

SOL PLAATJE MUNICIPALITY



CITY OF KIMBERLEY

SOL PLAATJE MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2008

SOL PLAATJE MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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SOL PLAATJE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 38, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements 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.

TF Mashilo
Municipal Manager
28 August 2008

**SOL PLAATJE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008**

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		552,913,883	490,345,262
Housing Development Fund	1	0	0
Capital replacement reserve		7,798,525	12,915,083
Capitalisation reserve		55,295,717	61,963,833
Government grant reserve		269,344,619	231,347,890
Donations and public contribution reserves		18	18
Self-insurance reserve		16,611,805	16,729,389
COVID reserve		7,229,485	6,689,268
Revaluation reserve		0	0
Accumulated Surplus/(Deficit)		196,633,713	160,699,780
Non-current liabilities		46,599,946	50,611,495
Long-term liabilities	2	46,599,946	50,611,495
Non-current provisions	3	0	0
Current liabilities		146,645,140	116,569,504
Consumer deposits	4	8,706,501	7,507,437
Provisions	5	0	0
Creditors	6	54,461,282	45,659,755
Unspent conditional grants and receipts	7	27,552,361	5,883,743
VAT	8	19,430,149	26,534,171
Short-term loans	9	0	0
Bank overdraft	18	32,757,359	27,640,442
Current portion of long-term liabilities	2	3,737,487	3,343,957
Total Net Assets and Liabilities		<u>746,158,969</u>	<u>657,526,261</u>
ASSETS			
Non-current assets		464,964,878	406,591,274
Property, plant and equipment	10	464,856,373	391,791,266
Investment property	11	0	0
Investments	12	0	0
Long-term receivables	13	108,504	14,800,007
Current assets		281,194,091	250,934,987
Inventory	14	12,859,663	9,195,523
Consumer debtors	15	183,862,386	156,447,030
Other debtors	16	4,978,918	5,258,311
Current portion of long-term debtors	13	454,388	2,995,310
Call investment deposits	17	79,007,808	77,007,808
Bank balances and cash	18	30,927	31,007
Total Assets		<u>746,158,969</u>	<u>657,526,261</u>

**SOL PLAATJE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2008**

Budget			Actual	
2007	2008		2008	2007
R	R		R	R
		REVENUE		
99,852,722	120,800,000	Property rates	19	99,894,218
319,153,048	335,500,000	Service charges	20	313,970,671
9,824,641	10,300,000	Rental of facilities and equipment		10,262,921
6,000,000	8,500,000	Interest earned - external investments		8,062,176
39,345,265	49,856,000	Interest earned - outstanding debtors		39,351,835
4,388,000	4,450,000	Fines		3,749,755
4,735,000	3,550,000	Licenses and permits		3,493,579
106,977,678	122,137,829	Government grants and subsidies	21	95,695,641
14,023,236	11,500,000	Other income	22	13,625,453
604,299,590	666,593,829	Total Revenue		588,106,249
		EXPENDITURE		
201,849,290	222,728,227	Employee related costs	23	199,362,788
9,996,800	9,678,655	Remuneration of Councilors	24	9,656,230
40,000,000	60,000,000	Bad debts	15	40,000,000
735,575	1,100,000	Collection costs		777,097
29,172,014	31,247,000	Depreciation		29,812,962
26,222,593	30,294,000	Repairs and maintenance		23,202,551
6,311,073	6,162,610	Interest paid	25	5,960,617
112,000,000	116,000,000	Bulk purchases	26	104,437,859
440,000	610,000	Grants and subsidies paid	27	390,367
116,744,950	129,928,508	General expenses	28	115,578,035
0	0	Loss on disposal of property, plant and equipment		64,096
543,472,295	607,749,000	Total Expenditure		529,242,602
60,827,295	58,844,829	SURPLUS/(DEFICIT)		58,863,647
0	0	Share of surplus/(deficit) of associate accounted for under the equity method	29	0
60,827,295	58,844,829	SURPLUS/(DEFICIT) FOR THE YEAR		58,863,647
		Refer to Appendix E(1) for explanation of variances		

