Portion | 7 | (846 600) | (843 060) |
| Balance 30 June | | 26 108 508 | 24 304 277 |
| <u>Long Service Awards</u> | | | |
| Balance 1 July | | 3 826 752 | 3 568 981 |
| Contribution for the year | | (308 833) | (473 104) |
| Expenditure for the year | | 604 046 | 552 132 |
| Actuarial Loss/(Gain) | | (77 335) | 178 743 |
| Total long service 30 June | | 4 044 630 | 3 826 752 |
| Less: Transfer of Current Portion | 7 | (321 242) | (465 473) |
| Balance 30 June | | 3 723 388 | 3 361 279 |
| <u>Pension Murraysburg</u> | | | |
| Balance 1 July | | 23 756 | 30 393 |
| Expenditure for the year | | 1 025 | (6 637) |
| Balance 30 June | | 24 781 | 23 756 |
| <u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u> | | | |
| Balance 1 July | | 28 997 845 | 27 140 551 |
| Contribution for the year | | (1 163 050) | (1 329 963) |
| Expenditure for the year | | 3 696 329 | 3 403 259 |
| Actuarial Loss/(Gain) | | (506 605) | (216 003) |
| Total employee benefits 30 June | | 31 024 519 | 28 997 845 |
| Less: Transfer of Current Portion | 7 | (1 167 842) | (1 308 533) |
| Balance 30 June | | 29 856 677 | 27 689 312 |
| 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 | | 56 | 56 |
| In-service (employee) non-members | | 284 | 299 |
| Continuation members (e.g. Retirees, widows, orphans) | | 26 | 25 |
| Total Members | | 366 | 380 |
| The liability in respect of past service has been estimated to be as follows: | | | |
| In-service (employees) members | | 11 420 656 | 10 307 427 |
| In-service (employees) non-members | | 3 040 795 | 2 809 035 |
| Continuation (retirees and widows) members | | 12 493 657 | 12 030 875 |
| Total Liability | | 26 955 108 | 25 147 337 |

BEAUFORT WEST MUNICIPALITY

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

4 EMPLOYEE BENEFITS (CONTINUED)

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 | 8 824 030 | 7 815 266 | 8 183 241 |
| Continuation members | 2 666 600 | 1 997 976 | 2 080 071 |
| Continuation (retirees and widows) members | 12 050 547 | 10 165 274 | 11 261 395 |
| Total Liability | 23 541 177 | 19 978 516 | 21 524 707 |

| | 2016 Rm | 2015 Rm |
|--|------------|------------|
| Experience adjustments were calculated as follows: | | |
| Liabilities: (Gain) / loss | (0.427) | (0.104) |
| Assets: Gain / (loss) | - | - |

Experience adjustments were calculated as follows in respect of periods commencing prior to the comparative year:

| | 2014 Rm | 2013 Rm | 2012 Rm |
|----------------------------|------------|------------|------------|
| Liabilities: (Gain) / loss | 1.004 | (3.061) | 1.678 |
| Assets: Gain / (loss) | - | - | - |

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

LA Health;
Sammumed; and
Keyhealth.

The Municipality's Accrued Unfunded Liability at 30 June 2016 is estimated at R26 955 108. The Current-service Cost for the year ending 30 June 2016 is estimated at R891 406. It is estimated to be R948 164 for the ensuing year.

| | 2016 % | 2015 % |
|---------------------------------|-----------|-----------|
| Key actuarial assumptions used: | | |
| i) Rate of interest | | |
| Discount rate | 9.05% | 8.89% |
| Health Care Cost Inflation Rate | 8.17% | 8.01% |
| Net Effective Discount Rate | 0.82% | 0.82% |

The discount rate used is a composite of all government bonds and is calculated using a technique is 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 63 for males and 58 for females, 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 | 26 955 108 | 25 147 337 |
| Total Liability | 26 955 108 | 25 147 337 |

The fund is wholly unfunded.

BEAUFORT WEST MUNICIPALITY

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

| 4 EMPLOYEE BENEFITS (CONTINUED) | 2016 R | 2015 R |
|---|-------------------|-------------------|
| Reconciliation of present value of fund obligation: | | |
| Present value of fund obligation at the beginning of the year | 25 147 337 | 23 541 177 |
| Total expenses | 2 237 041 | 2 000 906 |
| Current service cost | 891 406 | 793 176 |
| Interest Cost | 2 199 852 | 2 064 588 |
| Benefits Paid | (854 217) | (856 858) |
| Actuarial (gains)/losses | (429 270) | (394 746) |
| Present value of fund obligation at the end of the year | 26 955 108 | 25 147 337 |
| Less: Transfer of Current Portion - Note 7 | (846 600) | (843 060) |
| Balance 30 June | 26 108 508 | 24 304 277 |

Sensitivity Analysis on the Accrued Liability

| Assumption | Change | In-service members liability (R'000) | Continuation members liability (R'000) | Total liability (R'000) | % change |
|--|---------|--------------------------------------|--|-------------------------|----------|
| Central Assumptions | | 14.461 | 12.494 | 26.955 | |
| Health care inflation | | 17.435 | 13.853 | 31.288 | 16% |
| Health care inflation | | 12.103 | 11.331 | 23.434 | -13% |
| Discount Rate | | 12.138 | 11.348 | 23.486 | -13% |
| Discount Rate | | 17.440 | 13.855 | 31.295 | 16% |
| Post-retirement mortality | -1 year | 14.977 | 12.991 | 27.968 | 4% |
| Average retirement age | -1 year | 15.465 | 12.494 | 27.959 | 4% |
| Continuation of membership at retirement | | 10.343 | 12.494 | 22.836 | -15% |

| Assumption | Change | Current-service Cost (R) | Interest Cost (R) | Total (R) | % change |
|--|---------|--------------------------|-------------------|-----------|----------|
| Central Assumption | | 891 400 | 2 199 900 | 3 091 300 | |
| Health care inflation | | 1 113 200 | 2 556 400 | 3 669 600 | 19% |
| Health care inflation | | 720 000 | 1 910 100 | 2 630 100 | -15% |
| Discount rate | | 729 200 | 2 129 900 | 2 859 100 | -8% |
| Discount rate | | 1 103 300 | 2 269 400 | 3 372 700 | 9% |
| Post-retirement mortality | -1 year | 922 000 | 2 284 000 | 3 206 000 | 4% |
| Average retirement age | -1 year | 964 200 | 2 281 600 | 3 245 800 | 5% |
| Continuation of membership at retirement | | 558 500 | 1 863 400 | 2 421 900 | -22% |

| 4.2 Long Service Bonuses | 2016 R | 2015 R |
|--------------------------|-----------|-----------|
|--------------------------|-----------|-----------|

The Long Service Bonus plans are defined benefit plans. As at year end, 340 employees were eligible for Long Service Bonuses.

The Employer's Unfunded Accrued Liability at 30 June 2016 is estimated at R4 044 630. The Current-service Cost for the year ending 30 June 2016 is estimated at R315 183. It is estimated to be R334 569 for the ensuing year.

Key actuarial assumptions used:

i) Rate of interest

| | 2016 % | 2015 % |
|--|-----------|-----------|
| Discount rate | 8.57% | 8.03% |
| General Salary Inflation (long-term) | 7.23% | 7.08% |
| Net Effective Discount Rate applied to salary-related Long Service Bonuses | 1.25% | 0.89% |

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

BEAUFORT WEST MUNICIPALITY

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

4 EMPLOYEE BENEFITS (CONTINUED)

| | 2016 R | 2015 R |
|---|------------------|------------------|
| The amounts recognised in the Statement of Financial Position are as follows: | | |
| Present value of fund obligations | 4 044 630 | 3 826 752 |
| Net liability/(asset) | 4 044 630 | 3 826 752 |

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

| | 2014 R | 2013 R | 2012 R |
|-----------------------------------|------------------|------------------|------------------|
| Present value of fund obligations | 3 568 981 | 3 478 317 | 3 246 547 |
| Total Liability | 3 568 981 | 3 478 317 | 3 246 547 |

Experience adjustments were calculated as follows:

| | 2016 R | 2015 R |
|----------------------------|-----------|-----------|
| Liabilities: (Gain) / loss | 33 820 | 133 705 |
| Assets: Gain / (loss) | - | - |

Experience adjustments were calculated as follows in respect of periods commencing prior to the comparative year:

| | 2014 Rm | 2013 Rm | 2012 Rm |
|----------------------------|------------|------------|------------|
| Liabilities: (Gain) / loss | (124 179) | (110 128) | (5 747) |
| Assets: Gain / (loss) | - | - | - |

Reconciliation of present value of fund obligation:

| | | |
|---|------------------|------------------|
| Present value of fund obligation at the beginning of the year | 3 826 752 | 3 568 981 |
| Total expenses | 295 213 | 79 028 |
| Current service cost | 315 183 | 283 215 |
| Interest Cost | 288 863 | 268 917 |
| Benefits Paid | (308 833) | (473 104) |
| Actuarial (gains)/losses | (77 335) | 178 743 |
| Present value of fund obligation at the end of the year | 4 044 630 | 3 826 752 |
| Less: Transfer of Current Portion - Note 7 | (321 242) | (465 473) |
| Balance 30 June | 3 723 388 | 3 361 279 |

Sensitivity Analysis on the Unfunded Accrued Liability

| Assumption | Change | Liability (Rm) | % change |
|--------------------------|--------|-------------------|----------|
| Central assumptions | | 4.045 | |
| General salary inflation | 1% | 4.316 | 7% |
| General salary inflation | -1% | 3.799 | -6% |
| Discount Rate | 1% | 3.788 | -6% |
| Discount Rate | -1% | 4.333 | 7% |
| Average retirement age | -2 yrs | 3.426 | -15% |
| Average retirement age | 2 yrs | 4.736 | 17% |
| Withdrawal rates | -50% | 4.712 | 16% |

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2015

| Assumption | Change | Current-service Cost (R) | Interest Cost (R) | Total (R) | % change |
|---------------------------|-----------|--------------------------------|----------------------|--------------|----------|
| Central Assumption | | 315 200 | 288 900 | 604 100 | |
| General salary inflation | | 343 700 | 309 800 | 653 500 | 8% |
| General salary inflation | | 289 900 | 270 000 | 559 900 | -7% |
| Discount rate | | 291 700 | 302 600 | 594 300 | -2% |
| Discount rate | | 342 100 | 272 400 | 614 500 | 2% |
| Average retirement age | - 2 years | 276 400 | 245 300 | 521 700 | -14% |
| Average retirement age | +2 years | 362 000 | 338 500 | 700 500 | 16% |
| Withdrawal rates | | 413 000 | 342 200 | 755 200 | 25% |

BEAUFORT WEST MUNICIPALITY

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

4 EMPLOYEE BENEFITS (CONTINUED)
4.3 Retirement funds

2016 R 2015 R

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 claims that the pensioner data is confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

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

CAPE 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 112.1% (30 June 2014 - 112.2%).

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The latest available actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 101.4% (30 June 2014 - 106.2%).

SALA PENSION FUND

The contribution rate payable is 8.60% by members and 20.78% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2014 - 100%). funding level, provided that the previous statutory valuation reflected at least a 100% funding level.

SAMWU PROVIDENT FUND

The contribution rate payable is 7.50% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2014 - 100%). funding level, provided that the previous statutory valuation reflected at least a 100% funding level.

5 NON-CURRENT PROVISIONS

2016 R 2015 R

Provision for Rehabilitation of Landfill-sites

20 049 341 24 876 582

Total Non-current Provisions

20 049 341 24 876 582

The rehabilitation cost provision is for the rehabilitation of four landfill sites in the Beaufort West region. It is required from the municipality to execute an environmental management program to restore the landfill sites after its useful life. Provision has been made for this cost based on the estimated present value of future cash flows arising from the rehabilitation cost expected as at the estimated decommission dates listed below.

Landfill Sites

Notes

| | | |
|--|-------------------|-------------------|
| Balance 1 July | 24 876 582 | 24 219 012 |
| Balance previously reported | | 5 676 153 |
| Correction of Error - Note 39.03 | | (5 676 153) |
| Correction of Error - Note 39.03 | | 24 219 012 |
| Increase in Estimate | (1 038 250) | (610 942) |
| Balance previously reported | | 3 627 969 |
| Correction of Error - Note 39.03 | | (3 627 969) |
| Correction of Error - Note 39.03 | | (610 942) |
| Unwinding of discounted interest | 1 475 727 | 1 268 512 |
| Balance previously reported | | 297 376 |
| Correction of Error - Note 39.03 | | (297 376) |
| Correction of Error - Note 39.03 | | 1 268 512 |
| Total provision 30 June | 25 314 058 | 24 876 582 |
| Less: Transfer of Current Portion to Provisions | (5 264 718) | - |
| Balance previously reported | | (4 399 815) |
| Correction of Error - Note 39.03 | | 4 399 815 |
| Balance 30 June | 20 049 341 | 24 876 582 |

Location

Estimated decommission date

Cost of rehabilitation

Cost of rehabilitation

2016 R 2015 R

| | | | |
|---------------|------|-------------------|-------------------|
| Beaufort West | 2022 | 13 540 170 | 13 496 591 |
| Murraysburg | 2016 | 5 264 718 | 5 116 467 |
| Nelspoort | 2035 | 3 589 580 | 3 459 147 |
| Merweville | 2029 | 2 919 590 | 2 804 377 |
| | | 25 314 058 | 24 876 582 |

BEAUFORT WEST MUNICIPALITY

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

5 NON-CURRENT PROVISIONS (CONTINUED)

Material Assumptions used

| | 2016 | 2015 |
|--------------------|-------|-------|
| Discount Rate used | 5.93% | 5.24% |

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

6 CONSUMER DEPOSITS

| | 2016 R | 2015 R |
|--------------------------------|------------------|------------------|
| Water & Electricity | 1 292 897 | 1 227 349 |
| Total Consumer Deposits | 1 292 897 | 1 227 349 |

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

7 CURRENT EMPLOYEE BENEFITS

| | 2016 R | 2015 R |
|--|------------------|------------------|
| Current Portion of Post Retirement Benefits - Note 4 | 846 600 | 843 060 |
| Current Portion of Long-Service Provisions - Note 4 | 321 242 | 465 473 |
| Performance Bonuses | 593 065 | 560 850 |
| Bonuses | 2 004 896 | 1 886 650 |
| Staff Leave | 4 635 616 | 4 223 673 |
| Total Current Employee Benefits | 8 401 419 | 7 979 706 |

The movement in current employee benefits are reconciled as follows:

Provision for Performance Bonuses

| | | |
|---------------------------------|----------------|----------------|
| Balance at beginning of year | 560 850 | 481 518 |
| Contribution to current portion | 512 366 | 471 763 |
| Expenditure incurred | (480 151) | (392 431) |
| Balance at end of year | 593 065 | 560 850 |

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by an executive performance committee.

Bonuses

| | | |
|---------------------------------|------------------|------------------|
| Balance at beginning of year | 1 886 650 | 1 753 146 |
| Contribution to current portion | 3 822 031 | 3 415 686 |
| Expenditure incurred | (3 703 785) | (3 282 182) |
| Balance at end of year | 2 004 896 | 1 886 650 |

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

Provision for Staff Leave

| | | |
|---------------------------------|------------------|------------------|
| Balance at beginning of year | 4 223 673 | 4 016 026 |
| Contribution to current portion | 761 004 | 622 106 |
| Expenditure incurred | (349 061) | (414 459) |
| Balance at end of year | 4 635 616 | 4 223 673 |

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.

BEAUFORT WEST MUNICIPALITY

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

| | 2016 R | 2015 R |
|--|------------------|-------------|
| 8 PROVISIONS | | |
| Current Portion of Rehabilitation of Landfill-sites - Note 5 | 5 264 718 | - |
| Balance previously reported | | 4 399 815 |
| Correction of Error - Note 39.03 | | (4 399 815) |
| Total Provisions | 5 264 718 | - |

| | 2016 R | 2015 R |
|--|-------------------|-------------------|
| 9 PAYABLES FROM EXCHANGE TRANSACTIONS | | |
| Trade Payables | 18 691 436 | 21 356 050 |
| Balance previously reported | - | 27 075 160 |
| Correction of error - Note 39.07 | - | (6 076 922) |
| Deposits: Other | 1 549 501 | 1 383 002 |
| Retention | 2 603 886 | 4 223 421 |
| Payments received in advance | 1 369 472 | 276 887 |
| Receivable accounts with credit balances | 3 350 701 | 2 500 017 |
| Sundry Creditors | 2 572 831 | 1 754 883 |
| Pensionfund SALA | 1 364 084 | 1 784 084 |
| Total Trade Payables | 31 501 911 | 33 278 344 |

Payables are not being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

All payments are unsecured.

| | 2016 R | 2015 R |
|--|-------------------|------------------|
| 10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS | | |
| Unspent Grants | 11 091 769 | 4 709 333 |
| National and Provincial Government Grants | 11 091 769 | 4 709 333 |
| Less: Unpaid Grants | 1 | 913 053 |
| National and Provincial Government Grants | 1 | 913 053 |
| Balance previously reported | - | 1 614 319 |
| Correction of error - Note 39.10 | - | (701 266) |
| Total Conditional Grants and Receipts | 11 091 768 | 3 796 280 |

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. Grants amounting to R112 708 were withheld.

10.01 Equitable share

| | | |
|----------------------------|--------------|--------------|
| Grants received | 44 160 000 | 38 990 000 |
| Conditions met - Operating | (44 160 000) | (38 990 000) |
| 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.

10.02 National Grants

| | | |
|--|--------------|--------------|
| Opening balance | (492 798) | 4 800 070 |
| Grants received | 30 351 925 | 36 868 000 |
| Interest on investment (Only if condition) | - | - |
| Nett Transfers | (20 000) | - |
| Conditions met - Own Income | (2 579 536) | (4 826 416) |
| Conditions met - Operating | (19 050 501) | (27 540 763) |
| Conditions met - Capital | (483 671) | (9 793 690) |
| Conditions still to be met | 7 725 420 | (492 798) |

National Grants received with conditions to be met.

10.03 Provincial Grants

| | | |
|--|--------------|--------------|
| Opening balance | 4 167 191 | 2 246 880 |
| Grants received | 31 971 250 | 24 935 085 |
| Interest on investment (Only if condition) | 306 176 | 226 238 |
| Nett Transfers | 20 000 | - |
| Conditions met - Own Income | (850 928) | (314 026) |
| Conditions met - Operating | (31 964 515) | (9 394 972) |
| Conditions met - Capital | (1 806 720) | (13 419 318) |
| Refund to Donor | - | (112 708) |
| Conditions still to be met | 1 842 454 | 4 167 180 |

Provincial Grants received with conditions to be met.

BEAUFORT WEST MUNICIPALITY

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

| 10 | UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS (continued) | 2016 R | 2015 R |
|--|---|-------------------|------------------|
| 10.04 Municipal Infrastructure Grant | | | |
| | Opening balance | 1 | - |
| | Grants received | 15 647 000 | 16 745 000 |
| | Nett Transfers | - | - |
| | Conditions met - Own Income | (1 663 161) | (2 034 320) |
| | Conditions met - Operating | (264 150) | (271 205) |
| | Conditions met - Capital | (12 195 798) | (14 439 475) |
| | Conditions still to be met | <u>1 523 892</u> | <u>-</u> |
| | Municipal Infrastructure Grant received with conditions to be met. | | |
| 10.05 Local Economic Development | | | |
| | Opening balance | 34 929 | 32 944 |
| | Interest on investment (Only if condition) | 21 454 | 1 982 |
| | Conditions met - Own Income | (56 383) | - |
| | Conditions still to be met | <u>-</u> | <u>34 926</u> |
| | Local Economic Development received with conditions to be met. | | |
| 10.06 ESKOM | | | |
| | Opening balance | | |
| | Grants received | 317 005 | 225 695 |
| | Interest on investment (Only if condition) | | |
| | Nett Transfers | | |
| | Conditions met - Own Income | (4 368) | |
| | Conditions met - Operating | (312 637) | (225 695) |
| | Conditions still to be met | <u>-</u> | <u>-</u> |
| 10.07 Central Karoo District Municipality Funds | | | |
| | Opening balance | 86 971 | 86 554 |
| | Grants received | - | 359 775 |
| | Interest on investment (Only if condition) | 303 | 417 |
| | Nett Transfers | - | - |
| | Conditions met - Own Income | (87 274) | - |
| | Conditions met - Operating | - | (359 775) |
| | Conditions still to be met | <u>0</u> | <u>86 971</u> |
| | Central Karoo District Municipality Funds received with conditions to be met. | | |
| 10.08 Total Conditional Grants and Receipts | | | |
| | Opening balance | 3 796 294 | 7 166 449 |
| | Grants received | 78 287 181 | 78 907 860 |
| | Interest on investment (Only if condition) | 327 933 | 228 636 |
| | Nett Transfers | - | - |
| | Conditions met - Own Income | (5 241 650) | (7 174 761) |
| | Conditions met - Operating | (51 591 803) | (37 566 715) |
| | Conditions met - Capital | (14 486 188) | (37 652 483) |
| | Refund to Donor | - | (112 708) |
| | Conditions still to be met | <u>11 091 768</u> | <u>3 796 280</u> |
| | Total Conditional Grants and Receipts received with conditions to be met. | | |

BEAUFORT WEST MUNICIPALITY

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

11 UNSPENT PUBLIC CONTRIBUTIONS

11.01 Public Contributions

| | | |
|--|---------------|----------------|
| Opening balance | 145 955 | 139 052 |
| Grants received | 250 000 | - |
| Interest on investment (Only if condition) | 6 742 | 6 903 |
| Nett Transfers | - | - |
| Conditions met - Own Income | (1 707) | - |
| Conditions met - Operating | (250 000) | - |
| Conditions met - Capital | (70 243) | - |
| | <u>80 747</u> | <u>145 955</u> |

Public Contributions received with conditions to be met.

11.02 Total Unspent Public Contribution

80 747 145 955

Public Contributions and Receipts
Other Sources

| | |
|--------|---------|
| 80 747 | 145 955 |
| - | - |

The Unspent Public Contributions are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

12 TAXES

| | 2016 | 2015 |
|---|------------------|------------------|
| | R | R |
| VAT | 452 005 | 2 372 612 |
| Provision for Debt Impairment of trade receivables from exchange transactions | 5 589 895 | 4 071 847 |
| | <u>6 041 900</u> | <u>6 444 459</u> |

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

BEAUFORT WEST MUNICIPALITY

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

13 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

| | Cost | | | | | Accumulated Impairment R | Accumulated Depreciation | | | | Carrying Value R |
|---------------------------|-------------------|-------------|-----------------|-------------|-------------------|--------------------------|--------------------------|-----------------------|-----------------------|-------------------|------------------|
| | Opening Balance R | Additions R | Transfers/WIP R | Disposals R | Closing Balance R | | Opening Balance R | Depreciation Charge R | Disposals/Transfers R | Closing Balance R | |
| 30 June 2016 | | | | | | | | | | | |
| Land and Buildings | 109 525 864 | 1 543 564 | - | - | 111 069 428 | 9 465 481 | 1 457 149 | 666 595 | - | 2 123 745 | 99 480 203 |
| Land | 43 392 280 | - | - | - | 43 392 280 | 8 196 620 | - | - | - | - | 35 195 660 |
| Buildings | 66 133 584 | 1 543 564 | - | - | 67 677 148 | 1 268 861 | 1 457 149 | 666 595 | - | 2 123 745 | 64 284 543 |
| Infrastructure | 390 955 454 | 10 106 448 | 4 781 727 | - | 405 843 629 | - | 64 734 679 | 11 047 714 | - | 75 782 393 | 330 061 235 |
| Stormwater Network | 40 768 815 | 81 148 | - | - | 40 849 963 | - | 9 884 146 | 1 453 261 | - | 11 337 407 | 29 512 556 |
| Road Network | 125 461 379 | 1 424 967 | 2 265 301 | - | 129 151 648 | - | 22 387 983 | 3 488 950 | - | 25 876 933 | 103 274 715 |
| Sanitation Network | 72 799 894 | 8 136 231 | - | - | 80 936 124 | - | 8 324 904 | 1 765 087 | - | 10 089 991 | 70 846 134 |
| Electricity Network | 87 371 893 | 211 988 | 2 406 167 | - | 89 990 048 | - | 9 036 568 | 2 118 849 | - | 11 155 417 | 78 834 631 |
| Water Network | 62 671 400 | 252 114 | 110 258 | - | 63 033 772 | - | 14 710 784 | 2 176 395 | - | 16 887 179 | 46 146 593 |
| Refuse Network | 1 882 073 | - | - | - | 1 882 073 | - | 390 295 | 45 172 | - | 435 467 | 1 446 606 |
| Community Assets | 16 495 768 | - | - | - | 16 495 768 | 557 800 | 2 146 350 | 429 116 | - | 2 575 467 | 13 362 501 |
| Taxi Rank | - | - | - | - | - | - | - | - | - | - | - |
| Museum | - | - | - | - | - | - | - | - | - | - | - |
| Cemeteries | 17 200 | - | - | - | 17 200 | - | 1 366 | 167 | - | 1 533 | 15 667 |
| Community centres | 9 196 783 | - | - | - | 9 196 783 | 349 709 | 1 371 043 | 259 959 | - | 1 631 002 | 7 216 072 |
| Recreation sites | 6 724 308 | - | - | - | 6 724 308 | 186 621 | 727 762 | 163 094 | - | 890 856 | 5 646 831 |
| Libraries | 557 477 | - | - | - | 557 477 | 21 470 | 46 179 | 5 897 | - | 52 076 | 483 931 |
| Lease Assets | 7 026 946 | 243 958 | - | - | 7 270 904 | - | 2 990 509 | 1 308 725 | - | 4 299 234 | 2 971 670 |
| Office Equipment (Lease) | 1 079 093 | 129 667 | - | - | 1 208 760 | - | 465 283 | 184 121 | - | 649 404 | 559 356 |
| Vehicles (Lease) | 5 947 853 | 114 291 | - | - | 6 062 144 | - | 2 525 226 | 1 124 603 | - | 3 649 830 | 2 412 314 |
| Other Assets | 18 921 351 | 1 469 395 | 66 742 | (68 338) | 20 389 149 | - | 8 720 071 | 1 319 352 | (45 061) | 9 994 363 | 10 394 787 |
| Computer hardware | 3 251 026 | 291 781 | - | (59 457) | 3 483 349 | - | 1 615 025 | 289 342 | (40 756) | 1 863 611 | 1 619 738 |
| Air conditioners | 634 071 | 62 650 | - | (961) | 695 760 | - | 399 640 | 37 780 | (442) | 436 978 | 258 782 |
| Chairs | 348 228 | 6 790 | - | - | 355 018 | - | 218 417 | 19 227 | - | 237 644 | 117 374 |
| Concrete Mixer | 11 938 | - | - | - | 11 938 | - | 9 667 | 284 | - | 9 951 | 1 987 |
| Desks & Tables | 403 701 | 7 755 | - | - | 411 456 | - | 231 330 | 26 180 | - | 257 510 | 153 946 |
| Compactors | 30 731 | - | - | - | 30 731 | - | 25 472 | 728 | - | 26 200 | 4 531 |
| Compressors | 218 751 | - | - | - | 218 751 | - | 65 047 | 9 450 | - | 74 497 | 144 254 |
| Tools | 1 099 651 | 325 898 | - | - | 1 425 548 | - | 512 109 | 88 625 | - | 600 735 | 824 814 |
| Electronic Equipment | 853 695 | 132 567 | - | - | 986 262 | - | 465 295 | 58 628 | - | 523 923 | 462 338 |
| Fire Brigade Equipment | 156 700 | - | - | - | 156 700 | - | 51 319 | 6 535 | - | 57 854 | 98 846 |
| Lawn Equipment | 300 590 | 3 510 | - | - | 304 100 | - | 210 018 | 11 509 | - | 221 527 | 82 573 |
| Trucks/LDV | 6 025 601 | - | - | - | 6 025 601 | - | 2 497 514 | 357 149 | - | 2 854 664 | 3 170 938 |
| Motor Vehicles | 433 061 | 200 227 | 66 742 | - | 700 030 | - | 221 021 | 32 088 | - | 253 109 | 446 921 |
| Office Equipment | 872 369 | 187 463 | - | - | 1 059 832 | - | 421 495 | 68 492 | (378) | 489 609 | 569 418 |
| Office Furniture | 973 741 | 215 161 | - | (7 092) | 1 181 811 | - | 541 532 | 68 567 | (3 474) | 606 625 | 575 186 |
| Trailers | 661 840 | 35 593 | - | - | 697 433 | - | 309 778 | 52 731 | - | 362 509 | 334 924 |
| Tracktors | 1 436 524 | - | - | - | 1 436 524 | - | 423 917 | 90 771 | - | 514 688 | 921 836 |
| Toolbox | 360 314 | - | - | - | 360 314 | - | 194 391 | 25 213 | - | 219 604 | 140 710 |
| Gym Equipment | 411 878 | - | - | - | 411 878 | - | 75 835 | 53 137 | - | 128 972 | 282 907 |
| Generators | 187 130 | - | - | - | 187 130 | - | 68 000 | 7 676 | - | 75 677 | 111 453 |
| Radio Equipment | 249 811 | - | - | (24) | 249 787 | - | 163 250 | 15 240 | (11) | 178 479 | 71 308 |
| | 542 925 382 | 13 363 366 | 4 848 469 | (68 338) | 561 068 879 | 10 023 281 | 80 048 759 | 14 771 503 | (45 061) | 94 775 201 | 456 270 397 |

BEAUFORT WEST MUNICIPALITY

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

13 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

| | Cost | | | | | Accumulated Depreciation | | | | | Carrying Value |
|---------------------------------------|----------------------|----------------|--------------------|----------------|----------------------|--------------------------------|----------------------|-----------------------------|------------------------------|----------------------|----------------|
| | Opening Balance R | Additions R | Transfers/WIP R | Disposals R | Closing Balance R | Accumulated Impairment R | Opening Balance R | Depreciation Charge R | Disposals/ Transfers R | Closing Balance R | |
| 30 June 2015 | | | | | | | | | | | |
| Land and Buildings | 57 994 154 | 52 000 000 | - | (468 290) | 109 525 864 | 9 465 481 | 1 044 597 | 432 892 | (20 340) | 1 457 149 | 98 603 234 |
| Land | 43 621 230 | - | - | (228 950) | 43 392 280 | 8 194 002 | - | - | - | - | 35 198 278 |
| Balance previously reported | 43 445 230 | - | - | (228 950) | 43 216 280 | 8 698 520 | - | - | - | - | 34 517 760 |
| Correction of error. Refer note 39.09 | 176 000 | - | - | - | 176 000 | (504 518) | - | - | - | - | 680 518 |
| Buildings | 14 372 924 | 52 000 000 | - | (239 340) | 66 133 584 | 1 271 479 | 1 044 597 | 432 892 | (20 340) | 1 457 149 | 63 404 956 |
| Infrastructure | 353 516 220 | 9 630 274 | 27 808 960 | - | 390 955 454 | - | 53 948 772 | 10 785 907 | - | 64 734 679 | 326 220 775 |
| Stormwater Network | 40 417 967 | 56 712 | 294 136 | - | 40 768 815 | - | 8 343 368 | 1 540 779 | - | 9 884 146 | 30 884 669 |
| Balance previously reported | 40 417 967 | 350 848 | - | - | 40 768 815 | - | 8 343 368 | 1 540 779 | - | 9 884 146 | 30 884 669 |
| Correction of error. Transfer to WIP | - | (294 136) | 294 136 | - | - | - | - | - | - | - | - |
| Road Network | 117 813 657 | 5 508 519 | 2 139 203 | - | 125 461 379 | - | 18 969 698 | 3 418 284 | - | 22 387 983 | 103 073 397 |
| Balance previously reported | 117 813 657 | 7 647 722 | - | - | 125 461 379 | - | 18 969 698 | 3 418 284 | - | 22 387 983 | 103 073 397 |
| Correction of error. Transfer to WIP | - | (2 139 203) | 2 139 203 | - | - | - | - | - | - | - | - |
| Sanitation Network | 57 194 323 | 1 586 236 | 14 019 334 | - | 72 799 894 | - | 6 692 594 | 1 632 310 | - | 8 324 904 | 64 474 990 |
| Balance previously reported | 57 194 323 | 15 605 570 | - | - | 72 799 894 | - | 6 692 594 | 1 632 310 | - | 8 324 904 | 64 474 990 |
| Correction of error. Transfer to WIP | - | (14 019 334) | 14 019 334 | - | - | - | - | - | - | - | - |
| Electricity Network | 75 544 598 | 2 092 260 | 9 735 035 | - | 87 371 893 | - | 7 084 672 | 1 951 896 | - | 9 036 568 | 78 335 325 |
| Balance previously reported | 75 544 598 | 11 827 295 | - | - | 87 371 893 | - | 7 084 672 | 1 951 896 | - | 9 036 568 | 78 335 325 |
| Correction of error. Transfer to WIP | - | (9 735 035) | 9 735 035 | - | - | - | - | - | - | - | - |
| Water Network | 60 793 622 | 386 546 | 1 491 232 | - | 62 671 400 | - | 12 518 277 | 2 192 507 | - | 14 710 784 | 47 960 616 |
| Refuse Network | 1 752 053 | - | 130 020 | - | 1 882 073 | - | 340 164 | 50 131 | - | 390 295 | 1 491 778 |
| Balance previously reported | 1 752 053 | 130 020 | - | - | 1 882 073 | - | 340 164 | 50 131 | - | 390 295 | 1 491 778 |
| Correction of error. Transfer to WIP | - | (130 020) | 130 020 | - | - | - | - | - | - | - | - |
| Community Assets | 16 668 182 | 335 586 | - | (508 000) | 16 495 768 | 557 800 | 1 746 085 | 440 652 | (40 386) | 2 146 350 | 13 791 617 |
| Taxi Rank | - | - | - | - | - | - | - | - | - | - | - |
| Museum | - | - | - | - | - | - | - | - | - | - | - |
| Cemeteries | 17 200 | - | - | - | 17 200 | - | 1 198 | 168 | - | 1 366 | 15 834 |
| Community centres | 9 704 783 | - | - | (508 000) | 9 196 783 | 349 709 | 1 130 915 | 280 515 | (40 386) | 1 371 043 | 7 476 031 |
| Recreation sites | 6 388 721 | 335 586 | - | - | 6 724 308 | 186 621 | 573 790 | 153 972 | - | 727 762 | 5 809 925 |
| Libraries | 557 477 | - | - | - | 557 477 | 21 470 | 40 182 | 5 997 | - | 46 179 | 489 827 |
| Lease Assets | 6 367 882 | 789 593 | - | (130 529) | 7 026 946 | - | 1 365 030 | 1 706 304 | (80 825) | 2 990 509 | 4 036 437 |
| Office Equipment (Lease) | 797 780 | 281 313 | - | - | 1 079 093 | - | 280 437 | 184 846 | - | 465 283 | 613 810 |
| Vehicles (Lease) | 5 570 102 | 508 280 | - | (130 529) | 5 947 853 | - | 1 084 593 | 1 521 458 | (80 825) | 2 525 226 | 3 422 627 |
| Other Assets | 16 990 983 | 2 087 868 | - | (157 500) | 18 921 351 | - | 7 687 529 | 1 091 497 | (58 956) | 8 720 071 | 10 201 280 |
| Computer hardware | 2 559 981 | 698 545 | - | (7 500) | 3 251 026 | - | 1 390 954 | 230 486 | (6 415) | 1 615 025 | 1 636 001 |
| Air conditioners | 597 745 | 36 326 | - | - | 634 071 | - | 361 859 | 37 781 | - | 399 640 | 234 431 |
| Chairs | 299 643 | 48 585 | - | - | 348 228 | - | 203 440 | 14 977 | - | 218 417 | 129 811 |
| Concrete Mixer | 11 938 | - | - | - | 11 938 | - | 9 342 | 325 | - | 9 667 | 2 271 |
| Desks & Tables | 328 523 | 75 178 | - | - | 403 701 | - | 215 571 | 15 759 | - | 231 330 | 172 370 |
| Compactors | 30 731 | - | - | - | 30 731 | - | 24 623 | 849 | - | 25 472 | 5 259 |
| Compressors | 218 751 | - | - | - | 218 751 | - | 54 901 | 10 146 | - | 65 047 | 153 704 |
| Tools | 1 064 031 | 35 620 | - | - | 1 099 651 | - | 421 422 | 90 687 | - | 512 109 | 587 542 |
| Electronic Equipment | 830 114 | 23 581 | - | - | 853 695 | - | 402 948 | 62 347 | - | 465 295 | 388 399 |
| Fire Brigade Equipment | 156 700 | - | - | - | 156 700 | - | 44 179 | 7 140 | - | 51 319 | 105 381 |
| Lawn Equipment | 300 590 | - | - | - | 300 590 | - | 196 568 | 13 450 | - | 210 018 | 90 572 |
| Trucks/LDV | 5 963 254 | 212 347 | - | (150 000) | 6 025 601 | - | 2 241 724 | 308 331 | (52 540) | 2 497 514 | 3 528 087 |
| Motor Vehicles | 433 061 | - | - | - | 433 061 | - | 191 195 | 29 825 | - | 221 021 | 212 041 |
| Office Equipment | 536 806 | 335 563 | - | - | 872 369 | - | 380 106 | 41 389 | - | 421 495 | 450 874 |
| Office Furniture | 894 291 | 79 450 | - | - | 973 741 | - | 486 634 | 54 898 | - | 541 532 | 432 210 |
| Trailers | 414 242 | 247 598 | - | - | 661 840 | - | 283 195 | 26 583 | - | 309 778 | 352 062 |
| Tracktors | 1 436 524 | - | - | - | 1 436 524 | - | 339 483 | 84 434 | - | 423 917 | 1 012 607 |
| Toolbox | 360 314 | - | - | - | 360 314 | - | 164 059 | 30 332 | - | 194 391 | 165 923 |
| Gym Equipment | 116 803 | 295 075 | - | - | 411 878 | - | 71 363 | 4 472 | - | 75 835 | 336 044 |
| Generators | 187 130 | - | - | - | 187 130 | - | 59 723 | 8 277 | - | 68 000 | 119 130 |
| Radio Equipment | 249 811 | - | - | - | 249 811 | - | 144 240 | 19 010 | - | 163 250 | 86 561 |
| | 451 537 421 | 64 843 321 | 27 808 960 | (1 264 319) | 542 925 382 | 10 023 281 | 65 792 014 | 14 457 253 | (200 508) | 80 048 759 | 452 853 342 |

BEAUFORT WEST MUNICIPALITY

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

| | | | |
|-----------|--|-------------|------------------|
| 13 | PROPERTY, PLANT AND EQUIPMENT (CONTINUED) | 2016 | 2015 |
| | | R | R |
| | Impairment of property plant and equipment | | |
| | Impairment charges on Property, plant and equipment recognised in statement of financial performance | | |
| | Land and Buildings | - | (504 518) |
| | Community Assets | - | - |
| | | <u>-</u> | <u>(504 518)</u> |

Assessment of impairment of assets was performed on other assets.

Details of property plant and equipment carried at fair value

No property, plant and equipment are carried at fair value.

| | | | |
|-----------|---|------------------|------------------|
| 14 | INVESTMENT PROPERTY | 2016 | 2015 |
| | | R | R |
| | Net Carrying amount at 1 July | 8 399 030 | 8 647 603 |
| | Cost | 11 222 424 | 11 222 424 |
| | Accumulated Depreciation | (2 356 812) | (2 108 239) |
| | Accumulated Impairment | (466 582) | (466 582) |
| | Reversal of Impairment for the year | - | - |
| | Depreciation for the year | (249 254) | (248 573) |
| | Balance previously reported | - | (266 355) |
| | Correction of error. Refer to note | - | 17 782 |
| | Net Carrying amount at 30 June | 8 149 775 | 8 399 030 |
| | Cost | 11 222 424 | 11 222 424 |
| | Accumulated Depreciation | (2 606 067) | (2 356 812) |
| | Accumulated Impairment | (466 582) | (466 582) |
| | Revenue derived from the rental of investment property: | | |
| | Sanlam Building | 201 779 | 181 582 |
| | Operating expenditure incurred on properties generating revenue | <u>22 723</u> | <u>48 584</u> |

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

The cost model in terms of GRAP 16 is being applied on Investment Property.

Cost at implementation of GRAP 16 was determined by valuation roll of 1 July 2009. Impairment was calculated based on valuation roll of 1 July 2013.

| | | | |
|-----------|---------------------------------------|----------------|----------------|
| 15 | INTANGIBLE ASSETS | | |
| | Computer System & Software | | |
| | Net Carrying amount at 1 July | 316 106 | 268 770 |
| | Cost | 1 218 238 | 1 074 013 |
| | Accumulated Amortisation | (902 132) | (805 243) |
| | Acquisitions | 274 841 | 144 224 |
| | Amortisation for the year | (120 246) | (96 889) |
| | Net Carrying amount at 30 June | 470 701 | 316 106 |
| | Cost | 1 493 079 | 1 218 238 |
| | Accumulated Amortisation | (1 022 378) | (902 132) |

The following material intangible assets are included in the carrying value above

| <u>Description</u> | <u>Remaining Amortisation</u> <u>Period</u> | <u>Carrying Value</u> | |
|--------------------|--|-------------------------|-------------------------|
| | | 2016 R | 2015 R |
| Sebata System | 2 | 79 138 | 159 150 |

No intangible asset were assessed as having an indefinite useful life.
There are no intangible assets whose title is restricted.
There are no intangible assets pledged as security for liabilities

BEAUFORT WEST MUNICIPALITY

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

| | 2016 R | 2015 R |
|--|------------------|------------------|
| 16 CAPITALISED RESTORATION COST | | |
| Net Carrying amount at 1 July | 1 160 239 | 1 798 744 |
| Cost | 5 025 731 | 5 480 524 |
| Balance previously reported | | 2 653 085 |
| Correction of Error - Note 39.04 | | (2 653 085) |
| Correction of Error - Note 39.04 | | 5 480 524 |
| Accumulated Depreciation | (3 543 972) | (3 332 688) |
| Balance previously reported | | (894 623) |
| Correction of Error - Note 39.04 | | 894 623 |
| Correction of Error - Note 39.04 | | (3 332 688) |
| Accumulated Impairments | (321 520) | (349 092) |
| Balance previously reported | | (94 461) |
| Correction of Error - Note 39.04 | | 94 461 |
| Correction of Error - Note 39.04 | | (349 092) |
| Additions | (886 243) | (454 794) |
| Balance previously reported | | 3 627 969 |
| Correction of Error - Note 39.04 | | (3 627 969) |
| Correction of Error - Note 39.04 | | (454 794) |
| Under Construction - Cost | - | - |
| Disposals | - | - |
| Depreciation for the year | (139 193) | (211 284) |
| Balance previously reported | | (223 693) |
| Correction of Error - Note 39.04 | | 223 693 |
| Correction of Error - Note 39.04 | | (211 284) |
| Impairment - Note 32 | 35 932 | 27 573 |
| Balance previously reported | | (3 164 984) |
| Correction of Error - Note 39.04 | | 3 164 984 |
| Correction of Error - Note 39.04 | | 27 573 |
| Net Carrying amount at 30 June | 170 735 | 1 160 239 |
| Cost | 4 139 488 | 5 025 731 |
| Accumulated Depreciation | (3 683 165) | (3 543 972) |
| Accumulated Impairments | (285 588) | (321 520) |
| 17 HERITAGE ASSETS | | |
| Net Carrying amount at 1 July | 5 225 000 | 5 225 000 |
| Net Carrying amount at 30 June | 5 225 000 | 5 225 000 |
| The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in May 2010. All heritage assets were measured in terms of GRAP 103 during the year under review. | | |
| 18 LONG-TERM RECEIVABLES | | |
| Housing Loans | 461 643 | 461 643 |
| Receivables with arrangements | 1 998 607 | 1 788 784 |
| Less: Current portion transferred to Trade and other receivables from exchange transactions | (612 414) | (514 949) |
| Total Long Term Receivables | 1 847 836 | 1 735 478 |
| ARRANGEMENTS | | |
| Municipal account holders can make arrangements with the Municipality, agreeing to pay the outstanding accounts over a predetermined period at a fixed monthly instalment. When a monthly instalment is not paid, the account is transferred back to Trade receivables where it will be included in the calculation of Provision for Impairment. | | |
| HOUSING LOANS | | |
| The outstanding amount relates to prior years and is still collectable. General public were entitled to housing loans which attract interest at 13,5% per annum and which are repayable over a maximum period of 30 years. These loans are repayable in the year 2026. | | |
| 19 INVENTORY | | |
| Consumable Stores - Stationery and materials - At cost | 3 664 888 | 2 924 399 |
| Water – at cost | 63 733 | 67 261 |
| Total Inventory | 3 728 621 | 2 991 660 |
| Consumable stores materials written down due to losses as identified during the annual stores counts. | - | - |
| Consumable stores materials surplusses identified during the annual stores counts. | 128 | 288 |
| No inventory assets were pledged as security for liabilities. | | |