SOL PLAATJE MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Note	Housing Development Fund	Capital Replacement Reserve	Capitalization Reserve	Government Grant Reserve	Donations and Public Contribution Reserve	Self- Insurance Reserve	COVID Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
		R	R	R	R	R	R	R	R	R	R
2007											
Balance at 1 July 2006		0	2,915,083	69,158,417	208,161,971	18	16,506,321	6,015,951	0	130,759,263	433,517,024
Change in accounting policy	31									0	0
Correction of error	32									-2,035,410	-2,035,410
Restated balance		0	2,915,083	69,158,417	208,161,971	18	16,506,321	6,015,951	0	128,723,853	431,481,614
Surplus/(deficit) for the year										58,863,648	58,863,648
Transfer to CRR										0	0
Property, plant and equipment purchased			10,000,000							-10,000,000	0
Capital grants used to purchase PPE					36,507,805					-36,507,805	0
Donated/contributed PPE										0	0
Contribution to Insurance Reserve							223,068	673,317		-896,386	0
Transfer to Housing Development Fund										0	0
Offsetting of depreciation				-7,194,584	-13,321,886					20,516,470	0
Balance at 30 June 2007		0	12,915,083	61,963,833	231,347,890	18	16,729,389	6,689,268	0	160,699,780	490,345,262
2008											
Change in accounting policy	31									0	0
Correction of error	32									0	0
Restated balance		0	12,915,083	61,963,833	231,347,890	18	16,729,389	6,689,268	0	160,699,780	490,345,262
Surplus/(deficit) for the year										62,568,621	62,568,621
Transfer to CRR			33,000,000							-33,000,000	0
Property, plant and equipment purchased			-38,116,558							38,116,558	0
Capital grants used to purchase PPE					53,433,994					-53,433,994	0
Donated/contributed PPE										0	0
Contribution to Insurance Reserve							-117,584	540,217		-422,632	0
Transfer to Housing Development Fund										0	0
Asset disposals										0	0
Offsetting of depreciation		0		-6,668,116	-15,437,265					22,105,381	0
Balance at 30 JUNE 2008		0	7,798,525	55,295,717	269,344,619	18	16,611,805	7,229,485	0	196,633,713	552,913,883

SOL PLAATJE MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		534,260,810	458,429,106
Cash paid to suppliers and employees		497,343,794	458,361,247
Cash generated by operations	33	36,917,017	67,859
Interest received		59,502,550	47,414,011
Interest paid		-5,594,814	-5,960,617
NET CASH FROM OPERATING ACTIVITIES		90,824,753	41,521,253
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	-106,214,298	-43,523,023
(Increase)/decrease in long term receivables	13	14,691,503	-9,330
NET CASH FROM INVESTING ACTIVITIES		-91,522,795	-43,532,352
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)	2	-3,618,020	-3,264,246
Increase in consumer deposits	4	1,199,065	681,856
NET CASH FROM FINANCING ACTIVITIES		-2,418,955	-2,582,390
NET DECREASE IN CASH AND CASH EQUIVALENTS		-3,116,997	-4,593,489
Cash and cash equivalents at the beginning of the year		49,398,373	53,991,863
Cash and cash equivalents at the end of the year	34	46,281,376	49,398,373

**SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

1. BASIS OF PRESENTATION

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

The annual financial statements have been prepared in accordance with the Standards of Generally Recognized Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarized as follows:

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GAMAP 4	Effects of changes in foreign exchange rates
GAMAP 7	Accounting for investments in associates
GAMAP 8	Financial reporting of interests in joint ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and or GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the policies to the annual financial statements.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

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

4. 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 a Housing Development Fund. Housing selling schemes, both complete 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 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.

No Housing Development Fund exist presently.

5. RESERVES

5.1 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/(deficit) to the CRR. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilized. The CRR is represented by cash or investment.

**SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

5.2 Capitalization Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds that had been utilized for the acquisition of items of property, plant and equipment have been transferred to a Capitalization Reserve. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

The balance on the Capitalization Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalization Reserve to the accumulated surplus/(deficit). When an item of PPE is disposed, the balance in the CR relating to such items is transferred to the accumulated surplus/(deficit).