BEAUFORT WEST MUNICIPALITY

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

| | 2016 R | 2015 R |
|---|-------------------|-------------------|
| 20 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS | | |
| <i>Service Receivables</i> | | |
| Water | 6 765 883 | 6 186 439 |
| Electricity | 11 092 282 | 9 864 847 |
| Housing Rentals | 65 401 | 81 471 |
| Refuse | 6 611 676 | 5 941 893 |
| Sewerage | 10 509 096 | 8 867 758 |
| Total Service Receivables | 35 044 339 | 30 942 408 |
| Less: Provision for Debt Impairment | (22 408 871) | (17 281 223) |
| Net Service Receivables | 12 635 468 | 13 661 185 |
| <i>Other Receivables</i> | | |
| Other Arrears | 24 440 929 | 21 460 146 |
| Total Other Receivables | 24 440 929 | 21 460 146 |
| Less: Provision for Debt Impairment | (23 108 846) | (16 290 647) |
| Net Other Receivables | 1 332 083 | 5 169 499 |
| Total Net Receivables from Exchange Transactions | 13 967 550 | 18 830 684 |
| <p>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.</p> | | |
| Ageing of Receivables from Exchange Transactions | | |
| <u>(Electricity): Ageing</u> | | |
| Current (0 - 30 days) | 8 202 002 | 7 257 405 |
| 31 - 60 Days | 474 239 | 283 783 |
| 61 - 90 Days | 149 186 | 101 211 |
| + 90 Days | 2 266 855 | 2 222 448 |
| Total | 11 092 282 | 9 864 847 |
| <u>(Water): Ageing</u> | | |
| Current (0 - 30 days) | 2 625 968 | 2 526 865 |
| 31 - 60 Days | 291 852 | 629 280 |
| 61 - 90 Days | 234 105 | 211 438 |
| + 90 Days | 3 613 958 | 2 818 856 |
| Total | 6 765 883 | 6 186 439 |
| <u>(Refuse): Ageing</u> | | |
| Current (0 - 30 days) | 604 141 | 522 909 |
| 31 - 60 Days | 249 695 | 225 127 |
| 61 - 90 Days | 221 531 | 206 789 |
| + 90 Days | 5 536 309 | 4 987 068 |
| Total | 6 611 676 | 5 941 893 |
| <u>(Sewerage): Ageing</u> | | |
| Current (0 - 30 days) | 1 097 224 | 953 801 |
| 31 - 60 Days | 418 620 | 328 919 |
| 61 - 90 Days | 369 486 | 295 757 |
| + 90 Days | 8 623 767 | 7 289 281 |
| Total | 10 509 096 | 8 867 758 |
| <u>(Housing Rentals Debtors): Ageing</u> | | |
| Current (0 - 30 days) | 5 280 | 5 385 |
| 31 - 60 Days | 795 | 1 869 |
| 61 - 90 Days | 998 | 1 329 |
| + 90 Days | 58 328 | 72 888 |
| Total | 65 401 | 81 471 |
| <u>(Other Debtors): Ageing</u> | | |
| Current (0 - 30 days) | 666 369 | 1 486 537 |
| 31 - 60 Days | 1 022 411 | 544 463 |
| 61 - 90 Days | 762 224 | 875 510 |
| + 90 Days | 21 989 926 | 18 553 636 |
| Total | 24 440 929 | 21 460 146 |

BEAUFORT WEST MUNICIPALITY

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

| | | | | |
|----|---|------------------------------|---|------------------|
| | | 2016 | 2015 | |
| | | R | R | |
| 21 | OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS | | | |
| | Service Receivables | | | |
| | Taxes - Rates | 12 937 916 | 12 489 593 | |
| | Other Receivables | 49 457 252 | 72 092 733 | |
| | Total Service Receivables | 62 395 168 | 84 582 326 | |
| | Less: Provision for Debt Impairment | (46 734 488) | (62 653 629) | |
| | Total Net Receivables from Non-Exchange Transactions | 15 660 680 | 21 928 697 | |
| | Ageing of Receivables from Non-Exchange Transactions | | | |
| | (Rates): Ageing | | | |
| | Current (0 - 30 days) | 2 650 956 | 1 943 623 | |
| | 31 - 60 Days | 581 696 | 348 701 | |
| | 61 - 90 Days | 331 814 | 613 624 | |
| | + 90 Days | 9 373 450 | 9 583 645 | |
| | Total | 12 937 916 | 12 489 593 | |
| | (Other Receivables): Ageing | | | |
| | Current (0 - 30 days) | - | - | |
| | 31 - 60 Days | - | - | |
| | 61 - 90 Days | - | - | |
| | + 90 Days | 49 457 252 | 72 092 733 | |
| | Balance Previously Reported | - | 72 092 733 | |
| | Correction of error Note 39.06 | - | - | |
| | Total | 49 457 252 | 72 092 733 | |
| | Summary of Receivables by Customer Classification | | | |
| | Residential, Industrial & Commercial | Other Debtors | National and Provincial Government | Total |
| | R | R | R | R |
| | 2016 | | | |
| | Total Receivables | 116 074 565 | 3 166 044 | 2 639 826 |
| | Less: Provision for doubtful debts | (89 334 794) | (2 917 411) | - |
| | Total Recoverable debtors by customer classification | 26 739 771 | 248 633 | 2 639 826 |
| | Summary of Receivables by Customer Classification | | | |
| | Residential, Industrial & Commercial | Other Debtors | National and Provincial Government | Total |
| | R | R | R | R |
| | 2015 | | | |
| | Total Receivables | 136 485 868 | - | 499 012 |
| | Less: Provision for doubtful debts | (96 225 499) | - | - |
| | Total Recoverable debtors by customer classification | 40 260 369 | - | 499 012 |
| | Trade and other receivables impaired | | | |
| | 2016 | | | |
| | | Exchange Transactions | Non-Exchange Transactions | Total |
| | | R | R | R |
| | Total | (45 517 717) | (46 734 488) | (92 252 205) |
| | 2015 | | | |
| | | Exchange Transactions | Non-Exchange Transactions | Total |
| | | R | R | R |
| | Total | (33 571 870) | (62 653 629) | (96 225 499) |

Debts on rates are required to be settled after 30 days, interest is charged after this date at prime +1%.
The fair value of trade and other receivables approximates their carrying amounts.

BEAUFORT WEST MUNICIPALITY

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

Reconciliation of the Total Provision for Debt Impairment

| | 2016 | 2015 |
|---|-------------------|-------------------|
| | R | R |
| Balance at beginning of the year | 96 225 499 | 59 494 567 |
| Contributions to provision | 69 311 226 | 40 121 041 |
| VAT Contributions to provision | 1 518 048 | 302 461 |
| Additional interest/corrections transferred to/from provision | 3 544 | 2 958 |
| Doubtful debts written off against provision | (74 806 112) | (3 695 528) |
| Balance at end of year | 92 252 205 | 96 225 499 |

In determining the recoverability of a trade receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

22 OPERATING LEASE ARRANGEMENTS

22.1 The Municipality as Lessor

Notes

| | | |
|---|---------------|---------------|
| Balance on 1 July | 15 412 | 10 008 |
| Operating Lease Asset previously not recognised - Note 25.23 and Note 39.06 | - | 2 881 |
| Restated Balance on 1 July | 15 412 | 12 889 |
| Operating Lease Asset previously not recognised - Note 25.23 and Note 39.06 | - | - |
| Operating Lease Asset for the current year | 37 590 | 2 523 |
| Balance on 30 June | 53 002 | 15 412 |

Beaufort West Municipality is leasing land to rate payers for periods of 24 to 119 months with various escalations per year.

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 | 491 429 | 492 660 |
| 1 to 5 Years | 554 119 | 763 871 |
| More than 5 Years | 154 844 | 156 594 |
| Total Operating Lease Arrangements | 1 200 391 | 1 413 125 |

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 being leased out for a period until 2109

23 CASH AND CASH EQUIVALENTS

Assets

| | | |
|---|-------------------|-------------------|
| Call Investments Deposits | 18 037 290 | 15 036 387 |
| Primary Bank Account | - | - |
| Cash Floats | 12 230 | 12 230 |
| Total Cash and Cash Equivalents - Assets | 18 049 520 | 15 048 617 |

| | |
|-------------|-------------|
| 2016 | 2015 |
| R | R |

Liabilities

| | | |
|--|------------------|--------------------|
| Primary Bank Account | (520 342) | (1 932 245) |
| Total Cash and Cash Equivalents - Liabilities | (520 342) | (1 932 245) |

Call Investments Deposits to an amount of R11 091 768 are held to fund the Unspent Conditional Grants (2015: R4 709 333).

Bank overdraft of R5 000 000 exists at Nedbank and the Municipality has a facility of R 854 000 for Fleet Cards at Nedbank.

BEAUFORT WEST MUNICIPALITY

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

| | | | |
|----|---|-------------------------|-------------------------|
| 23 | CASH AND CASH EQUIVALENTS (CONTINUED) | 2016 R | 2015 R |
| | The municipality has the following bank account: | | |
| | <u>Current Account</u> | | |
| | Beaufort West Nedbank - Account Number 10 7428 0318 (Primary Account): | | |
| | Cash book balance at beginning of year | (1 932 245) | - |
| | Cash book balance at end of year | (520 342) | (1 932 245) |
| | Bank statement balance at beginning of year Nedbank-Account Number 10 7428 0318 | 3 046 652 | - |
| | Bank statement balance at beginning of year ABSA-Account Number 405 0538 936 | 458 675 | 2 151 835 |
| | Bank Accounts balance at beginning of year | 3 505 326 | 2 151 835 |
| | Bank statement balance at end of year Nedbank-Account Number 10 7428 0318 | (1 166 224) | 3 046 652 |
| | Bank statement balance at end of year ABSA-Account Number 405 0538 936 | (150 182) | 458 675 |
| | Bank Accounts balance at end of year | (1 316 405) | 3 505 326 |
| | <u>Call Investment Deposits</u> | | |
| | Call investment deposits consist out of the following accounts: | | |
| | Investec | 4 536 535 | 2 804 217 |
| | ABSA | 5 034 228 | 3 966 864 |
| | Standard Bank | 3 895 843 | 273 084 |
| | Nedbank | 4 570 662 | 7 992 228 |
| | | 18 037 268 | 15 036 392 |

| | | | |
|----|---|----------------------|----------------------|
| 24 | PROPERTY RATES | | |
| | <u>Actual</u> | | |
| | Rateable Land and Buildings | 28 885 130 | 27 215 031 |
| | Residential, Commercial Property, State | 28 885 130 | 27 215 031 |
| | Less: Rebates | (2 854 038) | (2 632 007) |
| | Total Assessment Rates | 26 031 092 | 24 583 024 |
| | <u>Valuations on 30 June 2016:</u> | | |
| | Residential | 1 126 632 080 | 1 146 872 730 |
| | Commercial | 263 229 800 | 269 361 000 |
| | Governments | 49 299 700 | 7 960 300 |
| | Schools | 46 978 100 | 46 821 100 |
| | PSI | 41 221 900 | 41 246 900 |
| | Non profitable | 83 666 150 | 83 022 150 |
| | Exemptions (Municipal) | 197 507 250 | 189 577 750 |
| | Agricultural | 1 720 778 060 | 1 715 323 060 |
| | Vacant Erven | - | - |
| | Building Clause | 10 735 928 | 10 345 928 |
| | Total Property Valuations | 3 540 048 968 | 3 510 530 918 |

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Rebates were granted on land with buildings used solely for dwellings purposes as follows: Residential - The first R19 000 on the valuation is exempted.

Rates are levied monthly and payable by the 12th of the following month. 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.

BEAUFORT WEST MUNICIPALITY

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

| 25 | GOVERNMENT GRANTS AND SUBSIDIES | 2016 R | 2015 R |
|----|--|--------------------|--------------------|
| | Unconditional Grants | 44 160 000 | 38 990 000 |
| | Equitable Share - Refer to Note 25.1 | 44 160 000 | 38 990 000 |
| | Conditional Grants | 66 398 233 | 75 444 894 |
| | Municipal Infrastructure Grant | 12 195 798 | 14 439 475 |
| | Finance Management Grant | 1 457 866 | 1 460 327 |
| | Department of Water Affairs and Forestry | - | - |
| | Department of Mineral and Energy | 12 624 805 | 32 639 828 |
| | ESKOM | 312 637 | - |
| | ACIP | 2 791 790 | 887 934 |
| | Municipal System Improvement Grant | 923 693 | 719 364 |
| | Public Transport Infrastructure Program (PTIP) | - | 81 150 |
| | Provincial Administration Western Cape (PAWC) | 33 566 097 | 21 733 260 |
| | Neighbourhood Development Programme (NDP) | 264 150 | 271 205 |
| | Donations and Public Contributions | 320 243 | - |
| | Subsidies | - | 696 316 |
| | Job Creation | - | 359 776 |
| | Expended Public Works Program National (EPWP) | 1 736 017 | 1 834 000 |
| | Regional Bulk Infrastructure Grant : Capital (RBIG) | - | 18 695 |
| | Community Development Workers | 205 137 | 303 564 |
| | Total Government Grants and Subsidies | 110 558 233 | 114 434 894 |
| | Government Grants and Subsidies - Capital | 14 556 431 | 37 652 483 |
| | Government Grants and Subsidies - Operating | 96 001 801 | 76 782 411 |
| | | 110 558 233 | 114 434 894 |
| | Revenue recognised per vote as required by Section 123 (c) of the MFMA | | |
| | Executive & Council | 26 740 798 | 22 026 089 |
| | Budget & Treasury | 5 410 470 | 5 972 432 |
| | Corporate Services | 543 362 | 205 022 |
| | Planning & Development | 631 856 | 398 101 |
| | Community & Social Services | 6 663 612 | 5 156 570 |
| | Housing | 25 209 541 | 3 195 587 |
| | Sport & Recreation | 998 731 | 1 837 626 |
| | Waste Management | 946 971 | 1 033 455 |
| | Waste Water Management | 10 991 068 | 13 916 313 |
| | Road Transport | 2 164 927 | 11 923 757 |
| | Water | 11 640 329 | 11 957 211 |
| | Electricity | 18 616 568 | 36 812 731 |
| | | 110 558 233 | 114 434 894 |

The municipality does not expect any significant changes to the level of grants.

25.1 Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services for the geographical area concerned

See Appendix D & note 10 for a reconciliation of all grants.

26 SERVICE CHARGES

| | | |
|---------------------------------|-------------------|-------------------|
| Electricity | 63 227 351 | 57 777 162 |
| Service Charges - Electricity | 67 085 160 | 61 204 206 |
| Less: Rebates | (3 857 809) | (3 427 044) |
| Water | 15 589 880 | 13 386 412 |
| Service Charges - Water | 24 073 528 | 21 421 823 |
| Less: Rebates | (8 483 648) | (8 035 411) |
| Refuse removal | 6 465 133 | 5 947 327 |
| Service Charges - Refuse | 7 412 104 | 6 850 762 |
| Less: Rebates | (946 971) | (903 435) |
| Sewerage and Sanitation Charges | 12 326 698 | 11 288 363 |
| Service Charges - Sewerage | 15 292 056 | 14 031 381 |
| Less: Rebates | (2 965 358) | (2 743 018) |
| Total Service Charges | 97 609 062 | 88 399 264 |

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.

BEAUFORT WEST MUNICIPALITY

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

| 27 | OTHER REVENUE | 2016 R | 2015 R |
|----|--|-------------------|-------------------|
| | Insurance excess revenue | 242 541 | 129 007 |
| | VAT portion of Grants that the Municipality may recognized as own income | 4 453 366 | 7 077 277 |
| | Selling of burial sites | 205 952 | 164 518 |
| | Fees: swimming pool | 138 392 | 104 669 |
| | Commission on insurances | 90 611 | 97 856 |
| | Re-connections | 53 106 | 58 047 |
| | Building plans | 89 101 | 96 735 |
| | Sale of land | 95 606 | 62 324 |
| | Reversal: Impairment | - | - |
| | Contribution Capital Replacement Grant | 807 136 | - |
| | Other income represents sundry income such as administration income, sale of sand and photocopies. | 1 259 733 | 1 582 554 |
| | Total Other Income | 7 435 544 | 9 372 987 |
| 28 | EMPLOYEE RELATED COSTS | | |
| | Standby Allowances | 1 358 369 | 1 306 857 |
| | Housing Subsidy | 902 454 | 270 703 |
| | Performance Bonus | 512 366 | - |
| | Bonus | 3 822 031 | 3 887 448 |
| | Essential Users | 1 320 048 | 1 228 782 |
| | Overtime | 2 798 769 | 3 195 939 |
| | Long Service Awards | 14 000 | 6 000 |
| | Salaries | 54 499 274 | 49 896 392 |
| | Acting Allowance | 2 078 464 | 2 199 365 |
| | Uniform Allowance | 53 061 | 58 960 |
| | Leave Reserve Fund | 761 004 | 622 106 |
| | Transport Allowance | 566 014 | 479 861 |
| | Group Insurance | 51 246 | 57 439 |
| | Medical Aid Contribution | 1 337 469 | 1 185 296 |
| | Provident Fund SAMWU | 561 851 | 577 250 |
| | Pension Fund Contribution | 7 436 351 | 6 919 728 |
| | Occupational Health/Safety | 48 045 | 33 090 |
| | Unemployment Fund | 552 160 | 509 551 |
| | Long Service Bonus | 315 183 | 640 702 |
| | Post Retirement Medical | 891 406 | 3 684 |
| | Housing | - | 346 455 |
| | Total Employee Related Costs | 79 879 565 | 73 425 608 |
| | KEY MANAGEMENT PERSONNEL | | |
| | The Municipal Manager, Director Corporate Services and the CFO are appointed on 5-year fixed contracts and the Directors Electrical Services and Engineering Services are permanently employed. The Director Community Services is vacant and is filled by an acting employee. | | |
| | REMUNERATION OF KEY MANAGEMENT PERSONNEL | | |
| | Remuneration of the Municipal Manager: J Booyesen | | |
| | Annual Remuneration | 1 052 227 | 899 194 |
| | Performance Bonuses | 140 963 | 132 000 |
| | Car Allowance | 118 968 | 119 334 |
| | Contributions, Medical and Pension Funds | 199 989 | 188 020 |
| | Function Committee Allowance | - | - |
| | Total | 1 512 147 | 1 338 548 |
| | Remuneration of the Director Financial Services: F Sabbat | | |
| | Annual Remuneration | 821 155 | 683 333 |
| | Performance Bonuses | 86 167 | - |
| | Car Allowance | 192 000 | 100 000 |
| | Acting allowance | - | 9 917 |
| | Total | 1 099 322 | 793 250 |
| | Remuneration of the Director Electrical Services: RE van Staden | | |
| | Annual Remuneration | 643 012 | 595 610 |
| | Performance Bonuses | 86 213 | 80 731 |
| | Car Allowance | 72 000 | 72 000 |
| | Contributions, Medical and Pension Funds | 123 604 | 116 143 |
| | Leave pay-out | 57 113 | - |
| | Acting Allowance | 10 606 | 25 784 |
| | Total | 992 548 | 890 268 |

BEAUFORT WEST MUNICIPALITY

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

| 28 | EMPLOYEE RELATED COSTS (CONTINUED) | 2016 R | 2015 R |
|----|---|------------------|----------------|
| | <i>Remuneration of the Director Community Services: AC Makendiana (01/07/2014 - 31/08/2014)</i> | | |
| | Annual Remuneration | - | 118 250 |
| | Car Allowance | - | 10 000 |
| | Contributions, Medical and Pension Funds | - | 23 059 |
| | Acting Allowance | - | 5 950 |
| | Telephone | - | 1 000 |
| | Total | - | 158 259 |
| | <i>Remuneration of the Acting Director Community Services: RE Klink</i> | | |
| | Acting Allowance | 415 358 | 264 795 |
| | Total | 415 358 | 264 795 |
| | <i>Remuneration of the Director Engineering Services: JCL Smit</i> | | |
| | Annual Remuneration | 692 396 | 639 920 |
| | Performance Bonuses | 92 037 | 86 185 |
| | Car Allowance | 72 000 | 72 000 |
| | Contributions, Medical and Pension Funds | 132 749 | 124 784 |
| | Acting Allowance | - | 1 983 |
| | Total | 989 182 | 924 872 |
| | <i>Remuneration of the Director Corporate Services: AC Makendiana</i> | | |
| | Annual Remuneration | 795 126 | 613 668 |
| | Performance Bonuses | 74 771 | 93 514 |
| | Car Allowance | 60 000 | 50 000 |
| | Contributions, Medical and Pension Funds | 152 546 | 119 665 |
| | Acting Allowance | 13 884 | 45 620 |
| | Telephone | 6 000 | 5 000 |
| | Total | 1 102 327 | 927 468 |
| 29 | REMUNERATION OF COUNCILLORS | | |
| | <i>Remuneration of Councillor: H.T. Prince</i> | | |
| | Annual Remuneration | 426 967 | 406 379 |
| | Telephone Allowance | 20 868 | 20 868 |
| | Travelling | 175 719 | 167 239 |
| | Tools of trade | 3 600 | 3 600 |
| | Pension | 61 964 | 57 744 |
| | Medical | 45 115 | 41 432 |
| | Total | 734 233 | 697 262 |
| | <i>Remuneration of Councillor: S.M. Motsoane</i> | | |
| | Annual Remuneration | 371 760 | 353 243 |
| | Telephone Allowance | 20 868 | 20 868 |
| | Travelling | 141 953 | 134 552 |
| | Tools of trade | 3 600 | 3 600 |
| | Pension | 54 099 | 50 413 |
| | Total | 592 280 | 562 676 |
| | <i>Remuneration of Councillor: G.P. Adolph</i> | | |
| | Annual Remuneration | 399 242 | 378 429 |
| | Telephone Allowance | 20 868 | 20 868 |
| | Travelling | 74 755 | 71 788 |
| | Tools of trade | 3 600 | 3 600 |
| | Pension | 58 325 | 54 355 |
| | Total | 556 791 | 529 040 |
| | <i>Remuneration of Councillor: J. Bostander</i> | | |
| | Annual Remuneration | 93 609 | 132 466 |
| | Telephone Allowance | 13 912 | 20 868 |
| | Travelling | 35 657 | 50 457 |
| | Tools of trade | 2 400 | 3 600 |
| | Pension | 13 360 | 18 906 |
| | Total | 158 938 | 226 297 |
| | <i>Remuneration of Councillor: M. Furmen</i> | | |
| | Annual Remuneration | 213 939 | 201 829 |
| | Telephone Allowance | 20 868 | 20 868 |
| | Tools of trade | 3 600 | 3 600 |
| | Total | 238 407 | 226 297 |

BEAUFORT WEST MUNICIPALITY

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

| 29 | REMUNERATION OF COUNCILLORS (CONTINUED) | 2016 R | 2015 R |
|----|---|----------------|----------------|
| | Remuneration of Councillor: G. De Vos | | |
| | Annual Remuneration | 160 454 | 151 372 |
| | Telephone Allowance | 20 868 | 20 868 |
| | Travelling | 53 485 | 50 457 |
| | Tools of trade | 3 600 | 3 600 |
| | Total | 238 407 | 226 297 |
| | Remuneration of Councillor: J. Diedericks | | |
| | Annual Remuneration | 96 775 | - |
| | Telephone Allowance | 3 895 | - |
| | Tools of trade | 672 | - |
| | Total | 101 342 | - |
| | Remuneration of Councillor: A.M. Slabbert | | |
| | Annual Remuneration | 160 454 | 151 372 |
| | Telephone Allowance | 20 868 | 20 868 |
| | Travelling | 53 485 | 50 457 |
| | Tools of trade | 3 600 | 3 600 |
| | Total | 238 407 | 226 297 |
| | Remuneration of Councillor: D.E. Welgemoed | | |
| | Annual Remuneration | 113 842 | 132 466 |
| | Telephone Allowance | 15 651 | 20 868 |
| | Travelling | 44 571 | 50 457 |
| | Tools of trade | 2 700 | 3 600 |
| | Pension | 15 104 | 18 906 |
| | Total | 191 868 | 226 297 |
| | Remuneration of Councillor: A.D. Willems | | |
| | Annual Remuneration | 66 953 | 151 372 |
| | Telephone Allowance | 8 695 | 20 868 |
| | Travelling | 22 318 | 50 457 |
| | Tools of trade | 1 500 | 3 600 |
| | Total | 99 466 | 226 297 |
| | Remuneration of Councillor: G.T. Murray | | |
| | Annual Remuneration | 213 933 | 201 829 |
| | Telephone Allowance | 20 868 | 20 868 |
| | Tools of trade | 3 600 | 3 600 |
| | Total | 238 401 | 226 297 |
| | Remuneration of Councillor: R. vd Linde | | |
| | Annual Remuneration | 120 341 | 151 372 |
| | Telephone Allowance | 15 651 | 20 868 |
| | Travelling | 40 114 | 50 457 |
| | Tools of trade | 2 700 | 3 600 |
| | Total | 178 805 | 226 297 |
| | Remuneration of Councillor: L. Deyce | | |
| | Annual Remuneration | 186 824 | 176 622 |
| | Telephone Allowance | 20 868 | 20 868 |
| | Tools of trade | 3 600 | 3 600 |
| | Pension | 27 115 | 25 207 |
| | Total | 238 407 | 226 297 |
| | Remuneration of Councillor: E.A.J. Beyers | | |
| | Annual Remuneration | 402 552 | 446 407 |
| | Telephone Allowance | 16 521 | 20 868 |
| | Tools of trade | 2 850 | 3 600 |
| | Pension | 56 702 | 63 772 |
| | Total | 478 624 | 534 646 |
| | Remuneration of Councillor: R.T. Hugo | | |
| | Annual Remuneration | 114 163 | - |
| | Telephone Allowance | 10 434 | - |
| | Tools of trade | 1 800 | - |
| | Total | 126 397 | - |
| | Remuneration of Councillor: L. Basson | | |
| | Annual Remuneration | 71 313 | - |
| | Telephone Allowance | 6 956 | - |
| | Tools of trade | 1 200 | - |
| | Total | 79 469 | - |
| | Remuneration of Councillor: P. Simon | | |
| | Annual Remuneration | 28 720 | - |
| | Telephone Allowance | 2 801 | - |
| | Tools of trade | 483 | - |
| | Total | 32 005 | - |

BEAUFORT WEST MUNICIPALITY

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

| 29 | REMUNERATION OF COUNCILLORS (CONTINUED) | 2016 R | 2015 R |
|----|--|-------------------|-------------------|
| | Total Remuneration of Councillors | | |
| | Annual Remuneration | 3 241 841 | 3 035 157 |
| | Telephone Allowance | 261 460 | 271 284 |
| | Travelling | 642 057 | 671 946 |
| | Tools of trade | 45 105 | 46 800 |
| | Pension | 286 670 | 289 302 |
| | Medical | 45 115 | 41 432 |
| | Total | 4 522 248 | 4 355 921 |
| | In-kind Benefits | | |
| | The Executive Mayor, Deputy Executive Mayor, Speaker and one other councillor are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has the use of a Council owned vehicle for official duties. | | |
| 30 | DEBT IMPAIRMENT | | |
| | Trade Receivables from exchange transactions - Note 20 | 36 146 107 | 29 015 797 |
| | Other Receivables from non-exchange transactions - Note 21 | 33 165 119 | 11 105 244 |
| | Total Contribution to Impairment Provision | 69 311 226 | 40 121 041 |
| 31 | DEPRECIATION AND AMORTISATION | | |
| | Depreciation PPE | 14 771 503 | 14 457 253 |
| | Depreciation Investment Properties | 249 254 | 248 573 |
| | Depreciation Capitalised Restoration Cost | 139 193 | 211 284 |
| | Amortisation | 120 246 | 96 889 |
| | Total depreciation and amortisation expenditure | 15 280 196 | 15 013 998 |
| 32 | IMPAIRMENTS | | |
| | Property Plant & Equipment | - | - |
| | Investment Properties | - | - |
| | Capitalised Restoration Cost | (35 932) | 5 971 |
| | Balance Previously Reported | | 3 170 956 |
| | Correction of error | | (3 164 985) |
| | Total Impairments | (35 932) | 5 971 |
| 33 | REPAIRS AND MAINTENANCE | | |
| | Repairs and maintenance expenditure per vote | | |
| | Executive & Council | 1 093 | 2 471 |
| | Budget & Treasury | 257 611 | 202 825 |
| | Corporate Services | 1 036 223 | 1 175 765 |
| | Planning & Development | 80 285 | 109 448 |
| | Community & Social Services | 645 326 | 598 952 |
| | Housing | 242 226 | 214 768 |
| | Public Safety | 401 172 | 486 619 |
| | Sport & Recreation | 1 253 826 | 1 368 216 |
| | Waste Management | 2 099 325 | 1 964 100 |
| | Waste Water Management | 526 899 | 553 699 |
| | Road Transport | 2 964 568 | 3 091 529 |
| | Water | 6 193 525 | 3 435 732 |
| | Electricity | 8 405 584 | 4 939 078 |
| | Total repairs and maintenance expenditure | 24 107 663 | 18 143 202 |
| 34 | FINANCE CHARGES | | |
| | Long-term Liabilities | 2 928 145 | 2 631 273 |
| | Finance leases | 206 611 | 325 383 |
| | Post Retirement Charges | 2 488 715 | 2 333 505 |
| | Overdraft Facilities | 130 729 | 134 364 |
| | Total finance charges | 5 754 200 | 5 424 525 |

BEAUFORT WEST MUNICIPALITY

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

| | 2016 R | 2015 R |
|---|-------------------|-------------------|
| 35 BULK PURCHASES | | |
| Electricity | 50 648 141 | 44 106 353 |
| Water | 5 668 164 | 6 123 815 |
| Total Bulk Purchases | 56 316 305 | 50 230 168 |
| Stock Adjustments | (8 400 222) | (6 715 073) |
| Total Bulk Purchases excluding Stock Adjustments | 47 916 083 | 43 515 095 |
| 36 CONTRACTED SERVICES | | |
| Accountancy Services | 134 963 | 349 937 |
| Finance Management Grant | 649 858 | 521 845 |
| IDP PAWK | - | 112 597 |
| SDBIP | 401 558 | 166 452 |
| Security Services | 3 516 440 | 3 051 405 |
| Speed Camera | 7 183 404 | 3 667 025 |
| Valuation cost | 70 768 | 129 990 |
| Total Contracted services | 11 956 991 | 7 999 251 |
| 37 GRANTS AND SUBSIDIES | | |
| Donations | 34 879 | 64 452 |
| Total Grants and Subsidies | 34 879 | 64 452 |
| 38 GENERAL EXPENSES | | |
| Advertisement Costs | 342 674 | 411 075 |
| Banking Charges | 625 150 | 326 537 |
| Bursaries | 184 726 | 166 131 |
| Community Development Workers Organisations | 207 470 | 303 565 |
| Insurance | 1 484 677 | 1 356 413 |
| Asset Management Plan | 815 439 | 1 182 970 |
| Licences/ Agreements | - | 90 773 |
| Printing & Stationary | 1 293 689 | 1 515 733 |
| Subsistence & Travel | 901 968 | 816 517 |
| Audit fees | 976 131 | 1 171 067 |
| Telephone Costs | 2 460 057 | 2 319 739 |
| Training Costs | 1 562 530 | 1 443 988 |
| Water service development program | 143 524 | 475 684 |
| Ward Committee | 184 933 | 113 539 |
| Vehicle Cost | 691 676 | 618 063 |
| Postage | 85 831 | 333 200 |
| Digging of graves | 532 358 | 457 416 |
| Job Creation | 255 193 | 200 694 |
| Legal expenses | (1 890) | 445 322 |
| Rental Fees | 164 468 | 86 693 |
| Deeds Registrations | 74 517 | 1 126 164 |
| Mayoral Golf Tournament | 18 725 | 11 623 |
| Public Functions | 97 242 | 48 247 |
| Publicity | 178 442 | 57 589 |
| Tracking Device | 26 473 | 15 795 |
| Deficit Rental Mun. Dwelling | 75 281 | 80 425 |
| Licences Vehicles | 193 574 | 181 729 |
| Consulting Fees | 157 996 | 185 531 |
| Workmans Compensation | 1 466 791 | 274 987 |
| Collection Charges | 1 987 890 | - |
| SCOA Implementation | 166 056 | 56 949 |
| Basic service delivery rebattes | 1 022 601 | 46 965 |
| Youth and gender | 374 440 | 563 841 |
| Literacy Program | 33 637 | 15 670 |
| Housing | 23 612 | 20 918 |
| Electricity network | 25 209 541 | 3 195 586 |
| MIG PMU | 5 273 441 | 19 256 399 |
| Other expenditure | 48 368 | 69 051 |
| General Expenses | 1 495 559 | 1 115 009 |
| | 50 834 790 | 40 157 597 |

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial Performance. This include items such as telecommunications, travelling, legal fees and auditing fees.

BEAUFORT WEST MUNICIPALITY

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

| 39 | CORRECTION OF ERROR IN TERMS OF GRAP 3 | Notes | 2015 R |
|-------|--|-------|--------------------|
| 39.01 | Changes to Statement of Financial Performance | | |
| | Balance previously reported | | 83 361 061 |
| | Incorrect amount on calculation of Landfill site provision increase against finance charges during 2014/15 | 39.03 | 3 925 345 |
| | Incorrect amount on calculation of acquisitions on Capitalised Restoration Cost during 2014/15 | 39.03 | (3 627 969) |
| | Correct amount on calculation of Landfill site provision increase against finance charges during 2014/15 | 39.03 | (1 268 512) |
| | Correct amount on calculation of Landfill site provision Increase in Estimate during 2014/15 | 39.03 | 610 942 |
| | Incorrect amount on calculation of depreciation on Capitalised Restoration Cost during 2014/15 | 39.04 | 223 693 |
| | Incorrect amount on calculation of impairment on Capitalised Restoration Cost during 2014/15 | 39.04 | 3 164 984 |
| | Correct amount on calculation of additions on Capitalised Restoration Cost during 2014/15 | 39.04 | (454 794) |
| | Correct amount on calculation of depreciation on Capitalised Restoration Cost during 2014/15 | 39.04 | (211 284) |
| | Correct amount on calculation of impairment on Capitalised Restoration Cost during 2014/15 | 39.04 | 27 573 |
| | Correct amount on calculation of reversel of Operating Lease during 2014/15 | 39.07 | (1 665) |
| | Correct amount on calculation of impairment on Land during 2014/15 | 39.09 | 504 518 |
| | Correction of error for difference of Outstanding Creditors ito 2014/15 | | (131 141) |
| | Correction of error for invoices recorded in wrong financial year of Trade Payables ito 2014/15 | | (352 027) |
| | Correct amount on calculation of depreciation on Investment Properties during 2014/15 | 39.02 | 17 782 |
| | Total | | 85 788 506 |
| 39.02 | Accumulated Surplus/(Deficit) | | 341 591 646 |
| | Balance previously reported | | |
| | Incorrect amount of Landfill site provision contribution against accumulated surplus as at 30 June 2014 | 39.03 | 3 023 068 |
| | Correct amount of Landfill site provision contribution against accumulated surplus as at 30 June 2014 | 39.03 | (18 738 488) |
| | Incorrect amount on calculation of accumulated depreciation on Capitalised Restoration Cost as at 30 June 2014 | 39.04 | 894 623 |
| | Incorrect amount on calculation of accumulated impairment on Capitalised Restoration Cost as at 30 June 2014 | 39.04 | 94 461 |
| | Correct amount on calculation of accumulated depreciation on Capitalised Restoration Cost as at 30 June 2014 | 39.04 | (3 332 688) |
| | Correct amount on calculation of accumulated impairment on Capitalised Restoration Cost as at 30 June 2014 | 39.04 | (349 092) |
| | Correct amount on calculation of reversel of Operatinnng Lease during as at 30 June 2014 | 39.07 | 2 881 |
| | Correction of error for difference of Outstanding Creditors ito 2013/14 | 39.01 | 96 432 |
| | Correction of long outstanding unpaid conditional grants 2013/2014 | 39.10 | (701 266) |
| | Add Land towards asset register not recognized prior years | 39.09 | 176 000 |
| | Redemption ito Standard Bank Loan not recognized in 2013/2014 | | 4 337 |
| | Total | | 322 761 913 |
| 39.03 | Non-Current Provisions | | |
| | Balance previously reported | | 9 601 499 |
| | Incorrect amount of Landfill site provision contribution against accumulated surplus as at 30 June 2014 | 39.02 | (3 023 068) |
| | Incorrect amount of Landfill site provision contribution against Capitalised Restoration Cost as at 30 June 2014 | 39.04 | (2 653 085) |
| | Incorrect amount on calculation of Landfill site provision increase against finance charges during 2014/15 | 39.01 | (3 925 345) |
| | Correct amount of Landfill site provision contribution against accumulated surplus as at 30 June 2014 | 39.02 | 18 738 488 |
| | Correct amount of Landfill site provision contribution against Capitalised Restoration Cost as at 30 June 2014 | 39.04 | 5 480 524 |
| | Correct amount on calculation of Landfill site provision increase against finance charges during 2014/15 | 39.01 | 1 268 512 |
| | Correct amount on calculation of Landfill site provision Increase in Estimate during 2014/15 | 39.01 | (610 942) |
| | Total | | 24 876 582 |
| 39.04 | Capitalised Restoration Cost | | |
| | Balance previously reported | | 1 903 294 |
| | Incorrect amount of Landfill site provision contribution against Capitalised Restoration Cost as at 30 June 2014 | 39.03 | (2 653 085) |
| | Incorrect amount on calculation of accumulated depreciation on Capitalised Restoration Cost as at 30 June 2014 | 39.02 | 894 623 |
| | Incorrect amount on calculation of accumulated impairment on Capitalised Restoration Cost as at 30 June 2014 | 39.02 | 94 461 |
| | Incorrect amount on calculation of Acquisitions on Capitalised Restoration Cost as at 30 June 2014/15 | 39.01 | (3 627 969) |
| | Incorrect amount on calculation of depreciation on Capitalised Restoration Cost during 2014/15 | 39.01 | 223 693 |
| | Incorrect amount on calculation of impairment on Capitalised Restoration Cost during 2014/15 | 39.01 | 3 164 984 |
| | Correct amount of Landfill site provision contribution against Capitalised Restoration Cost as at 30 June 2014 | 39.03 | 5 480 524 |
| | Correct amount on calculation of accumulated depreciation on Capitalised Restoration Cost as at 30 June 2014 | 39.02 | (3 332 688) |
| | Correct amount on calculation of accumulated impairment on Capitalised Restoration Cost as at 30 June 2014 | 39.02 | (349 092) |
| | Correct amount on calculation of additions on Capitalised Restoration Cost during 2014/15 | 39.01 | (454 794) |
| | Correct amount on calculation of depreciation on Capitalised Restoration Cost during 2014/15 | 39.01 | (211 284) |
| | Correct amount on calculation of impairment on Capitalised Restoration Cost during 2014/15 | 39.01 | 27 573 |
| | Total | | 1 160 239 |

BEAUFORT WEST MUNICIPALITY

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

| | 2016 R | 2015 R |
|---|-------------------|--------------------|
| 39.05 Long-term Liabilities | | |
| Balance previously reported | | 12 028 075 |
| Redemption into Standard Bank Loan not recognized in 2013/2014 | 39.02 | (4 336) |
| Total | | 12 023 739 |
| 39.06 Operating Lease Asset | | |
| Balance previously reported | | 14 196 |
| Correct amount on calculation of reversal of Operating Lease during 2014/15 | 39.02 | 2 881 |
| Correct amount on calculation of reversal of Operating Lease during 2014/16 | 39.01 | (1 665) |
| Total | | 15 412 |
| 39.07 Trade Payables | | |
| Balance previously reported | | 27 075 160 |
| Retention | 9 | (4 223 421) |
| Sundry Creditors | 9 | (1 754 883) |
| Other Deposits | 9 | (133 327) |
| Correction of error for difference of Deposits Other into 2013/14 | | 5 785 |
| Correction of error for difference of Trade Payables into 2013/14 | | (96 432) |
| Correction of error for invoices recorded in wrong financial year of Trade Payables into 2014/15 | | 352 027 |
| Correction of error for difference of Trade Payables into 2014/15 | | 131 141 |
| Total | | 21 356 050 |
| 39.08 Other Deposits | | |
| Balance previously reported | | 1 255 460 |
| Trade Payables | 9 | 127 542 |
| Total | | 1 383 002 |
| 39.09 Property, Plant and Equipment | | |
| Balance previously reported | | 452 172 824 |
| Add Land towards asset register not recognized prior years | | 176 000 |
| Correct amount on calculation of impairment on Land during 2014/15 | | 504 518 |
| Total | | 452 853 342 |
| 39.10 Unpaid Conditional Government Grants and Receipts | | |
| Balance previously reported | | 1 614 319 |
| Correction of long outstanding unpaid conditional grants 2013/2014 | | (701 266) |
| Total | | 913 053 |
| 39.11 Trade Receivables from exchange transactions | | |
| Balance previously reported | | 28 018 610 |
| Correction of outstanding Rates disclosed as outstanding Other Debtors during 2014/2015 | 20 | (6 558 464) |
| Total | | 21 460 146 |
| 39.12 Other Receivables from non-exchange transactions | | |
| Balance previously reported | | 5 931 129 |
| Correction of outstanding Rates disclosed as outstanding Other Debtors during 2014/2015 | 21 | 6 558 464 |
| Total | | 12 489 593 |
| 40 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS | | |
| Surplus for the year | (11 246 623) | 85 788 508 |
| Adjustments for: | | |
| Depreciation | 15 159 954 | 14 917 113 |
| Amortisation of Intangible Assets | 120 246 | 96 889 |
| (Gain)/Loss on disposal of property, plant and equipment | 23 278 | 841 434 |
| Contributed PPE | - | (52 296 307) |
| Impairments | (35 932) | (532 091) |
| Contribution from/to employee benefits - non-current | (1 163 050) | (1 329 963) |
| Contribution from/to employee benefits - non-current - expenditure incurred | 3 696 329 | 3 403 259 |
| Contribution from/to employee benefits - non-current - actuarial losses | (506 605) | (216 003) |
| Contribution from/to provisions - non-current | 437 476 | 657 570 |
| Contribution to employee benefits – current | 5 095 401 | 4 509 555 |
| Contribution to employee benefits – current - expenditure incurred | (4 532 997) | (4 089 072) |
| Contribution to provisions – Debt Impairment | 69 311 226 | 40 121 041 |
| Impairment written off | (74 806 112) | (3 695 528) |
| (Increase)/Decrease in Capitalised Restoration Cost | 886 243 | 454 794 |
| Additional debt Impairment transactions | 3 544 | 2 958 |
| Increase/(Decrease) in Unspent Conditional Government Grants and Receipts | 6 382 436 | (2 426 230) |
| Increase/(Decrease) in Unspent Conditional Public Contributions and Receipts | (65 208) | 6 903 |
| (Increase)/Decrease in Unpaid Conditional Government Grants and Receipts | 913 052 | (943 941) |
| Operating lease income accrued | (37 590) | (2 523) |
| Operating Surplus/(Deficit) before changes in working capital | 9 635 069 | 85 268 366 |
| Changes in working capital | 14 577 206 | (42 983 987) |
| Increase/(Decrease) in Trade and Other Payables | (1 776 433) | 6 739 975 |
| Increase/(Decrease) in Taxes | 1 920 607 | (2 209 984) |
| (Increase)/Decrease in Inventory | (736 961) | (200 210) |
| Increase/(Decrease) in Consumer Deposits | 65 548 | 88 534 |
| (Increase)/Decrease in Trade Receivables from exchange transactions | (7 082 714) | (8 914 855) |
| (Increase)/Decrease in Other Receivables from non-exchange transactions | 22 187 158 | (38 487 447) |
| Cash generated/(absorbed) by operations | 24 212 275 | 42 284 379 |

BEAUFORT WEST MUNICIPALITY

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

| | 2016 R | 2015 R |
|---|-------------------|-------------------|
| 41 CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents included in the cash flow statement comprise the following: | | |
| Call Investments Deposits - Note 23 | 18 037 290 | 15 036 387 |
| Cash Floats - Note 23 | 12 230 | 12 230 |
| Bank overdraft - Note 23 | (520 342) | (1 932 245) |
| Total cash and cash equivalents | 17 529 178 | 13 116 372 |
| 42 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES | | |
| Cash and Cash Equivalents - Note 41 | 17 529 178 | 13 116 372 |
| Less: | 17 529 178 | 13 116 372 |
| | 9 989 752 | 1 941 091 |
| Unspent Committed Conditional Grants - Note 10 | 11 091 769 | 4 709 333 |
| Unspent Public Contribution - Note 11 | 80 747 | 145 955 |
| Unpaid Committed Conditional Grants - Note 10 | (1) | (913 053) |
| Staff Leave - Note 7 | 4 635 616 | 4 223 673 |
| VAT - Note 12 | (6 041 900) | (6 444 459) |
| Cash Portion of Housing Development Fund - Note 2 | 223 521 | 219 642 |
| Net cash resources available for internal distribution | 7 539 426 | 11 175 281 |
| Allocated to: | | |
| Capital Replacement Reserve | 3 078 397 | 10 491 152 |
| Resources available for working capital requirements | 4 461 029 | 684 129 |
| 43 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION | | |
| Long-term Liabilities - Note 3 | 14 105 614 | 15 306 065 |
| Used to finance property, plant and equipment - at cost | (14 105 614) | (15 306 065) |
| | - | - |

Annuity loans at amortised cost is calculated at 6.8%-14.00% interest rate, with last maturity date of 31 July 2029. Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance. The loans are unsecured.

| | 2016 R | 2015 R |
|--|-------------------|-------------------|
| 44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED | | |
| 44.1 Unauthorised expenditure | | |
| Reconciliation of unauthorised expenditure: | | |
| Opening balance | 28 487 953 | 47 144 485 |
| Unauthorised operating expenditure current year | 27 431 018 | 12 653 211 |
| Unauthorised capital expenditure current year | 252 361 | 15 834 742 |
| Approved by Council or written off | - | (47 144 485) |
| Unauthorised expenditure awaiting further action | 56 171 331 | 28 487 953 |

| Incident | Disciplinary steps/criminal proceedings |
|-----------------------------|---|
| Actual vs Budgeted spending | None |

| | 2016 R (Actual) | 2016 R (Budget) | 2016 R (Variance) | 2016 R (Unauthorised) |
|--|-----------------------|-----------------------|-------------------------|-----------------------------|
| Unauthorised expenditure current year - operating | | | | |
| Vote 1 - Municipal Manager | 4 311 087 | 4 946 976 | (635 889) | - |
| Vote 2 - Director: Corporate Service | 28 563 328 | 28 772 796 | (209 468) | - |
| Vote 3 - Director: Financial Services | 28 086 985 | 20 827 943 | 7 259 042 | 7 259 042 |
| Vote 4 - Director: Engineering Services | 67 915 550 | 71 671 777 | (3 756 227) | - |
| Vote 5 - Director: Community Services | 107 726 467 | 87 554 491 | 20 171 976 | 20 171 976 |
| Vote 6 - Director: Electrical Services | 83 964 539 | 86 531 066 | (2 566 527) | - |
| | 320 567 956 | 300 305 049 | 20 262 907 | 27 431 018 |