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on Government Grant Reserve equals the carrying value of the items of properties, plant and equipment funded from government grants. When an item of PPE financed from government grants is disposed, the balance in the GGR relating to

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions. The balance on the Donations and Public Contributions Reserve equals the carrying value of the item of property, plant and equipment funded from donations and public contributions.

When items of property, plant and equipment financed from public contributions and donations, the balance relating to such item is transferred to the accumulated surplus/(deficit).

5.5 Self Insurance Reserves - Short Term and Vehicles

The insurance reserves is maintained to cover potential claims or losses that may occur. Premiums are charged to the various directorates and paid into the operating accounts. Re-insurance cover is carried for catastrophic occurrences and is paid by the operating account of the reserve. The surplus or deficit on the operating accounts is transferred to the reserves at year end through the accumulated surplus/(deficit). The insurance reserves is represented by cash or investment.

5.6 COID Reserve - Workmen's Compensator

The municipality has been exempted from making contributions to the compensation Commissioner for Occupational Injuries and Diseases (COID). In terms of the exemption from the commissioner, the municipality has established a COID reserve to cover potential claims from employees.

Premiums are charged to the various directorates and paid into the operating account. The surplus or deficit on the operating account is transferred to the reserve at year end through the accumulated surplus/(deficit). The COID reserves is represented by cash or investment.

5.7 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realized as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance. No revaluation reserve exist presently as no revaluation has been performed.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

6.PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

In terms of the exemptions granted by the Minister of Finance no review of useful life of items of PPE or the depreciation method applied to PPE was done as is required by GAMAP 17. No impairment testing was done for non-cash-generating assets as well as cash-generating assets due to the application of an exemption of IAS 36/AC 128 granted in Gazette 30013. Impairment testing, review of useful life and depreciation method of items of PPE and the residual value calculation will be performed in the next financial year.

The municipality is exempt from IAS 40 (AC 135) as it has not recognized any property as investment property but as property, plant and equipment in terms of GAMAP 17.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Infrastructure	Years
Roads and Paving	10-30
Electricity	15-30
Water	15-20
Sewerage	10-20
Housing	30
Community	
Buildings	30
Recreational Facilities	15-30
Security	3 - 5
Other	
Buildings	30
Specialist vehicles	5 -15
Other vehicles	5
Office equipment	3 - 7
Furniture and fittings	10
Bins and containers	5
Specialized plant and equipment	2- 15
Landfill sites	30

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 recognized in the Statement of Financial Performance.

7.REVALUATION OF LAND AND BUILDINGS

Land is currently stated at cost. Buildings are stated at cost less subsequent accumulated depreciation. No revaluation for land and buildings have been performed.

8.INVESTMENTS

Financial investments, which include fixed deposits and short-term call deposits invested in registered commercial banks, are stated at cost. Refer to accounting policy note nr 24 on financial instruments.

9.INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable value. In general, the basis of determining cost is the weighted average cost formula. Redundant and slow-moving inventories are identified, written off and disposed of.

All purified water stock on hand at the end of the financial year is recognized as Inventory in terms of GAMAP 12.

The municipality is exempt from recognizing an immovable capital asset as inventory in accordance with GAMAP 12 and recognizes the immovable capital asset as property, plant and equipment in terms of GAMAP 17. Furthermore the requirements of SAICA circular nr 9 of 2006 has been exempted by government gazette nr 30013.

**SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

10.ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

11.TRADE CREDITORS

Trade creditors are stated at their nominal value.

12.REVENUE RECOGNITION

12.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings for whatever reason, have not been performed. The provisional estimates of consumption are recognized 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 recognized as revenue in the invoicing period. Revenue from the sale of electricity prepaid meters cards are recognized at the point of sale.

Service charges relating to refuse removal are recognized on a monthly basis by applying the approved tariff by Council per category.

Service charges relating to sewerage and sanitation are recognized on a monthly basis by applying the approved tariff by Council per category.

Interest and rentals are recognized on a time proportion basis.

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

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognized on a time proportion basis. Revenue from the sale of goods is recognized when the risk is passed to the consumer.