BEAUFORT WEST MUNICIPALITY

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

| <u>Unauthorised expenditure current year - capital</u> | 2016 R (Actual) | 2016 R (Budget) | 2016 R (Variance) | 2016 R (Unauthorised) |
|--|-----------------------|-----------------------|-------------------------|-----------------------------|
| Vote 1 - Municipal Manager | 48 102 | 40 000 | 8 102 | 8 102 |
| Vote 2 - Director: Corporate Service | 1 630 262 | 1 637 552 | (7 290) | - |
| Vote 3 - Director: Financial Services | 292 424 | 48 165 | 244 259 | 244 259 |
| Vote 4 - Director: Engineering Services | 13 782 495 | 24 306 225 | (10 523 730) | - |
| Vote 5 - Director: Community Services | 32 733 | 622 942 | (590 209) | - |
| Vote 6 - Director: Electrical Services | 2 700 658 | 9 773 945 | (7 073 287) | - |
| | 18 486 675 | 36 428 829 | (17 942 154) | 252 361 |

| 44 | UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUED) | 2016 R | 2015 R |
|----|---|-----------|-----------|
|----|---|-----------|-----------|

44.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

| | | |
|--|----------------|----------------|
| Opening balance | 159 670 | - |
| Fruitless and wasteful expenditure current year | 44 809 | 159 670 |
| Written off by Council | - | - |
| Transfer to receivables for recovery - not written off | - | - |
| Fruitless and wasteful expenditure awaiting further action | 204 479 | 159 670 |

| Incident | Disciplinary steps/criminal proceedings | | |
|---|--|--------|--------|
| During the year under review it was discovered that some cell phone accounts of former employees and councillors are still debited against the municipality's bank account | None | 44 809 | 79 800 |
| During the year under review it was discovered that debit orders were going off against the municipality's bank account for payments to Homechoice, Multichoice, Truworths, etc | None | - | 79 870 |

44.3 Irregular expenditure

Reconciliation of irregular expenditure:

| | | |
|--|-------------------|-------------------|
| Opening balance | 15 906 727 | 35 000 |
| Irregular expenditure prior years | - | 15 321 593 |
| Irregular expenditure current year | 1 046 113 | 550 134 |
| Written off supported by Council | - | - |
| Transfer to receivables for recovery - not written off | - | - |
| Irregular expenditure awaiting further action | 16 952 840 | 15 906 727 |

| Incident | Disciplinary steps/criminal proceedings |
|---|--|
| 2012 - Suppliers identified as having members/directors/owners who are in the service of the state with no evidence of this disclosed to the municipality. R6 170 | None |
| 2012 - Awards made to close family members of persons in the service of the state. (declaration has been signed) R10 094 | None |
| 2014 - Open tender request sent after event. R35 000 | None |
| 2015 - SCM procedures not followed current year. R550 134.06 | None |
| Irregular Expenditure incurred to Contracting for Traffic Services: 2011/2012 Financial Year - R3 025 588.67 2012/2013 Financial Year - R5 725 559.70 2013/2014 Financial Year - R6 570 444.36 | None |
| 2016 - SCM procedures not followed current year. R1 046 112.55 | None |

44.4 Material Losses

Electricity distribution losses

| | | |
|--|------------|------------|
| Units purchased (Kwh) | 56 695 109 | 55 426 999 |
| - Units lost during distribution (Kwh) | 6 196 904 | 4 566 252 |
| - Percentage lost during distribution | 10.93% | 8.24% |

Water distribution losses

| | | |
|---------------------------------------|-----------|-----------|
| Kilolitres purified | 2 672 800 | 2 764 904 |
| - Kilolitres lost during distribution | 1 350 633 | 1 391 276 |
| - Percentage lost during distribution | 50.53% | 50.32% |

BEAUFORT WEST MUNICIPALITY

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

| 45 | ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT | 2016 R | 2015 R |
|------|--|-------------------------------------|-------------------------------------|
| 45.1 | <u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u> | | |
| | Opening balance | - | - |
| | Council subscriptions | 829 780 | 782 675 |
| | Amount paid - current year | (829 780) | (782 675) |
| | Balance unpaid (included in creditors) | - | - |
| 45.2 | <u>Audit fees - [MFMA 125 (1)(c)]</u> | | |
| | Opening balance | - | - |
| | Current year audit fee | 2 460 057 | 2 244 837 |
| | External Audit - Auditor-General | 2 460 057 | 2 244 837 |
| | Amount paid - current year | (2 460 057) | (2 244 837) |
| | Balance unpaid (included in creditors) | - | - |
| 45.3 | <u>VAT - [MFMA 125 (1)(c)]</u> | | |
| | VAT | (6 041 900) | (6 444 459) |
| | VAT is payable on the payments basis. Only once payment is received from debtors is VAT paid over to SARS. | | |
| 45.4 | <u>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</u> | | |
| | Opening balance | 776 782 | 565 172 |
| | Current year payroll deductions and Council Contributions | 9 432 541 | 8 499 151 |
| | Amount paid - current year | (9 482 504) | (8 287 541) |
| | Balance unpaid (included in creditors) | 726 820 | 776 782 |
| 45.5 | <u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u> | | |
| | Opening balance | 967 228 | - |
| | Current year payroll deductions and Council Contributions | 14 658 512 | 13 648 703 |
| | Amount paid - current year | (13 447 964) | (12 681 475) |
| | Amount paid - previous year | (967 228) | - |
| | Balance unpaid (included in creditors) | 1 210 548 | 967 228 |
| 45.6 | <u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u> | | |
| | The following Councillors had arrear accounts for more than 90 days at 30 June 2016 financial year: | | |
| | | 2016 R | 2015 R |
| | | Outstanding more than 90 days | Outstanding more than 90 days |
| | Councillor HT Prince (010956/010957) | 5 663 | - |
| | Councillor L. Deyse (510271/000768) | - | 3 |
| | Councillor J Diedericks (020895/015754) | 11 721 | - |
| | Councillor GPJ Simon (000291/000292, 005103/005104, 024545/024546) | 66 141 | - |
| | Total Councillor Arrear Consumer Accounts | 83 525 | 3 |
| 45.7 | <u>Non-Compliance with Chapter 11 of the Municipal Finance Management Act</u> | | |
| | In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. | | |
| | Range of Deviations approved by Municipal Manager | Total Deviations | Amount |
| | Deviations between 0 - 10 000 | 234 | 1 075 514 |
| | Deviations between 10 001 - 30 000 | 61 | 1 040 374 |
| | Deviations between 30 001 - 200 000 | 36 | 2 451 737 |
| | Deviations greater than 200 001 | 6 | 2 979 477 |

BEAUFORT WEST MUNICIPALITY

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

| | | 2016 | 2015 |
|------|---|-------------------|------------------|
| | | R | R |
| 45 | ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED) | | |
| 45.8 | <u>Other non-compliance</u> | | |
| | MFMA Section 65(2)(b) | | |
| | Adequate management, accounting and information system was not in place which accounted for creditors. | | |
| | MFMA Section 65(2)(e) | | |
| | The municipality had experienced cash flow problems during the year as a result of which creditors were not always paid within 30 days of date of statement or invoice as required. | | |
| | MFMA Section 15 | | |
| | Expenditure was not only incurred in terms of an approved budget and within the limits of the amounts approved for the different votes in an approved budget. | | |
| | MFMA Section 32(4) | | |
| | Report pertaining to unauthorised, irregular, fruitless and wasteful expenditure have not been submitted to all relevant parties. | | |
| 46 | CAPITAL COMMITMENTS | | |
| | Commitments in respect of capital expenditure: | | |
| | Approved and contracted for: | 35 218 871 | 5 971 139 |
| | Infrastructure | 35 218 871 | 5 971 139 |
| | Total | 35 218 871 | 5 971 139 |
| | This expenditure will be financed from: | | |
| | Government Grants | 35 218 871 | 5 971 139 |
| | | 35 218 871 | 5 971 139 |

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

47 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 and cash flow interest rate risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

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

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

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

| | 2016 R | 2015 R |
|--|-----------|-----------|
| The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow: | | |
| 0.5% (2015 - 0.5%) Increase in interest rates | 17 057 | 8 313 |
| 0.5% (2015 - 0.5%) Decrease in interest rates | (17 057) | (8 313) |

(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.

Receivables 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. Ongoing 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.

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

The ageing of amounts past due and not impaired is as follows:

| | Non-Exchange Receivables R | Exchange Receivables R | Total R |
|--------------------|----------------------------------|------------------------------|------------------|
| 2016 | | | |
| 1 month past due | 129 474 | 479 373 | 608 847 |
| 2 + month past due | 396 314 | 1 015 979 | 1 412 293 |
| Total | <u>525 788</u> | <u>1 495 352</u> | <u>2 021 140</u> |
| 2015 | | | |
| 1 month past due | 211 101 | 2 088 716 | 2 299 817 |
| 2 + month past due | - | 6 656 806 | 6 656 806 |
| Total | <u>211 101</u> | <u>8 745 522</u> | <u>8 956 623</u> |

BEAUFORT WEST MUNICIPALITY

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

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

All rates and services are payable within 30 days from invoice date. Refer to note 20 and 21 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired:

| | 2016 % | 2016 R | 2015 % | 2015 R |
|---------------------------------|-----------|-----------|-----------|-----------|
| <u>Non-Exchange Receivables</u> | | | | |
| Rates | 100.00% | 525 788 | 0.00% | 211 101 |
| <u>Exchange Receivables</u> | | | | |
| Electricity | 36.61% | 547 506 | 7.28% | 636 261 |
| Water | 26.30% | 393 310 | 13.67% | 1 195 596 |
| Refuse | 3.68% | 55 007 | 3.53% | 309 053 |
| Sewerage | 12.41% | 185 533 | 2.56% | 223 658 |
| Housing Rentals | 0.00% | - | 0.08% | 7 364 |
| Other | 21.00% | 313 996 | 72.88% | 6 373 590 |
| | 100.00% | 1 495 352 | 100.00% | 8 745 522 |

No 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 20 & 21 of the financial statements is an approximation of its fair value. Interest on overdue balances (rates) 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>Non-Exchange Receivables</u> | | | | |
| Rates | 23.30% | 10 890 015 | 7.42% | 4 646 238 |
| Fines | 76.70% | 35 844 473 | 92.58% | 58 007 391 |
| | 100.00% | 46 734 488 | 100.00% | 62 653 629 |
| <u>Exchange Receivables</u> | | | | |
| Electricity | 5.73% | 2 606 329 | 2.36% | 791 471 |
| Water | 8.66% | 3 940 737 | 7.81% | 2 621 859 |
| Refuse | 13.65% | 6 214 241 | 16.78% | 5 634 751 |
| Sewerage | 21.06% | 9 584 987 | 24.31% | 8 161 924 |
| Housing Rentals | 0.14% | 62 578 | 0.21% | 71 217 |
| Other | 50.77% | 23 108 846 | 48.52% | 16 290 647 |
| | 100.00% | 45 517 717 | 100% | 33 571 870 |

Bad debts written off per debtor class:

| | | | | |
|---------------------------------|---------|------------|---------|-----------|
| <u>Non-Exchange Receivables</u> | | | | |
| Rates and Other Receivables | 100.00% | 69 871 267 | 0.00% | - |
| <u>Exchange Receivables</u> | | | | |
| Services | 100.00% | 4 934 845 | 100.00% | 3 695 528 |
| | 100.00% | 4 934 845 | 100.00% | 3 695 528 |

BEAUFORT WEST MUNICIPALITY

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

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 entity only enters into non-current investment transactions with major banks with high quality credit standing. Although the credit risk pertaining to non-current investments are considered to be low, the maximum exposure are disclosed below.

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

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

Long-term Receivables and Other Debtors are individually evaluated annually at the Statement of Financial Position date for impairment.

Financial assets exposed to credit risk at year end are as follows:

| | 2016 | 2015 |
|---|-------------------|-------------------|
| | R | R |
| Long term receivables | 1 847 836 | 1 735 478 |
| Trade receivables and other receivables | 29 628 230 | 40 759 381 |
| Cash and Cash Equivalents | 18 049 520 | 15 048 617 |
| Unpaid conditional grants and subsidies | 1 | 913 053 |
| | <u>49 525 587</u> | <u>58 456 530</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 ongoing review of future commitments and credit facilities.

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

| | Less than 1 year | Between 1 and 5 years | Between 5 and 30 years |
|--|-----------------------------|----------------------------------|-----------------------------------|
| 2016 | | | |
| Long Term liabilities | 4 313 022 | 8 734 957 | 8 677 448 |
| Capital repayments | 2 985 579 | 4 731 158 | 6 388 877 |
| Interest | 1 327 443 | 4 003 799 | 2 288 572 |
| Trade and Other Payables | 30 132 439 | - | - |
| Unspent conditional government grants and receipts | 11 091 768 | - | - |
| | <u>45 537 229</u> | <u>8 734 957</u> | <u>8 677 448</u> |
| 2015 | | | |
| Long Term liabilities | 5 162 088 | 8 627 539 | 9 872 319 |
| Capital repayments | 3 767 966 | 5 175 011 | 6 367 423 |
| Interest | 1 394 122 | 3 452 528 | 3 504 896 |
| Trade and Other Payables | 33 001 457 | - | - |
| Unspent conditional government grants and receipts | 3 095 014 | - | - |
| | <u>41 258 559</u> | <u>8 627 539</u> | <u>9 872 319</u> |

BEAUFORT WEST MUNICIPALITY

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

| | | 2016 R | 2015 R |
|------|--|-------------------|-------------------|
| 48 | 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. | | |
| 48.1 | Financial Assets | | |
| | Classification | | |
| | Long-term Receivables | | |
| | Receivables with arrangements | 1 847 836 | 1 735 478 |
| | Consumer Debtors | | |
| | Trade receivables from exchange transactions | 12 635 468 | 13 661 185 |
| | Other receivables from exchange transactions | 1 332 083 | 5 169 499 |
| | Other receivables from non-exchange transactions | 15 660 680 | 21 928 697 |
| | Unpaid Conditional Grants and Receipts | | |
| | Other Spheres of Government | 1 | 913 053 |
| | Short-term Investment Deposits | | |
| | Call Deposits | 18 037 290 | 15 036 387 |
| | Bank Balances and Cash | | |
| | Bank Balances | - | - |
| | Cash Floats and Advances | 12 230 | 12 230 |
| | | <u>49 525 587</u> | <u>58 456 530</u> |
| | SUMMARY OF FINANCIAL ASSETS | | |
| | Financial instruments at amortised cost | <u>49 525 587</u> | <u>58 456 530</u> |
| 48.2 | Financial Liability | | |
| | Classification | | |
| | Long-term Liabilities | | |
| | Annuity Loans | 10 808 874 | 10 448 477 |
| | Capitalised Lease Liability | 311 161 | 1 093 956 |
| | Trade Payables | | |
| | Trade creditors | 30 132 439 | 33 001 457 |
| | Unspent Conditional Grants and Receipts | | |
| | Other Spheres of Government | 11 091 769 | 4 709 333 |
| | Public Contributions | 80 747 | 145 955 |
| | Bank Balances and Cash | | |
| | Bank Balances | 520 342 | 1 932 245 |
| | Current Portion of Long-term Liabilities | | |
| | Annuity Loans | 2 002 658 | 1 575 262 |
| | Capitalised Lease Liability | 982 921 | 2 188 370 |
| | | <u>55 930 911</u> | <u>55 095 055</u> |
| | SUMMARY OF FINANCIAL LIABILITY | | |
| | Financial instruments at amortised cost | <u>55 930 911</u> | <u>55 095 055</u> |

BEAUFORT WEST MUNICIPALITY

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

49 EVENTS AFTER THE REPORTING DATE

The municipality did not have any event after the reporting date.

50 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations, but receive in-kind assistance from the GTAC Programme, funded by the National Treasury, (Mr. C.J. Kyndell) during the year under review.

51 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

52 CONTINGENT LIABILITY

The following guarantees also qualify as contingent liabilities:

| NAME / REG NO | GUARANTEE ISSUED TO | 2016 R | 2015 R |
|---------------|---------------------------------------|-----------------------|-----------------------|
| Nedbank | South African Post Office | 50 000 | 50 000 |
| Nedbank | Eskom | 34 700 | 34 700 |
| Nedbank | Eskom: Supply Electricity - Nelspoort | | |
| | | <u>41 000</u> | <u>41 000</u> |
| Total | | <u>125 700</u> | <u>125 700</u> |

Contingent liabilities - claims against the municipality

The municipality has a claim against them whereby a child was injured in a playing park due to the negligence of the municipality. An indication of the possible claim and legal fees was received from Crawford attorney's.

235 055 -

On 15 July 2012 a fire destroyed a private property within the Beaufort West municipal area. Although the owner of the property previously indicated that he was unhappy with the performance of the Fire Department of the municipality he gave no intent of claiming against the municipality. On 21 October 2015, however, the affected party's lawyers issued a letter to the municipality that the affected party have issued a summons for damages for alleged negligence on the part of the Fire Department of the municipality. an indication of the possible claim and legal fees was received from messrs Crawfords.

1 036 927 1 036 927

1 271 982 **1 036 927**

53 CONTINGENT ASSETS

| BANK / FIRM | PURPOSE | REG NO | | |
|---|--|--------|-------------------------|-------------------------|
| First National Bank | Electricity supply | 147 | 2 020 | 2 020 |
| FNB/Shoprite | Electricity Supply | 88 | 12 265 | 12 265 |
| FNB/Ackermans | Electricity Supply | 91 | 2 080 | 2 080 |
| Lombard Insurance Group/AGMS | Housing Project: Merweville | 248 | 210 450 | 210 450 |
| Lombard Insurance Group/SWANSA | Reclamation Plant | 261 | 260 068 | 260 068 |
| Rand Merchant Bank o.b.o De Jagers | Performance guarantee: Tender SCM | 299 | | |
| Loodgieters kontrakteurs | 10/2016: Upgrading of Fabriek Street. | | 173 778 | - |
| Nedbank o.b.o A2 Loodgieters | Notice No.99/2015: Tender SCM 08/2016: | 295 | 258 345 | - |
| ABSA Bank | W&E Service Erf no. 7401 (BW Mall) | 270 | 222 000 | 222 000 |
| Renasa Insurance Company LTD | 30 Meter High Mast Pole - Floodlighting | 266 | 853 876 | 853 876 |
| Rand Merchant Bank o.b.o De Jagers | Guarantee No.G900/0583662/GLO: | 297 | | |
| Loodgieters kontrakteurs | Notice No. 104/2015: Tender SCM | | 347 556 | - |
| Rand Merchant Bank o.b.o De Jagers | Guarantee no. G900/0588505/GLO: | 298 | | |
| Loodgieters kontrakteurs | Notice No.62/2015: Tender SCM 32/2015: | | 247 452 | - |
| Investec Bank o.b.o S.A Tolling: Guarantee DT | Guarantee No: DT 0186/2014: 1. | 289 | | |
| 0186/2014 | Remainder of portion B.of the farm | | - | 4 470 475 |
| Guardrisk nms. Benvir Civils + Plant Hire CC | Suretyship: No SUR 20150320/002: | 290 | | |
| | Contract No SCM 13/2015 : Contract for | | 183 676 | 183 676 |
| | the upgrading of Dliso and Matshaka | | | |
| Fusion Guarantees o.b.o De Jager Plumbing | Guarantee No: FUS 501638 JHB: Notice | 291 | | |
| Contractors (Pty) Ltd | No. 109/2014 : SCM 12/2015 :Contract for | | 213 723 | 213 723 |
| | the upgrading of streets in Murraysburg | | | |
| New National Assurance Company Limited: | Performance guarantee: Tender SCM | 271 | | |
| ACE obo Benver Civils and Plant Hire CC | 10/2012: Construction of pedestrian | | 59 850 | - |
| | walkways in Murraysburg. | | | |
| Suretyship Guarantee 20120113/002 - ACE | Performance guarantee: Tender SCM | 269 | | |
| | 94/2011: Upgrading of streets in | | 314 544 | - |
| | Murraysburg: Phase 1. | | | |
| Amos Colin Makendlana | Housing guarantee between BWM and | 215 | | |
| | ABSA Bank ito AC Makendlana. | | 15 000 | - |
| | Guarantee No:33739501: Wayleave cable | | | |
| | duct requirement WC Government: Install | | | |
| | dual protection metro fibres from NLD | | | |
| | POP to SITA Beaufort West POP to TFR | | | |
| Nedbank o.b.o Neotel (Pty) Ltd. | Prop - Beaufort West | 296 | 50 000 | - |
| Total | | | <u>3 426 683</u> | <u>6 430 633</u> |

BEAUFORT WEST MUNICIPALITY

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

54 RELATED PARTIES

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

54.1 Related Party Transactions

| | Rates - Levied 1 July 2015 - 30 June 2016 | Service Charges - Levied 1 July 2015 - 30 June 2016 | Other - Levied 1 July 2015 - 30 June 2016 | Outstanding Balances 30 June 2016 |
|--|---|---|---|---|
| Year ended 30 June 2016 | | | | |
| Councillors | 24 102 | 94 525 | 1 | 90 705 |
| Councillor D Slabbert (010137/011832) | 5 179 | 18 563 | 1 | 2 286 |
| Councillor D Slabbert (028981/031495) | 3 302 | 3 057 | - | 534 |
| Councillor L Basson (024298/024299) | 206 | 634 | - | 210 |
| Councillor G de Vos (014633/014634) | 4 977 | 2 785 | - | 0 |
| Councillor G de Vos (014914/014634) | - | 9 719 | - | 800 |
| Councillor GP Adolph (021180/032194) | 715 | 1 901 | - | - |
| Councillor HT Prince(012338/010957) | - | 30 769 | - | - |
| Councillor HT Prince(010956/010957) | 4 080 | 5 437 | - | 7 552 |
| Councillor GPJ Simon (000291/000292, 005103/005104, 008196/) | 1 844 | 4 819 | - | 78 625 |
| Councillor L Deyce (510271/000768) | 950 | 1 227 | - | 181 |
| Councillor M Furmen (023379/023380) | 222 | 4 912 | - | 207 |
| Councillor R van der Linde (020002/020003) | 2 037 | 4 391 | - | - |
| Councillor R van der Linde (070128/020003) | - | - | - | - |
| Councillor SM Motsoane (022661/022662) | 224 | 3 803 | - | 311 |
| Councillor RT Hugo (006510/041717) | 68 | 767 | - | - |
| Councillor J Diedericks (021191/021192) | 175 | 1 216 | - | 709 |
| Councillor J Diedericks (020895/015754) | 124 | 526 | - | 12 371 |
| Municipal Manager and Section 57 Employees | 46 105 | 121 730 | - | 3 645 |
| Municipal Manager : J Booysen(020051/020052) | - | 1 206 | - | - |
| Municipal Manager : J Booysen(018115/018116) | 197 | - | - | - |
| Municipal Manager : J Booysen(010964/032381) | 2 538 | 26 692 | - | - |
| Municipal Manager : J Booysen(019924/032381) | 5 309 | 43 219 | - | - |
| Director : A Makendiana (012180/029959) | 8 161 | 1 901 | - | - |
| Director : R van Staden (011989/011990) | 9 715 | 6 814 | - | - |
| Director : JCL Smit (011486/011487) | 9 337 | 13 757 | - | 261 |
| Acting Director : R Klink (510285/000794) | 2 533 | 1 224 | - | - |
| Director : F Sabbat (011439/031423) | 8 317 | 26 917 | - | 3 383 |

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.