Revenue from public contributions is recognized 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 is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized

Exemption is granted by the Minister of Finance from paragraph 12 of GAMAP 9 in initial measurement of fair value of revenue by discounting all future receipts using an imputed rate of interest. The initial recognition at fair value in accordance with GAMAP 9 and IAS 39/AC 133 is exempt. The municipality recognizes revenue from the sale of goods and services at its face value. Any payables from the purchase of goods and services are also recognized at face value/cost.

12.2 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognized when such items are brought into use.

Revenue from the recovery of unauthorized, 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 recognized when the recovery thereof is virtually certain.

**SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

13.CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.

14.PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits 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.

15.CASH AND CASH EQUIVALENTS

Cash is cash on hand and cash with banks. Cash equivalents are all short-term liquid investments that are held with registered banking institutions with maturities of twelve months or less.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, investments in financial instruments and net of bank overdraft.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

16.UNAUTHORISED EXPENDITURE

Unauthorized 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 the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17.IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorized expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18.FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19.FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the prevailing exchange rate on the dates of the transactions.

20.COMPARATIVE INFORMATION

20.1 Current year comparatives.

Budgeted amounts have been included in the annual financial statements as per new chart of accounts.

20.2 Prior year comparatives.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

21.BORROWING COSTS

Borrowing costs are recognized as an expense in the Statement of Financial Performance.

22.EMPLOYEE BENEFITS

22.1 Short term employee benefits

The cost of short term employee benefits is recognized in the statement of financial performance in the financial year during which the payment is made.

Liabilities are raised for short term employee benefits that are unpaid at year-end and are measured at the undiscounted amount that the municipality expects to pay in exchange for that service that had accumulated at the reporting date.

**SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

22.2 Retirement benefits

The Municipality provides retirement benefits for its employees and councillors in the form of both defined benefit and defined contribution plans. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued biannually on the projected unit credit method basis. Benefits identified are allocated on a proportional basis to all participating municipalities. The municipality recognizes its proportionate share as a liability which is settled through lump sum payments or increased future contributions.

Defined benefit plan accounting as required by IAS 19 / AC 116 have been exempted in terms of General Notice 552 of 2007 and had not been applied for the previous or current financial year.

23. LEASES

23.1 The 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 subject to finance lease agreements are capitalized at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognized on the straight-line basis over the term of the relevant lease.

23.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognized on a straight-line basis over the term of the relevant lease.

Exempted from recognizing operating lease payments on a straight-line basis if the amounts are recognized on the basis of the cash flows in the lease agreement (IAS 17 (AC 105))

24. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorized as either *Financial Assets* or *Financial Liabilities*.

24.1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- ◆ Long-term Receivables
- ◆ Consumer Debtors
- ◆ Other Debtors
- ◆ Short-term Investment Deposits
- ◆ Bank Balances and Cash

In accordance with IAS 39.09 the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard

Type of Financial Asset	Classification in terms of IAS 39.09
Listed Investments	Held at fair value through profit or loss
Unlisted Investments – Stock	Held at fairvalue through profit or loss
Unlisted Investments – Entities	Available for sale
Unlisted Investments – Joint Ventures	Available for sale
Investments in Associates	Available for sale
Bank Balances and Cash	Available for sale
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held to maturity
Call Investment Deposits	Held to maturity

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Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions

- ◆ they are classified as held for trading; or
- ◆ upon initial recognition they are designated as at fair value through the Statement of Financial Performance

Available for sale investments are financial assets that are designated as available for sale or are not classified as

- ◆ Loans and Receivables;
- ◆ Held-to-Maturity Investments; or
- ◆ Financial Assets at fair value through the Statement of Financial Performance

Loans and Receivables are financial assets that are created by providing money, goods or services directly to a debtor.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

24.2. *Financial Liabilities*

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- ◆ Long-term Liabilities
- ◆ Consumer Deposits
- ◆ Creditors
- ◆ Unspent Conditional Grants and Receipts
- ◆ Bank Overdraft
- ◆ Short-term loans
- ◆ Current Portion of Long-term Liabilities
- ◆ VAT

There are two main categories of *Financial Liabilities*, the classification based on how they are measured. Financial liabilities may be measured at

- (i) Fair value through profit or loss; or
- (ii) Not at fair value through profit or loss ('other financial liabilities')

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognized in the Statement of Financial Performance.