Provincial Treasury allocate a grant towards the municipality as a bursary in respect of Director : F Sabbat to complete his MBA Degree.

54.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 18 to the Annual Financial Statements.

54.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

54.4 Other related party transactions

The following purchases were made during the year where a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months:

| Business | Amount | Interest |
|--|---------|--|
| Karoo Motors Workshop | 727 584 | Spouse, Mrs. Anna-Marie van der Merwe is employed with the Department of Health Services |
| Tokkie se Slaghuis | 48 806 | Spouses, Mr. J Van Heerden is currently employed at the Department of Correctional Services. |
| B&B Sweiswerke | 300 426 | Son, Mr. A.C Du Plessis is currently employed by Department of Education as a teacher. |
| Ingozi Construction & General Services | 22 675 | Spouses, Mr. F Pieters and Mr. B Visser is currently employed at the Beaufort West Municipality. |
| Central Karoo Events | 161 766 | Sons, Mr. P.J Julies and Mr. J Julies is employed as Vehicle Inspections & Traffic Officer and machine operator at electrical and traffic services at the Beaufort |
| Sonneblom Bloemiste | 40 495 | Son, Mr. H Jack is currently employed at the Beaufort West Municipality on a contract basis. |
| BN Chalmers | 9 500 | Spouse, Mr. M. Chalmers employed with the Department of Correctional Services as Corrections Officer. |
| Karoo Beton Werke | 44 077 | Spouses, Mr. A Swanepoel and Mrs. E Klazen are employed with the Department of Correctional Services and Education |
| Beaufort West Luxury Coaches | 67 908 | Son, Warren Johnson, is employed at the Beaufort West Municipality. Daughter in law, B Johnson is employed as a traffic officer at Department of Community Safety. |
| Karoo Drukkery | 25 935 | Wife, Mrs. S Munro is employed at the Department of Health. |
| Beaufort West Lugreeling & Verkoeling | 50 097 | Mrs. S Munro is employed at the Department of Health. |
| Dukeisha Manufacture & Maintenance | 85 522 | Spouse, Mrs C Esterhuizen, are currently employed by the Education Department |
| GOUWS ACCOUNTANTS | 120 600 | Lesly-Ann Gouws, director and shareholder of Gouws Accountants, was appointed at the municipality as an internal auditor during the 2015 financial period. |

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

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

Councillor/Staff Member

Mr. T Prince (a council member of the Beaufort West Municipality) is the president of Beaufort West Local Football Association. The property on which the Football Association is built belongs to the municipality and is leased to the Football Association at an annual amount of R36,000. At 30 June 2016 an amount of R252 056 was outstanding in respect of the lease payments. Further interests include the Central Karoo Soccer and Rustdene Sportpub with outstanding balances amounting to R864 487.

55 **FINANCIAL SUSTAINABILITY**

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

Financial Indicators

The current ratio decreased to 0.94:1 from 1.25:1 in the prior year.

The municipality have budgeted for a surplus of R16 230 486 for the 2015/2016 financial year. The municipality is also budgeting for net surpluses of R2 282 668 and R3 453 496 for 2016/2017 and 2017/2018 respectively.

The average debtors' payment days decreased to 349 days from 427 days.

A bank overdraft facility is utilised amounting to R 5 000 000.

The outstanding balances in respect of external loans amounts to R12 811 532 (2015 - R12 028 075)

Other Indicators

Possible outflow of resources due the contingent liability disclosed in note 52

APPENDIX A - Unaudited
BEAUFORT WEST LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

| EXTERNAL LOANS | Rate | Institution | Loan Number | Term | Balance at | Correction of | Balance at | Received | Redeemed | Balance at |
|------------------------------------|-------|-------------|----------------|------------|-------------------|----------------|-------------------|------------------|------------------|-------------------|
| | | | | | 30 June 2015 | Error | 30 June 2015 | during the | written off | 30 June 2016 |
| | | | | | R | R | R | R | R | R |
| ANNUITY LOANS | | | | | | | | | | |
| General | | | | | | | | | | |
| Sanlam Building RB21/10/03 IT 5.44 | 10.5% | DBSA | 101257/1 | 2019/12/31 | 751 304 | - | 751 304 | - | 138 429 | 612 875 |
| Tata Truck 2 Ton CZ 6388 | 8.6% | STANDARD | 73702013/0003 | 2016/08/31 | 42 866 | - | 42 866 | - | 36 475 | 6 391 |
| Case Tractor 2WD CZ 6311 | 8.6% | STANDARD | 73702013/0004 | 2016/08/31 | 46 782 | - | 46 782 | - | 39 807 | 6 975 |
| Upgr. Fencing & Alarm System | 9.7% | F N B | 2012/001 | 2017/06/01 | 61 302 | - | 61 302 | - | 29 460 | 31 842 |
| Caterpillar Digger/Loader CZ 5169 | 9.7% | F N B | 2012/002 | 2017/06/01 | 279 225 | - | 279 225 | - | 134 155 | 145 070 |
| Sod Cutter | 9.7% | F N B | 2012/003 | 2017/06/01 | 13 027 | - | 13 027 | - | 6 252 | 6 775 |
| Lawn Mower Tractor Attached | 9.7% | F N B | 2012/004 | 2017/06/01 | 12 312 | - | 12 312 | - | 5 909 | 6 403 |
| Lawn Mower Gholf Course | 9.7% | F N B | 2012/005 | 2017/06/01 | 4 400 | - | 4 400 | - | 2 055 | 2 345 |
| Sewerage Farm Merweville | 6.8% | DBSA | 103464/2 | 2025/06/30 | 2 048 679 | - | 2 048 679 | - | 159 757 | 1 888 922 |
| Case Tractor CZ 7397 | 9.7% | F N B | 2012/006 | 2017/06/01 | 72 451 | - | 72 451 | - | 34 813 | 37 638 |
| Tata Truck 2 Ton Tipper CZ 5339 | 9.7% | F N B | 2012/007 | 2017/06/01 | 76 139 | - | 76 139 | - | 36 611 | 39 528 |
| Refuse Truck CZ 3484 | 10.9% | DBSA | 103465/3 | 2017/06/30 | 328 085 | - | 328 085 | - | 155 371 | 172 714 |
| Archimedes Sewerage Pump | 9.7% | F N B | 2012/008 | 2017/06/01 | 129 506 | - | 129 506 | - | 62 218 | 67 288 |
| Entrance Road Industrial Area | 10.2% | NEDBANK | 5/7831033947/1 | | - | - | - | 2 558 498 | 188 561 | 2 369 936 |
| Electricity | | | | | | | | | | |
| Load control syst RB12/5/98 IT.2 | 14.0% | DBSA | 10619 | 2019/03/31 | 1 101 062 | - | 1 101 062 | - | 221 975 | 879 087 |
| Dyna Cherry Picker CZ 4930 | 9.5% | ABSA | 80343235 | 2015/11/01 | 44 773 | - | 44 773 | - | 44 774 | - |
| Compressor CZ 4860 | 9.5% | ABSA | 80164276 | 2015/10/01 | 14 966 | - | 14 966 | - | 14 966 | - |
| Truck with crane CZ 2954 | 10.9% | DBSA | 103464/3 | 2017/06/30 | 257 119 | - | 257 119 | - | 121 781 | 135 338 |
| Toyota Hilux 2L CZ 10975 | 8.6% | STANDARD | 73702013/0001 | 2016/07/31 | 21 855 | (4 336) | 17 519 | - | 17 518 | 1 |
| 20MVA Transformer | 10.9% | DBSA | 103464/1 | 2029/07/31 | 4 082 939 | - | 4 082 939 | - | 119 435 | 3 963 504 |
| Water Works | | | | | | | | | | |
| Farm Hansrivier | 10.9% | DBSA | 103464/1 | 2029/07/31 | 1 808 540 | - | 1 808 540 | - | 60 013 | 1 748 527 |
| Pressure Control System | 10.9% | DBSA | 103464/1 | 2029/07/31 | 580 886 | - | 580 886 | - | 17 315 | 563 571 |
| Trailer CZ 6253 | 8.6% | STANDARD | 72702013/0002 | 2016/07/31 | 6 880 | - | 6 880 | - | 6 328 | 552 |
| Telemetry System | 9.7% | F N B | 2012/009 | 2017/06/01 | 174 549 | - | 174 549 | - | 83 884 | 90 665 |
| Water Purification Fencing | 9.7% | F N B | 2012/010 | 2017/06/01 | 68 428 | - | 68 428 | - | 32 843 | 35 585 |
| Total Annuity Loans | | | | | 12 028 075 | (4 336) | 12 023 739 | 2 558 498 | 1 770 706 | 12 811 532 |

APPENDIX A - Unaudited
BEAUFORT WEST LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

| EXTERNAL LOANS | Rate | Institution | Loan Number | Term | Balance at | Correction of | Balance at | Received | Redeemed | Balance at |
|---|--------|-------------|--------------------------------|------------|--------------|---------------|--------------|------------|-------------|--------------|
| | | | | | 30 June 2015 | Error | 30 June 2015 | during the | written off | 30 June 2016 |
| | | | | | R | R | R | R | R | R |
| LEASE LIABILITY | | | | | | | | | | |
| CZ 8282 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 1 | Street works & Storm Water | 2016/02/28 | 34 255 | - | 34 255 | - | 34 255 | - |
| CZ 8340 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 3 | Water Reticulation | 2016/02/28 | 35 204 | - | 35 204 | - | 35 204 | - |
| CZ 8341 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 3 | Water Reticulation | 2016/02/28 | 34 254 | - | 34 254 | - | 34 254 | - |
| CZ 8343 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 1 | Municipal Buildings | 2016/02/28 | 34 254 | - | 34 254 | - | 34 254 | - |
| CZ 8408 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 2 | Reticulation High | 2016/04/30 | 42 904 | - | 42 904 | - | 42 904 | - |
| CZ 8410 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 1 | Recreation Sites | 2016/04/30 | 30 413 | - | 30 413 | - | 30 413 | - |
| CZ 8414 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 1 | Dir: Engineers Services | 2016/04/30 | 38 007 | - | 38 007 | - | 38 007 | - |
| CZ 8415 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 3 | Water Reticulation | 2016/04/30 | 42 905 | - | 42 905 | - | 42 905 | - |
| CZ 8418 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 3 | Water Reticulation | 2016/04/30 | 42 906 | - | 42 906 | - | 42 906 | - |
| CZ 8419 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 3 | Water Reticulation | 2016/04/30 | 47 643 | - | 47 643 | - | 47 643 | - |
| CZ 8421 TOYOTA YARIS ZEN3 ACS | 8.50% | 1 | Dir: Financial Services | 2016/04/30 | 29 981 | - | 29 981 | - | 29 981 | - |
| CZ 8422 TOYOTA YARIS ZEN3 ACS | 8.50% | 1 | Building Control | 2016/04/30 | 29 982 | - | 29 982 | - | 29 982 | - |
| Machine Photocopy Kyocera FS1128 | 9.00% | 1 | Thusong Centre | 2016/08/30 | 25 718 | - | 25 718 | - | 21 877 | 3 841 |
| Machine Photocopy Kyocera FS 6025 | 9.00% | 1 | Thusong Centre | 2016/07/30 | 32 089 | - | 32 089 | - | 29 509 | 2 580 |
| PABX TELEPHONE SYSTEM | 9.00% | 1 | Thusong Centre | 2016/03/30 | 13 237 | - | 13 237 | - | 13 237 | - |
| CCTV CAMERA'S | 20.50% | 1 | Dir: Financial Services | 2015/09/30 | 3 456 | - | 3 456 | - | 3 456 | - |
| CZ 2078 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 1 | Street works & Storm Water | 2016/09/30 | 63 918 | - | 63 918 | - | 50 588 | 13 331 |
| CZ 2477 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 1 | Murraysburg Refuse Removal | 2016/09/30 | 63 918 | - | 63 918 | - | 50 588 | 13 331 |
| CZ 4155 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 1 | Murraysburg Water Reticulation | 2016/09/30 | 68 585 | - | 68 585 | - | 54 281 | 14 304 |
| CZ 8684 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 1 | Street works & Storm Water | 2016/09/30 | 68 585 | - | 68 585 | - | 54 281 | 14 304 |
| CZ 8685 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 3 | Water Reticulation | 2016/09/30 | 68 585 | - | 68 585 | - | 54 281 | 14 304 |
| CZ 8686 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 1 | Street works & Storm Water | 2016/09/30 | 68 585 | - | 68 585 | - | 54 281 | 14 304 |
| CZ 8687 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 1 | Recreation Sites | 2016/09/30 | 68 585 | - | 68 585 | - | 54 281 | 14 304 |
| CZ 5753 SEDAN TOYOTA ETIO'S | 8.50% | 1 | Dir: Traffic Services | 2016/09/30 | 50 918 | - | 50 918 | - | 40 299 | 10 619 |
| CZ 5136 SEDAN TOYOTA ETIO'S | 8.50% | 1 | Dir: Traffic Services | 2016/09/30 | 50 918 | - | 50 918 | - | 40 299 | 10 619 |
| CZ 6192 SEDAN TOYOTA ETIO'S | 8.50% | 1 | Dir: Traffic Services | 2016/09/30 | 50 918 | - | 50 918 | - | 40 299 | 10 619 |
| CZ 8563 ISUZU KB250D FLETSIDE A/C P/U S/C | 8.50% | 3 | Water Purification | 2016/06/30 | 48 949 | - | 48 949 | - | 45 022 | 3 927 |
| CZ 1096 ISUZU KB250D LEED FLEETSIDE P/U S | 8.50% | 3 | Water Reticulation | 2016/11/30 | 78 970 | - | 78 970 | - | 54 752 | 24 218 |
| CZ 5366 ISUZU KB250D LEED FLEETSIDE P/U S | 8.50% | 1 | Street works & Storm Water | 2016/10/30 | 72 904 | - | 72 904 | - | 53 899 | 19 005 |
| CZ 4898 ISUZU KB250D LEED FLEETSIDE P/U S | 8.50% | 1 | Municipal Buildings | 2016/10/30 | 68 635 | - | 68 635 | - | 50 743 | 17 892 |

APPENDIX A - Unaudited
BEAUFORT WEST LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

| EXTERNAL LOANS | Rate | Institution | Loan Number | Term | Balance at | Correction of | Balance at | Received | Redeemed | Balance at |
|--|-------|-------------|-------------------------|------------|-------------------|----------------|-------------------|------------------|------------------|-------------------|
| | | | | | 30 June 2015 | Error | 30 June 2015 | during the | written off | 30 June 2016 |
| | | | | | R | R | R | R | R | R |
| CZ 4296 ISUZU KB250D LEED FLEETSIDE P/U S | 8.50% | 3 | Water Purification | 2016/10/30 | 62 120 | - | 62 120 | - | 45 926 | 16 194 |
| CZ 2295 ISUZU KB250D LEED FLEETSIDE P/U S | 8.50% | 1 | Fire Brigade | 2016/10/30 | 65 836 | - | 65 836 | - | 48 674 | 17 163 |
| CZ 1461 ISUZU KB250D LEED FLEETSIDE P/U S | 8.50% | 1 | Refuse Removal | 2016/10/30 | 74 582 | - | 74 582 | - | 55 140 | 19 443 |
| CZ 8728 SEDAN TOYOTA ETIO'S | 8.50% | 1 | Housing Office | 2016/10/30 | 48 367 | - | 48 367 | - | 35 758 | 12 608 |
| CZ 6743 ISUZU KB250D LEED FLEETSIDE P/U S | 8.50% | 3 | Water Purification | 2016/11/30 | 82 919 | - | 82 919 | - | 57 490 | 25 429 |
| CZ 3697 TRUCK NISSAN UD 90B F/C C/C | 8.50% | 1 | Refuse Removal | 2017/01/30 | 570 571 | - | 570 571 | - | 351 409 | 219 162 |
| MACHINE PHOTOCOPY RICOH MP2501spf | 8.50% | 1 | Dir: Financial Services | 2017/03/30 | 11 174 | - | 11 174 | - | 6 182 | 4 992 |
| MACHINE PHOTOCOPY RICOH MP2501spf | 8.50% | 1 | Dir: Financial Services | 2017/03/30 | 11 174 | - | 11 174 | - | 6 182 | 4 992 |
| MACHINE PHOTOCOPY RICOH MP2501spf | 8.50% | 1 | Kwa Mandlenkosi Office | 2017/03/30 | 11 174 | - | 11 174 | - | 6 182 | 4 992 |
| MACHINE PHOTOCOPY RICOH MP2501spf | 8.50% | 1 | Dir: Financial Services | 2017/03/30 | 11 174 | - | 11 174 | - | 6 182 | 4 992 |
| MACHINE PHOTOCOPY RICOH MP2501spf | 8.50% | 1 | Dir: Traffic Services | 2017/03/30 | 11 174 | - | 11 174 | - | 6 182 | 4 992 |
| MACHINE PHOTOCOPY RICOH MP2501spf | 8.50% | 1 | Dir: Traffic Services | 2017/03/30 | 11 174 | - | 11 174 | - | 6 182 | 4 992 |
| MACHINE PHOTOCOPY RICOH MP2501spf | 8.50% | 1 | Traffic Court | 2017/03/30 | 11 174 | - | 11 174 | - | 6 182 | 4 992 |
| MACHINE PHOTOCOPY RICOH MP2501spf | 8.50% | 1 | Housing Office | 2017/03/30 | 11 174 | - | 11 174 | - | 6 182 | 4 992 |
| MACHINE PHOTOCOPY RICOH MP2501spf | 8.50% | 1 | Fire Brigade | 2017/03/30 | 11 174 | - | 11 174 | - | 6 182 | 4 992 |
| MACHINE PHOTOCOPY KONICA MINOLTA | 8.50% | 1 | General Expenses | 2017/03/30 | 4 387 | - | 4 387 | - | 2 427 | 1 960 |
| MACHINE PHOTOCOPY KONICA MINOLTA | 8.50% | 1 | Dir: Community Services | 2017/03/30 | 30 675 | - | 30 675 | - | 16 970 | 13 705 |
| MACHINE PHOTOCOPY KONICA MINOLTA | 8.50% | 2 | Admin: Electrical | 2017/03/30 | 16 472 | - | 16 472 | - | 9 113 | 7 359 |
| CZ 9005 ISUZU KB250D LEED FLEETSIDE P/U S | 9.00% | 1 | Dir: Community Services | 2017/05/30 | 107 696 | - | 107 696 | - | 53 879 | 53 817 |
| CZ 4033 ISUZU KB 250D LEED FLEETSIDE P/U S/C | 9.25% | 1 | Dir: Traffic Services | 2017/09/30 | 124 260 | - | 124 260 | - | 52 061 | 72 199 |
| MACHINE FRANKING NEOPOST IJ - 40 | 9.25% | 1 | Dir: Financial Services | 2017/06/30 | 41 616 | - | 41 616 | - | 16 834 | 24 782 |
| MACHINE PHOTOCOPY NASHUA MP 2501SPF | 9.25% | 1 | Dir: Financial Services | 2017/11/10 | 16 783 | - | 16 783 | - | 6 253 | 10 530 |
| MACHINE PHOTOCOPY NASHUA MPC6502SP | 9.25% | 1 | Dir: Corporate Services | 2018/03/30 | 194 205 | - | 194 205 | - | 64 999 | 129 207 |
| CZ 7488 ISUZU KB 250D LEED FLEETSIDE P/U S/C | 9.25% | 2 | Reticulation Low | 2018/04/30 | 165 545 | - | 165 545 | - | 53 562 | 111 983 |
| CZ 9327 ISUZU KB 250D LEED FLEETSIDE P/U S/C | 9.25% | 2 | Reticulation High | 2018/04/30 | 165 545 | - | 165 545 | - | 53 562 | 111 983 |
| MACHINE PHOTOCOPY SAMSUNG PRO XPRESS | 9.75% | 1 | Murraysburg: Admin | 2018/10/30 | - | - | - | 8 132 | 1 608 | 6 524 |
| MACHINE PHOTOCOPY NASHUA | 9.50% | 1 | Dir: Financial Services | 2018/08/30 | - | - | - | 11 700 | 2 924 | 8 776 |
| CZ 2168 SEDAN TOYOTA ETIO'S | 9.25% | 1 | Dir: Financial Services | 2018/08/30 | - | - | - | 114 291 | 28 566 | 85 726 |
| MACHINE PHOTOCOPY RICOH MP301spf | 9.75% | 1 | Dir: Financial Services | 2019/05/30 | - | - | - | 15 810 | 380 | 15 430 |
| MACHINE PHOTOCOPY RICOH MP301spf | 9.75% | 1 | Church Street Library | 2019/05/30 | - | - | - | 15 810 | 380 | 15 430 |
| MACHINE PHOTOCOPY RICOH MP301spf | 9.75% | 1 | Church Street Library | 2019/05/30 | - | - | - | 15 810 | 380 | 15 430 |
| MACHINE PHOTOCOPY RICOH MP301spf | 9.75% | 1 | Mimosa Library | 2019/05/30 | - | - | - | 15 810 | 380 | 15 430 |
| MACHINE PHOTOCOPY MPC2003SP | 9.75% | 1 | Municipal Manager | 2018/10/30 | - | - | - | 46 594 | 9 214 | 37 380 |
| Total Lease Liabilities | | | | | 3 282 326 | - | 3 282 326 | 243 958 | 2 232 202 | 1 294 082 |
| TOTAL EXTERNAL LOANS | | | | | 15 310 401 | (4 336) | 15 306 065 | 2 802 456 | 4 002 908 | 14 105 614 |

APPENDIX B - Unaudited
BEAUFORT WEST LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
MUNICIPAL VOTES CLASSIFICATION

| 2015 Actual Income R | 2015 Actual Expenditure R | 2015 Surplus/ (Deficit) R | | 2016 Actual Income R | 2016 Actual Expenditure R | 2016 Surplus/ (Deficit) R |
|-------------------------------|------------------------------------|------------------------------------|--|-------------------------------|------------------------------------|------------------------------------|
| 1 111 581 | (2 806 467) | (1 694 886) | Admin: Commun Serv | 977 410 | (3 251 033) | (2 273 623) |
| 53 005 847 | (9 106 239) | 43 899 608 | Admin: Corp Serv | 277 949 | (9 673 922) | (9 395 973) |
| 23 232 571 | (23 817 631) | (585 060) | Admin: Electrical | 6 848 420 | (17 801 729) | (10 953 309) |
| 273 845 | (3 278 655) | (3 004 810) | Admin: Engineering Serv | 556 240 | (3 561 039) | (3 004 799) |
| 10 316 562 | (13 451 714) | (3 135 152) | Admin: Fin Serv | 8 729 115 | (23 164 986) | (14 435 871) |
| 4 544 | (629 813) | (625 269) | Admin: Nelspoort | 8 216 | (496 960) | (488 744) |
| 45 994 585 | (42 144 643) | 3 849 942 | Admin: Traffic | 60 102 836 | (60 174 928) | (72 092) |
| 114 968 | (2 788 379) | (2 673 411) | Admin: Water | 133 948 | (5 215 156) | (5 081 208) |
| 96 184 | (730 972) | (634 788) | Building Control | 87 400 | (854 217) | (766 817) |
| 165 173 | (565 196) | (400 023) | Cemetries | 210 041 | (361 036) | (150 995) |
| - | (1 902 393) | (1 902 393) | Fire Brigade | - | (1 953 556) | (1 953 556) |
| 24 897 943 | (11 388 937) | 13 509 006 | General Expenses | 30 690 002 | (11 822 217) | 18 867 785 |
| 3 195 587 | (4 288 237) | (1 092 650) | Housing Office | 25 209 541 | (26 420 302) | (1 210 761) |
| 124 256 | (191 675) | (67 419) | IDP: Co-Ordinator | 75 616 | (97 807) | (22 191) |
| - | (1 616 730) | (1 616 730) | Information Technology | 265 413 | (1 539 709) | (1 274 296) |
| 7 995 | (56 307) | (48 312) | Irrigation Water | 7 754 | (57 591) | (49 837) |
| 17 300 | (84 987) | (67 687) | Kwa-Mand Comm Hall | 18 554 | (105 692) | (87 138) |
| - | (608 157) | (608 157) | Kwa-Mand Office | - | (865 173) | (865 173) |
| 1 554 464 | (1 480 821) | 73 643 | Library Church Street | 2 361 584 | (1 683 525) | 678 059 |
| 1 349 706 | (1 264 342) | 85 364 | Library Mimosa | 1 748 252 | (1 622 890) | 125 362 |
| 266 690 | (167 027) | 99 663 | Library Nelspoort | 197 957 | (213 370) | (15 413) |
| 696 316 | (1 029 572) | (333 256) | Main Road | - | - | - |
| - | (1 907 064) | (1 907 064) | Mechanical Workshop | - | (1 964 186) | (1 964 186) |
| 358 922 | (4 763 179) | (4 404 257) | Municipal Buildings | 407 920 | (5 430 079) | (5 022 159) |
| 328 196 | (2 198 514) | (1 870 318) | Municipal Manager | - | (2 485 257) | (2 485 257) |
| 22 957 370 | - | 22 957 370 | Municipal Rates | 24 359 329 | - | 24 359 329 |
| 1 374 | (15 455) | (14 081) | Pound | 1 187 | (20 993) | (19 806) |
| 1 727 | - | 1 727 | Private Work | 420 | - | 420 |
| 1 736 408 | (6 329 869) | (4 593 461) | Recreation Sites | 1 135 984 | (6 054 163) | (4 918 179) |
| 7 006 136 | (10 191 527) | (3 185 391) | Refuse Removal | 7 315 772 | (9 850 582) | (2 534 810) |
| 6 394 327 | (3 245 735) | 3 148 592 | Reticulation: H Volt | 470 160 | (3 458 292) | (2 988 132) |
| 61 628 773 | (47 746 326) | 13 882 447 | Reticulation: L Volt | 70 674 488 | (56 926 004) | 13 748 484 |
| 18 259 | (53 005) | (34 746) | Rustdene Comm Hall | 26 752 | (61 339) | (34 587) |
| - | (308 878) | (308 878) | Rustdene Office | - | (571 623) | (571 623) |
| (16 136) | - | (16 136) | S/E 1 Rustdene | 17 166 | - | 17 166 |
| 169 604 | (185 524) | (15 920) | S/E 4 Rustdene | 174 136 | (172 608) | 1 528 |
| 20 911 | (20 912) | (1) | S/E 8 Rustdene | 27 155 | (27 156) | (1) |
| 9 597 | (9 597) | - | S/E 9 Rustdene | 12 598 | (12 598) | - |
| 200 327 | (265 672) | (65 345) | Service Connections | 138 753 | (221 819) | (83 066) |
| - | (4 137 504) | (4 137 504) | Sewerage Farm | 8 025 710 | (4 769 693) | 3 256 017 |
| 25 561 591 | (4 853 617) | 20 707 974 | Sewerage System | 15 418 273 | (4 428 483) | 10 989 790 |
| 84 911 | (1 861 377) | (1 776 466) | Stores | 135 796 | (2 089 949) | (1 954 153) |
| - | (1 586 525) | (1 586 525) | Street Cleansing | - | (1 640 424) | (1 640 424) |
| 780 606 | (4 775 589) | (3 994 983) | Street Lightening | 1 510 136 | (5 353 433) | (3 843 297) |
| 11 248 876 | (13 394 171) | (2 145 295) | Street works & Storm Water | 1 209 732 | (14 556 904) | (13 347 172) |
| 59 628 | (360 004) | (300 376) | Swimming Pool Birds | 96 086 | (458 411) | (362 325) |
| 47 784 | (397 302) | (349 518) | Swimming Pool Nieuveld | 41 961 | (502 717) | (460 756) |
| - | (334 748) | (334 748) | Tourism | - | (369 518) | (369 518) |
| 9 691 | (83 882) | (74 191) | Town Commonage | 17 504 | (118 923) | (101 419) |
| - | (838 495) | (838 495) | Traffic Court | - | (1 088 360) | (1 088 360) |
| - | (55 701) | (55 701) | Traffic Lights | - | (4 036) | (4 036) |
| 39 450 | (187 352) | (147 902) | Vacuum Services | 45 523 | (194 577) | (149 054) |
| 649 197 | (388 592) | 260 605 | Vehicle Registration | 705 985 | (419 939) | 286 046 |
| 160 215 | (386 476) | (226 261) | Vehicle Testing Station | 164 177 | (522 115) | (357 938) |
| 18 695 | (12 300 424) | (12 281 729) | Water Purification | - | (12 288 957) | (12 288 957) |
| 24 025 434 | (6 943 570) | 17 081 864 | Water Reticulation | 26 026 623 | (9 486 135) | 16 540 488 |
| 126 224 | (508 491) | (382 267) | Internal Audit | 155 362 | (662 375) | (507 013) |
| 488 545 | (640 915) | (152 370) | Labour Relations | 70 607 | (705 230) | (634 623) |
| 2 898 458 | (1 203 035) | 1 695 423 | Murraysburg Administration | 1 886 925 | (1 017 462) | 869 463 |
| 3 460 635 | (4 672 007) | (1 211 372) | Murraysburg Electricity | 3 473 664 | (5 441 986) | (1 968 322) |
| 709 602 | (592 583) | 117 019 | Murraysburg Library | 583 528 | (630 174) | (46 646) |
| 1 625 654 | - | 1 625 654 | Murraysburg Municipal Rates | 1 671 763 | - | 1 671 763 |
| 236 950 | (127 645) | 109 305 | Murraysburg Recreation Site | - | (139 347) | (139 347) |
| 388 994 | - | 388 994 | Murraysburg Sewerage | 667 180 | (13 206) | 653 974 |
| 857 661 | (2 246 889) | (1 389 228) | Murraysburg Refuse Removal | 902 675 | (2 035 759) | (1 133 084) |
| - | (2 296 652) | (2 296 652) | Murraysburg Street Works & Storm Water | 979 251 | (2 149 849) | (1 170 598) |
| 2 667 | (59 715) | (57 048) | Murraysburg Swimming Pool | 7 308 | (12 384) | (5 076) |
| 1 223 924 | (1 695 017) | (471 093) | Murraysburg Water Works | 1 114 238 | (1 465 719) | (351 481) |
| 962 634 | (537 971) | 424 663 | Thusong Centre | 243 949 | (597 723) | (353 774) |
| 195 069 | (156 792) | 38 277 | Wheely Wagon Kwa Mandlenkosi | 488 065 | (218 631) | 269 434 |
| 50 907 | (339 700) | (288 793) | Murraysburg - Thusong Centre | 376 068 | (339 715) | 36 353 |
| 343 155 914 | (268 643 087) | 74 512 827 | Sub Total | 309 321 333 | (332 936 629) | (23 615 296) |
| - | 11 275 683 | 11 275 683 | Less Inter-Departmental Charges | - | 12 368 673 | 12 368 673 |
| 343 155 914 | (257 367 404) | 85 788 510 | Total | 309 321 333 | (320 567 956) | (11 246 623) |

APPENDIX C - Unaudited
BEAUFORT WEST LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016
GENERAL FINANCE STATISTIC CLASSIFICATIONS

| 2015 Actual Income R | 2015 Actual Expenditure R | 2015 Surplus/ (Deficit) R | | 2016 Actual Income R | 2016 Actual Expenditure R | 2016 Surplus/ (Deficit) R |
|-------------------------------|------------------------------------|------------------------------------|---------------------------------|-------------------------------|------------------------------------|------------------------------------|
| 25 593 539 | (14 824 236) | 10 769 303 | Executive & Council | 30 915 971 | (16 044 597) | 14 871 374 |
| 37 887 499 | (18 062 974) | 19 824 525 | Budget & Treasury | 36 791 144 | (28 206 183) | 8 584 961 |
| 53 374 460 | (15 570 030) | 37 804 430 | Corporate Services | 968 786 | (16 762 633) | (15 793 847) |
| 494 285 | (4 201 302) | (3 707 017) | Planning & Development | 719 256 | (4 513 063) | (3 793 807) |
| 6 402 759 | (8 104 541) | (1 701 782) | Community & Social Services | 7 268 523 | (10 127 049) | (2 858 526) |
| 3 379 563 | (4 504 270) | (1 124 707) | Housing | 25 440 596 | (26 632 664) | (1 192 068) |
| 45 994 585 | (44 885 531) | 1 109 054 | Public Safety | 60 102 836 | (63 216 844) | (3 114 008) |
| 2 083 437 | (7 274 535) | (5 191 098) | Sport & Recreation | 1 281 339 | (7 167 022) | (5 885 683) |
| 7 863 797 | (14 024 941) | (6 161 144) | Waste Management | 8 218 447 | (13 526 765) | (5 308 318) |
| 25 990 035 | (9 178 473) | 16 811 562 | Waste Water Management | 24 156 686 | (9 405 959) | 14 750 727 |
| 12 754 604 | (19 402 527) | (6 647 923) | Road Transport | 3 059 145 | (19 612 993) | (16 553 848) |
| 25 391 016 | (23 783 697) | 1 607 319 | Water | 27 282 563 | (28 513 558) | (1 230 995) |
| 95 698 966 | (84 578 661) | 11 120 305 | Electricity | 83 116 041 | (89 207 299) | (6 091 258) |
| | | | | | | - |
| 342 908 545 | (268 395 718) | 74 512 827 | Sub Total | 309 321 333 | (332 936 629) | (23 615 296) |
| - | 11 275 683 | 11 275 683 | Less Inter-Departmental Charges | - | 12 368 673 | 12 368 673 |
| 342 908 545 | (257 120 035) | 85 788 510 | Total | 309 321 333 | (320 567 956) | (11 246 623) |
| | | | | | | |

APPENDIX D - Unaudited
BEAUFORT WEST LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

| Grant Description | Balance 1 July 2015 | Correction of error | Restated balance 1 July 2015 | Transfer in | Contributions during the year | Interest on Investments (Only if a condition) | Interest Transferred to Revenue | VAT Transferred to Revenue | Operating Expenditure during the year Transferred to Revenue | Capital Expenditure during the year Transferred to Revenue | Refund to Donor | Transfer out | Balance 30 June 2016 | Unspent 30 June 2016 (Creditor) | Unpaid 30 June 2016 (Debtor) |
|--|------------------------|------------------------|------------------------------------|----------------|----------------------------------|--|---------------------------------------|----------------------------------|--|--|--------------------|-----------------|-------------------------|---------------------------------------|------------------------------------|
| | R | R | R | R | R | R | R | R | R | R | | R | R | R | R |
| UNSPENT/UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS | | | | | | | | | | | | | | | |
| NATIONAL | | | | | | | | | | | | | | | |
| Finance Management Restruc. | (266 767) | 266 767 | - | - | 1 600 000 | - | - | 142 134 | 1 444 355 | 13 511 | - | - | - | - | - |
| Electrification of Central Karoo | (701 117) | - | (701 117) | - | 15 000 000 | - | - | 946 265 | 5 223 440 | 470 160 | - | - | 7 659 018 | 7 659 018 | - |
| MSIG | 182 293 | - | 182 293 | - | 930 000 | - | - | 122 197 | 923 693 | - | - | - | 66 403 | 66 403 | - |
| Expanded Public Works Programme | (95 942) | 95 942 | - | - | 1 743 000 | - | - | 6 983 | 1 736 017 | - | - | - | - | - | - |
| Exploration Aquifers | 157 653 | - | 157 653 | - | - | - | 157 653 | - | - | - | - | - | - | - | - |
| Energy efficiency demand (EEDMS) | (131 626) | - | (131 626) | - | 8 000 000 | - | - | 917 169 | 6 931 205 | - | - | 20 000 | - | - | - |
| Install Pre-paid Water Meters | - | - | - | - | 3 078 925 | - | - | 287 136 | 2 791 790 | - | - | - | - | - | - |
| PROVINCIAL | | | | | | | | | | | | | | | |
| Performance Management Grant | - | - | - | - | - | 2 300 | 294 | 229 | 1 776 | - | - | - | - | - | - |
| Human settlements development grant (Beneficiaries) - Housin | 34 450 | - | 34 450 | - | 25 205 250 | 2 388 | 36 837 | - | 25 205 250 | - | - | - | - | - | - |
| Housing Consumer Education Programme | 91 039 | - | 91 039 | - | - | 3 183 | 89 931 | - | 4 291 | - | - | - | - | - | - |
| Library Services | 777 421 | - | 777 421 | - | 4 570 000 | 112 662 | - | - | 4 231 194 | 1 132 664 | - | - | 96 225 | 96 225 | - |
| Community Development Workers (CDW) operational support | (195 230) | 172 981 | (22 249) | - | 234 000 | 1 151 | - | 7 764 | 205 137 | - | - | - | 1 | 1 | - |
| Thusong (Multi-Purpose) Centre grant | 222 000 | - | 222 000 | - | 100 000 | 8 923 | - | 3 579 | 327 344 | - | - | - | - | - | - |
| Municipal Infrastructure Support Grant | 510 814 | - | 510 814 | 20 000 | 550 000 | 41 743 | - | 54 053 | 95 928 | 292 090 | - | - | 680 486 | 680 486 | - |
| Municipal Capacity Building Grant | - | - | - | - | 250 000 | - | - | - | 250 000 | - | - | - | - | - | - |
| Western Cape Management Support Grant | 1 192 168 | - | 1 192 168 | - | 1 062 000 | 77 805 | - | 163 507 | 1 140 966 | 116 552 | - | - | 910 948 | 910 948 | - |
| Disaster Recovery Plan | 303 886 | - | 303 886 | - | - | 7 183 | - | 45 656 | - | 265 413 | - | - | - | - | - |
| Project Provisional Funds | 32 434 | - | 32 434 | - | - | 1 118 | 33 552 | - | - | - | - | - | - | - | - |
| Project Preparation Grant Planning | 165 396 | - | 165 396 | - | - | 5 700 | 171 096 | - | - | - | - | - | - | - | - |
| Public Transport Infrastructure | 21 575 | - | 21 575 | - | - | - | 21 575 | - | - | - | - | - | - | - | - |
| Rezoning Scheme Regulations | 14 291 | - | 14 291 | - | - | 493 | 14 784 | - | - | - | - | - | - | - | - |
| Sanitation Master Plan | 10 806 | - | 10 806 | - | - | 372 | 11 179 | - | - | - | - | - | - | - | - |
| Tourism Potential Nelspoort | 71 333 | - | 71 333 | - | - | 7 879 | 79 212 | - | - | - | - | - | - | - | - |
| Tourism Tokens | 7 907 | - | 7 907 | - | - | 273 | 8 180 | - | - | - | - | - | - | - | - |
| Upgrading Elec Network Nelspoort | 146 000 | - | 146 000 | - | - | 8 438 | - | - | - | - | - | - | 154 439 | 154 439 | - |
| Organisational Structure Review | 500 000 | - | 500 000 | - | - | 14 431 | - | 87 419 | 427 012 | - | - | - | - | - | - |
| Upgrade Sport Facilities Murraysburg | 357 | - | 357 | - | - | - | - | - | - | - | - | - | 357 | 357 | - |
| IDP Review | 66 257 | - | 66 257 | - | - | 9 400 | - | 41 | 75 616 | - | - | - | - | - | - |
| Water Masterplan | 13 560 | - | 13 560 | - | - | 467 | 14 028 | - | - | - | - | - | - | - | - |
| Soup Kitchens | 7 745 | - | 7 745 | - | - | 267 | 8 012 | - | - | - | - | - | - | - | - |

**APPENDIX D - Unaudited
BEAUFORT WEST LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

| Grant Description | Balance 1 July 2015 | Correction of error | Restated balance 1 July 2015 | Transfer in | Contributions during the year | Interest on Investments (Only if a condition) | Interest Transferred to Revenue | VAT Transferred to Revenue | Operating Expenditure during the year Transferred to Revenue | Capital Expenditure during the year Transferred to Revenue | Refund to Donor | Transfer out | Balance 30 June 2016 | Unspent 30 June 2016 (Creditor) | Unpaid 30 June 2016 (Debtor) |
|---|------------------------|------------------------|------------------------------------|------------------|----------------------------------|--|---------------------------------------|----------------------------------|--|--|--------------------|------------------|-------------------------|---------------------------------------|------------------------------------|
| MIG | | | | | | | | | | | | | | | |
| Upgrade Sport Stadium Kwa-Mandlenkosi | - | - | - | - | 879 612 | - | - | 61 443 | - | 732 262 | - | 85 907 | - | - | - |
| Sewerage Pump Station AREA 8 | - | - | - | - | 3 500 741 | - | - | 399 121 | - | 2 850 866 | - | 250 754 | - | - | - |
| PMU | - | - | - | 2 273 | 262 914 | - | - | 1 036 | 264 150 | - | - | - | - | - | - |
| Upgarde Rustdene Sports Ground | - | - | - | 383 000 | - | - | - | 23 258 | - | 196 226 | - | - | - | - | - |
| New High Mast Lightening (Nelspoort) | - | - | - | - | 500 000 | - | - | - | - | - | - | - | - | - | - |
| Upgrade Sport Facilities : Merweville Sport Grounds | - | - | - | - | 1 500 000 | - | - | - | - | - | - | 1 500 000 | - | - | - |
| New Refuse Transfer Station | - | - | - | - | 532 067 | - | - | - | - | - | - | 532 067 | - | - | - |
| Upgrade/Extention of Water Supply Murraysburg | 1 | - | 1 | 693 | 125 000 | - | - | 15 436 | - | 110 258 | - | - | (1) | - | (1) |
| Investigation Aquifers | - | - | - | 104 232 | 1 537 568 | - | - | 14 480 | - | 103 428 | - | - | 1 523 892 | 1 523 892 | - |
| Pressure Reduction Water (PRV's) | - | - | - | 99 858 | - | - | - | 12 263 | - | 87 595 | - | - | - | - | - |
| High Mast Lights Greater Beaufort West | (62 825) | 62 825 | - | 1 681 943 | - | - | - | 206 554 | - | 1 475 389 | - | - | - | - | - |
| Nelspoort Bulk Water | (102 751) | 102 751 | - | 72 516 | - | - | - | 8 905 | - | 63 611 | - | - | - | - | - |
| Rehabilitate Oxidation Ponds : Nelspoort | - | - | - | 696 483 | 5 202 839 | - | - | 724 478 | - | 5 174 844 | - | - | - | - | - |
| Upgrade Setlaars, Paarden Perl Streets Murraysburg | - | - | - | - | 1 125 100 | - | - | 137 095 | - | 979 251 | - | 8 754 | - | - | - |
| Upgrade Dliso & Matshaka Road Kwa-Mandlenkosi | - | - | - | - | 481 159 | - | - | 59 090 | - | 422 069 | - | 1 | - | - | - |
| LOCAL ECONOMIC DEVELOPMENT | | | | | | | | | | | | | | | |
| Arts & Crafts | 34 929 | - | 34 929 | - | - | 21 454 | 56 383 | - | - | - | - | - | - | - | - |
| ESKOM | | | | | | | | | | | | | | | |
| Electrification Central Karoo | - | - | - | - | 317 005 | - | - | 4 368 | 312 637 | - | - | - | - | - | - |
| LOTTERY | | | | | | | | | | | | | | | |
| Upgrading Rustdene Sport Grounds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| CKDM | | | | | | | | | | | | | | | |
| Website | 8 783 | - | 8 783 | - | - | 303 | 9 086 | - | - | - | - | - | - | - | - |
| Expanded Public Works Programme | (58 060) | - | (58 060) | - | - | - | (58 060) | - | - | - | - | - | - | - | - |
| Multi Purpose Centre - Murraysburg | 136 249 | - | 136 249 | - | - | - | 136 249 | - | - | - | - | - | - | - | - |
| Total | 3 095 030 | 701 266 | 3 796 295 | 3 060 998 | 78 287 181 | 327 933 | 789 992 | 4 451 659 | 51 591 803 | 14 486 188 | - | 3 060 998 | 11 091 768 | 11 091 768 | (1) |
| UNSPENT/UNPAID CONDITIONAL PUBLIC CONTRIBUTION | | | | | | | | | | | | | | | |
| PRIVAAT | | | | | | | | | | | | | | | |
| Disaster Fund | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Electrification Central Karoo | - | - | - | - | 250 000 | - | - | - | 250 000 | - | - | - | - | - | - |
| Beneficiaries Merweville Housing | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Merweville Library Alteration | 145 955 | - | 145 955 | - | - | 6 742 | - | 1 707 | - | 70 243 | - | - | 80 747 | 80 747 | - |
| Total | 145 955 | - | 145 955 | - | 250 000 | 6 742 | - | 1 707 | 250 000 | 70 243 | - | - | 80 747 | 80 747 | - |
| Total Receipts | 3 240 984 | 701 266 | 3 942 250 | 3 060 998 | 78 537 181 | 334 675 | 789 992 | 4 453 366 | 51 841 803 | 14 556 431 | - | 3 060 998 | 11 172 515 | 11 172 516 | (1) |

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

| Description | 2015/16 | | | | | | | 2014/15 |
|--|-----------------|---|-----------------------------|-------------------|--|---|---|-----------------------------|
| | 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 | 64 754 | 5 413 | 70 167 | 68 676 | (1 491) | 97.9% | 106.1% | 117 103 |
| Executive and council | 29 448 | 197 | 29 645 | 30 916 | 1 271 | 104.3% | 105.0% | 25 841 |
| Budget and treasury office | 34 972 | 4 353 | 39 325 | 36 791 | (2 533) | 93.6% | 105.2% | 37 887 |
| Corporate services | 335 | 863 | 1 198 | 969 | (229) | 80.9% | 289.4% | 53 374 |
| Community and public safety | 48 263 | 31 240 | 79 503 | 94 093 | 14 590 | 118.4% | 195.0% | 57 860 |
| Community and social services | 6 332 | 1 305 | 7 637 | 7 269 | (368) | 95.2% | 114.8% | 6 403 |
| Sport and recreation | 3 547 | (912) | 2 635 | 1 281 | (1 353) | 48.6% | 36.1% | 2 083 |
| Public safety | 16 183 | 29 853 | 46 035 | 60 103 | 14 068 | 130.6% | 371.4% | 45 995 |
| Housing | 22 203 | 994 | 23 197 | 25 441 | 2 244 | 109.7% | 114.6% | 3 380 |
| Health | - | - | - | - | - | - | - | - |
| Economic and environmental services | 5 072 | (536) | 4 536 | 3 778 | (758) | 83.3% | 74.5% | 13 249 |
| Planning and development | 402 | 777 | 1 179 | 719 | (460) | 61.0% | 178.9% | 494 |
| Road transport | 4 670 | (1 313) | 3 357 | 3 059 | (298) | 91.1% | 65.5% | 12 755 |
| Environmental protection | - | - | - | - | - | - | - | - |
| Trading services | 155 731 | 6 598 | 162 328 | 142 774 | (19 555) | 88.0% | 91.7% | 154 944 |
| Electricity | 99 736 | 1 497 | 101 233 | 83 116 | (18 117) | 82.1% | 83.3% | 95 699 |
| Water | 24 109 | 3 848 | 27 957 | 27 283 | (674) | 97.6% | 113.2% | 25 391 |
| Waste water management | 23 413 | 1 555 | 24 967 | 24 157 | (811) | 96.8% | 103.2% | 25 990 |
| Waste management | 8 473 | (302) | 8 171 | 8 218 | 47 | 100.6% | 97.0% | 7 864 |
| Other | - | - | - | - | - | - | - | - |
| Total Revenue - Standard | 273 820 | 42 715 | 316 536 | 309 321 | (7 214) | 97.7% | 113.0% | 343 156 |
| Expenditure - Standard | | | | | | | | |
| Governance and administration | 47 328 | 4 798 | 52 125 | 60 274 | 8 149 | 115.6% | 127.4% | 47 825 |
| Executive and council | 15 494 | 396 | 15 890 | 16 035 | 145 | 100.9% | 103.5% | 15 065 |
| Budget and treasury office | 17 477 | 3 171 | 20 649 | 27 990 | 7 342 | 135.6% | 160.2% | 17 672 |
| Corporate services | 14 356 | 1 230 | 15 586 | 16 249 | 662 | 104.2% | 113.2% | 15 089 |
| Community and public safety | 54 547 | 33 225 | 87 771 | 105 298 | 17 526 | 120.0% | 193.0% | 63 250 |
| Community and social services | 9 792 | 1 154 | 10 946 | 9 373 | (1 573) | 85.6% | 95.7% | 7 663 |
| Sport and recreation | 7 566 | 70 | 7 636 | 6 131 | (1 505) | 80.3% | 81.0% | 6 244 |
| Public safety | 13 867 | 30 959 | 44 826 | 63 161 | 18 336 | 140.9% | 455.5% | 44 839 |
| Housing | 23 321 | 1 042 | 24 364 | 26 633 | 2 269 | 109.3% | 114.2% | 4 504 |
| Health | - | - | - | - | - | - | - | - |
| Economic and environmental services | 28 345 | (2 941) | 25 404 | 23 738 | (1 666) | 93.4% | 83.7% | 23 159 |
| Planning and development | 4 846 | 116 | 4 962 | 4 414 | (548) | 89.0% | 91.1% | 4 115 |
| Road transport | 23 499 | (3 057) | 20 442 | 19 324 | (1 118) | 94.5% | 82.2% | 19 043 |
| Environmental protection | - | - | - | - | - | - | - | - |
| Trading services | 138 495 | (3 491) | 135 004 | 131 258 | (3 746) | 97.2% | 94.8% | 123 134 |
| Electricity | 93 387 | (6 856) | 86 531 | 83 965 | (2 567) | 97.0% | 89.9% | 80 066 |
| Water | 22 160 | 1 983 | 24 143 | 25 472 | 1 329 | 105.5% | 114.9% | 20 827 |
| Waste water management | 9 017 | 754 | 9 771 | 8 295 | (1 476) | 84.9% | 92.0% | 8 216 |
| Waste management | 13 535 | 588 | 14 123 | 13 527 | (596) | 95.8% | 99.9% | 14 025 |
| Other | 397 | 40 | 436 | - | (436) | - | - | - |
| Total Expenditure - Standard | 268 715 | 31 590 | 300 305 | 320 568 | 20 263 | 106.7% | 119.3% | 257 367 |
| Surplus/(Deficit) for the year | 5 105 | 11 125 | 16 230 | (11 247) | (27 477) | -69.3% | -220.3% | 85 789 |

APPENDIX E (2) - Unaudited
BEAUFORT WEST LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

| Description | 2015/16 | | | | | | | 2014/15 |
|---|-----------------|---|-----------------------------|-------------------|--|---|---|-----------------------------|
| | 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 | | | | | | | | |
| Executive and Council | 29 448 | 197 | 29 645 | 30 916 | 1 271 | 104.3% | 105.0% | 25 841 |
| Budget and Treasury Office | 34 972 | 4 353 | 39 325 | 36 791 | (2 533) | 93.6% | 105.2% | 37 887 |
| Corporate Services | 335 | 863 | 1 198 | 969 | (229) | 80.9% | 289.4% | 53 374 |
| Community and Social Services | 6 332 | 1 305 | 7 637 | 7 269 | (368) | 95.2% | 114.8% | 6 403 |
| Sport and Recreation | 3 547 | (912) | 2 635 | 1 281 | (1 353) | 48.6% | 36.1% | 2 083 |
| Public Safety | 16 183 | 29 853 | 46 035 | 60 103 | 14 068 | 130.6% | 371.4% | 45 995 |
| Road Transport | 4 670 | (1 313) | 3 357 | 3 059 | (298) | 91.1% | 65.5% | 12 755 |
| Electricity | 99 736 | 1 497 | 101 233 | 83 116 | (18 117) | 82.1% | 83.3% | 95 699 |
| Water | 24 109 | 3 848 | 27 957 | 27 283 | (674) | 97.6% | 113.2% | 25 391 |
| Waste Water Management | 23 413 | 1 555 | 24 967 | 24 157 | (811) | 96.8% | 103.2% | 25 990 |
| Waste Management | 8 473 | (302) | 8 171 | 8 218 | 47 | 100.6% | 97.0% | 7 864 |
| Environmental Protection | - | - | - | - | - | - | - | - |
| Other | 22 605 | 1 771 | 24 376 | 26 160 | 1 784 | 107.3% | 115.7% | 3 874 |
| Example 14 - Vote14 | | | - | - | - | - | - | - |
| Example 15 - Vote15 | | | - | - | - | - | - | - |
| Total Revenue by Vote | 273 820 | 42 715 | 316 536 | 309 321 | (7 214) | 97.7% | 113.0% | 343 156 |
| Expenditure by Vote to be appropriated | | | | | | | | |
| Executive and Council | 15 494 | 396 | 15 890 | 16 035 | 145 | 100.9% | 103.5% | 15 065 |
| Budget and Treasury Office | 17 477 | 3 171 | 20 649 | 27 990 | 7 342 | 135.6% | 160.2% | 17 672 |
| Corporate Services | 14 356 | 1 230 | 15 586 | 16 249 | 662 | 104.2% | 113.2% | 15 089 |
| Community and Social Services | 9 792 | 1 154 | 10 946 | 9 373 | (1 573) | 85.6% | 95.7% | 7 663 |
| Sport and Recreation | 7 566 | 70 | 7 636 | 6 131 | (1 505) | 80.3% | 81.0% | 6 244 |
| Public Safety | 13 867 | 30 959 | 44 826 | 63 161 | 18 336 | 140.9% | 455.5% | 44 839 |
| Road Transport | 23 499 | (3 057) | 20 442 | 19 324 | (1 118) | 94.5% | 82.2% | 19 043 |
| Electricity | 93 387 | (6 856) | 86 531 | 83 965 | (2 567) | 97.0% | 89.9% | 80 066 |
| Water | 22 160 | 1 983 | 24 143 | 25 472 | 1 329 | 105.5% | 114.9% | 20 827 |
| Waste Water Management | 9 017 | 754 | 9 771 | 8 295 | (1 476) | 84.9% | 92.0% | 8 216 |
| Waste Management | 13 535 | 588 | 14 123 | 13 527 | (596) | 95.8% | 99.9% | 14 025 |
| Environmental Protection | - | - | - | - | - | - | - | - |
| Other | 28 564 | 1 198 | 29 762 | 31 046 | 1 284 | 104.3% | 108.7% | 8 620 |
| Example 14 - Vote14 | | | - | - | - | - | - | - |
| Example 15 - Vote15 | | | - | - | - | - | - | - |
| Total Expenditure by Vote | 268 715 | 31 590 | 300 305 | 320 568 | 20 263 | 106.7% | 119.3% | 257 367 |
| Surplus/(Deficit) for the year | 5 105 | 11 125 | 16 230 | (11 247) | (27 477) | -69.3% | -220.3% | 85 789 |

**APPENDIX E (3) - Unaudited
BEAUFORT WEST LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
REVENUE AND EXPENDITURE**

| Description | 2015/16 | | | | | | | 2014/15 |
|--|-----------------|---|-----------------------------|-------------------|--|---|---|-----------------------------|
| | 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 | 26 187 | – | 26 187 | 26 031 | (156) | 99.4% | 99.4% | 24 583 |
| Property rates - penalties & collection charges | 620 | – | 620 | 553 | (67) | 89.2% | 89.2% | 474 |
| Service charges | 103 838 | 2 033 | 105 872 | 97 609 | (8 263) | 92.2% | 94.0% | 88 399 |
| Rental of facilities and equipment | 1 146 | 79 | 1 225 | 1 085 | (140) | 88.5% | 94.7% | 1 676 |
| Interest earned - external investments | 1 240 | – | 1 240 | 1 883 | 643 | 151.9% | 151.9% | 1 893 |
| Interest earned - outstanding debtors | 2 135 | – | 2 135 | 2 041 | (94) | 95.6% | 95.6% | 1 969 |
| Dividends received | – | – | – | – | – | – | – | – |
| Fines | 16 135 | 29 923 | 46 058 | 60 208 | 14 151 | 130.7% | 373.2% | 45 969 |
| Licences and permits | 588 | – | 588 | 563 | (25) | 95.7% | 95.7% | 539 |
| Agency services | 670 | – | 670 | 660 | (10) | 98.4% | 98.4% | 609 |
| Transfers recognised - operational | 98 681 | (2 705) | 95 976 | 96 002 | 26 | 100.0% | 97.3% | 76 782 |
| Other revenue | 5 937 | 1 377 | 7 314 | 8 130 | 816 | 111.2% | 136.9% | 10 067 |
| Gains on disposal of PPE | – | – | – | – | – | 0.0% | 0.0% | – |
| Total Revenue (excluding capital transfers and contributions) | 257 177 | 30 707 | 287 884 | 294 765 | 6 881 | 937.5% | 114.6% | 252 960 |
| Expenditure By Type | | | | | | | | |
| Employee related costs | 81 529 | (248) | 81 281 | 79 880 | (1 402) | 98.3% | 98.0% | 73 426 |
| Remuneration of councillors | 4 776 | – | 4 776 | 4 522 | (254) | 94.7% | 94.7% | 4 356 |
| Debt impairment | 7 191 | 30 042 | 37 233 | 69 311 | 32 078 | 186.2% | 963.9% | 40 121 |
| Depreciation & asset impairment | 16 064 | – | 16 064 | 15 280 | (784) | 95.1% | 95.1% | 15 014 |
| Finance charges | 1 539 | – | 1 539 | 5 754 | 4 215 | 373.9% | 373.9% | 5 425 |
| Bulk purchases | 57 255 | – | 57 255 | 47 916 | (9 339) | 83.7% | 83.7% | 43 515 |
| Other materials | 28 355 | (1 745) | 26 610 | 24 108 | (2 502) | 90.6% | 85.0% | 18 143 |
| Contracted services | 4 751 | 3 946 | 8 697 | 11 957 | 3 260 | 137.5% | 251.7% | 7 999 |
| Transfers and grants | 60 | – | 60 | 35 | (25) | 58.1% | 58.1% | 64 |
| Other expenditure | 67 196 | (405) | 66 791 | 61 782 | (5 009) | 92.5% | 91.9% | 48 216 |
| Loss on disposal of PPE | – | – | – | 23 | 23 | #DIV/0! | #DIV/0! | 841 |
| Total Expenditure | 268 715 | 31 590 | 300 305 | 320 568 | 20 263 | 950.6% | 119.3% | 257 120 |
| Surplus/(Deficit) | (11 538) | (883) | (12 421) | (25 803) | (13 382) | 207.7% | 223.6% | (4 160) |
| Transfers recognised - capital | 16 643 | 11 857 | 28 500 | 14 556 | (13 944) | 51.1% | 87.5% | 37 652 |
| Contributions recognised - capital | – | 151 | 151 | – | (151) | – | – | – |
| Contributed assets | – | – | – | – | – | 0.0% | 0.0% | 52 296 |
| Surplus/(Deficit) for the year | 5 105 | 11 125 | 16 230 | (11 247) | (27 477) | -69.3% | -220.3% | 85 789 |

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

| Description | 2015/16 | | | | | | | 2014/15 |
|---|-----------------|---------------------------------------|--------------------------|----------------|---|-------------------------------------|--|--------------------------|
| | 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 | | | | | | | | |
| Capital expenditure - Vote | | | | | | | | |
| Single-year expenditure | | | | | | | | |
| Executive and Council | 181 | (161) | 20 | 53 | 33 | 265.4% | 29.4% | 16 |
| Budget and Treasury Office | 53 | (4) | 48 | 292 | 244 | 607.1% | 555.9% | 125 |
| Corporate Services | 690 | 264 | 953 | 518 | (436) | 54.3% | 75.1% | 328 |
| Community and Social Services | 105 | 703 | 808 | 1 189 | 380 | 147.1% | 1129.7% | 480 |
| Sport and Recreation | 2 470 | 54 | 2 524 | 1 029 | (1 495) | 40.8% | 41.7% | 883 |
| Public Safety | 175 | - | 175 | 20 | (155) | 11.3% | 11.3% | 635 |
| Road Transport | 2 407 | 3 624 | 6 031 | 3 994 | (2 036) | 66.2% | 165.9% | 6 690 |
| Electricity | 1 043 | 8 731 | 9 774 | 2 701 | (7 073) | 27.6% | 258.8% | 9 514 |
| Water | 4 016 | 1 835 | 5 851 | 651 | (5 200) | 11.1% | 16.2% | 5 433 |
| Waste Water Management | 8 358 | 979 | 9 337 | 8 038 | (1 299) | 86.1% | 96.2% | 5 612 |
| Waste Management | 495 | (131) | 364 | 1 | (363) | 0.4% | 0.3% | 1 780 |
| Environmental Protection | - | - | - | - | - | - | - | - |
| Other | 33 | 511 | 543 | - | (543) | - | - | 2 |
| Example 14 - Vote14 | - | - | - | - | - | - | - | - |
| Example 15 - Vote15 | - | - | - | - | - | - | - | - |
| Capital single-year expenditure | 20 024 | 16 405 | 36 429 | 18 487 | (17 942) | 51% | 92% | 31 499 |
| Total Capital Expenditure - Vote | 20 024 | 16 405 | 36 429 | 18 487 | (17 942) | 51% | 92% | 31 499 |
| Capital Expenditure - Standard | | | | | | | | |
| Governance and administration | 923 | 99 | 1 022 | 863 | (158) | 84.5% | 93.5% | 470 |
| Executive and council | 181 | (161) | 20 | 53 | 33 | 265.4% | 29.4% | 16 |
| Budget and treasury office | 53 | (4) | 48 | 292 | 244 | 607.1% | 555.9% | 125 |
| Corporate services | 690 | 264 | 953 | 518 | (436) | 54.3% | 75.1% | 328 |
| Community and public safety | 2 762 | 757 | 3 519 | 2 238 | (1 282) | 63.6% | 81.0% | 1 998 |
| Community and social services | 105 | 703 | 808 | 1 189 | 380 | 147.1% | 1129.7% | 480 |
| Sport and recreation | 2 470 | 54 | 2 524 | 1 029 | (1 495) | 40.8% | 41.7% | 883 |
| Public safety | 175 | - | 175 | 20 | (155) | 11.3% | 11.3% | 635 |
| Housing | 13 | - | 13 | - | (13) | - | - | - |
| Health | - | - | - | - | - | - | - | - |
| Economic and environmental services | 2 427 | 4 134 | 6 561 | 3 994 | (2 567) | 60.9% | 164.6% | 6 692 |
| Planning and development | 20 | 511 | 531 | - | (531) | - | - | 2 |
| Road transport | 2 407 | 3 624 | 6 031 | 3 994 | (2 036) | 66.2% | 165.9% | 6 690 |
| Environmental protection | - | - | - | - | - | - | - | - |
| Trading services | 13 913 | 11 414 | 25 327 | 11 392 | (13 935) | 45.0% | 81.9% | 22 339 |
| Electricity | 1 043 | 8 731 | 9 774 | 2 701 | (7 073) | 27.6% | 258.8% | 9 514 |
| Water | 4 016 | 1 835 | 5 851 | 651 | (5 200) | 11.1% | 16.2% | 5 433 |
| Waste water management | 8 358 | 979 | 9 337 | 8 038 | (1 299) | 86.1% | 96.2% | 5 612 |
| Waste management | 495 | (131) | 364 | 1 | (363) | 0.4% | 0.3% | 1 780 |
| Other | - | - | - | - | - | - | - | - |
| Total Capital Expenditure - Standard | 20 024 | 16 405 | 36 429 | 18 487 | (17 942) | 51% | 92% | 31 499 |
| Funded by: | | | | | | | | |
| National Government | 16 613 | 10 195 | 26 808 | 12 679 | (14 129) | 47.3% | 76.3% | 23 707 |
| Provincial Government | 30 | 1 662 | 1 692 | 1 807 | 115 | 106.8% | 6022.4% | 163 |
| District Municipality | - | - | - | - | - | - | - | - |
| Other transfers and grants | - | - | - | - | - | - | - | - |
| Transfers recognised - capital | 16 643 | 11 857 | 28 500 | 14 486 | (14 014) | 51% | 87% | 23 869 |
| Public contributions & donations | - | 151 | 151 | 70 | (81) | 46.5% | #DIV/0! | 363 |
| Borrowing | - | 2 460 | 2 460 | 2 509 | 49 | 102.0% | #DIV/0! | 4 093 |
| Internally generated funds | 3 381 | 1 936 | 5 318 | 1 421 | (3 897) | 26.7% | 42.0% | 3 173 |
| Total Capital Funding | 20 024 | 16 405 | 36 429 | 18 487 | (17 942) | 51% | 92% | 31 499 |

**APPENDIX E (5) - Unaudited
BEAUFORT WEST LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016
CASH FLOWS**

| Description | 2015/16 | | | | | | | 2014/15 |
|--|-----------------|---|-----------------------------|-------------------|--|---|---|-----------------------------|
| | 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 | 149 107 | 2 128 | 151 236 | 199 145 | 47 909 | 131.7% | 133.6% | 120 622 |
| Government - operating | 98 681 | (4 802) | 93 879 | 107 961 | 14 082 | 115.0% | 109.4% | 80 471 |
| Government - capital | 16 643 | 10 265 | 26 908 | 14 486 | (12 422) | 53.8% | 87.0% | 37 652 |
| Interest | 3 375 | - | 3 375 | 3 924 | 549 | 116.3% | 116.3% | 3 861 |
| Dividends | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | |
| Suppliers and employees | (243 861) | 99 | (243 762) | (295 515) | (51 753) | 121.2% | 121.2% | (194 833) |
| Finance charges | (1 539) | - | (1 539) | (5 754) | (4 215) | 373.9% | 373.9% | (5 425) |
| Transfers and Grants | (60) | - | (60) | (35) | 25 | 58.1% | 58.1% | (64) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 22 347 | 7 690 | 30 037 | 24 212 | (5 824) | 80.6% | 108.3% | 42 284 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Receipts | | | | | (11 649) | - | - | |
| Proceeds on disposal of PPE | - | - | - | (0) | | | | 222 |
| Decrease (Increase) in non-current debtors | - | - | - | - | | | | - |
| Decrease (increase) other non-current receivables | - | (104) | (104) | (112) | (8) | 107.9% | #DIV/0! | 1 941 |
| Decrease (increase) in non-current investments | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | |
| Capital assets | (20 024) | (16 405) | (36 429) | (18 487) | 17 942 | 50.7% | 92.3% | (40 500) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (20 024) | (16 509) | (36 533) | (18 599) | 17 934 | 50.9% | 92.9% | (38 337) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | |
| Receipts | | | | | | | | |
| Short term loans | - | - | - | - | - | - | - | - |
| Borrowing long term/refinancing | - | - | - | 2 802 | 2 802 | #DIV/0! | #DIV/0! | 790 |
| Increase (decrease) in consumer deposits | - | 147 | 147 | - | (147) | - | - | - |
| Payments | | | | | | | | |
| Repayment of borrowing | (1 978) | 994 | (984) | (4 003) | (3 019) | 406.8% | 202.4% | (3 558) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | (1 978) | 1 141 | (837) | (1 200) | (364) | 143.4% | 60.7% | (2 768) |
| NET INCREASE/ (DECREASE) IN CASH HELD | 345 | (7 678) | (7 333) | 4 413 | 11 746 | -60.2% | 1280.4% | 1 179 |
| Cash/cash equivalents at the year begin: | 3 610 | 9 507 | 13 116 | 13 116 | - | 100.0% | 363.4% | 11 937 |
| Cash/cash equivalents at the year end: | 3 954 | 1 829 | 5 783 | 17 529 | 11 382 | 303.1% | 443.3% | 13 116 |