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

Creditors

Creditors and Other Payables are stated at their nominal value.

24.3 *Measurement*

Financial Instruments in the current and prior years are recognized and measured at cost. The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 that financial instruments should initially be measured at fair value has been exempted in terms of General Notice 552 of 2007.

24.4 *Impairment of Financial Assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets. If there is such evidence the recoverable amount is estimated and an impairment loss is recognized in accordance with IAS 39.

Accounts Receivable are carried at anticipated value. An estimate is made for doubtful debt based on a review of all outstanding amounts at year end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed collectively after grouping the assets in financial assets with similar credit risk.

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24.5 Derecognition of Financial Assets

The municipality derecognizes Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

24.6 Derecognition of Financial Liabilities

The municipality derecognizes Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

24.7 Risk management of Financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk:

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified

Liquidity Risk:

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The entire IFRS 7 / IAS 144 has been exempted in terms of General notice 552 of 2007. However, according to the afore-mentioned General notice, this standard is to be replaced by IAS 32/ (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998. Thus the old IAS 32/ (AC 125) is still applicable. The requirements of the latter standard have been applied for both the previous and current financial years. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

25.RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel of the municipality are those persons, directly and indirectly, having authority and responsibility for planning, directing and controlling the activities of the municipality. Key management is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

26.EVENTS AFTER THE REPORTING DATE

Adjusting events after reporting date will be accounted for in the annual financial statements, while non adjusting events after the reporting date will be disclosed in the notes to the annual financial statements.

26.EXEMPTIONS

26.1 Full Advantage

The municipality had taken full advantage of all the exemptions by the Minister of finance in Government Gazette 30013 of 29 June 2007. These exemptions are for the 2006/07 and 2007/08 financial years.

26.2 Adjustment for full compliance

By complying fully with the standards that are now exempted and of which full advantage has been taken will result in changes in the following:

26.2.1 Statement of Financial Performance:

- Impairment loss/gain
- Changes in fair value of assets
- Adjustment expenditure for intangible assets

26.2.2 Statement of Financial Position:

- Property, plant and equipment adjusted for impairment
- Property, plant and equipment adjusted for intangible assets
- Recognizing of intangible assets

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund	0	0
2 LONG-TERM LIABILITIES		
Local Registered Stock Loans	0	0
Annuity Loans	50,337,432	53,955,452
Capitalized Lease Liability	0	0
Government Loans : Other	0	0
Sub-total	<u>50,337,432</u>	<u>53,955,452</u>
Less : Current portion transferred to current liabilities	-3,737,487	-3,343,957
Local Registered Stock Loans	<u>0</u>	<u>0</u>
Annuity Loans	<u>-3,737,487</u>	<u>-3,343,957</u>
Capitalized Lease Liability	<u>0</u>	<u>0</u>
Government Loans : Other	<u>0</u>	<u>0</u>
Total External Loans	<u><u>46,599,946</u></u>	<u><u>50,611,495</u></u>
Refer to Appendix A for more detail on long-term liabilities.		
ANNUITY LOANS		
Bear interest between 10 and 12% per annum and are repayable over a period of five to fifteen years. R24 000 000 of the Debtors book is ceded to cover a loan of DBSA .		
3 NON-CURRENT PROVISIONS		
None	<u>0</u>	<u>0</u>
4 CONSUMER DEPOSITS		
Electricity	2,936,728	2,200,857
Water	5,769,773	5,306,580
Total Consumer Deposits	<u><u>8,706,501</u></u>	<u><u>7,507,437</u></u>
No interest is paid to consumers when deposits are refunded.		
Guarantees held in lieu of Electricity and Water Deposits	<u><u>2,152,867</u></u>	<u><u>2,147,892</u></u>
5 PROVISIONS		
Current portion of non-current provisions (see note 3)	<u>0</u>	<u>0</u>
Total Provisions	<u><u>0</u></u>	<u><u>0</u></u>
6 CREDITORS		
Trade creditors	30,742,205	25,166,044
Payments received in advance	9,074,994	8,177,426
Retentions	0	0
Staff leave	14,516,972	12,187,984
Other creditors	127,112	128,302
Total Creditors	<u><u>54,461,282</u></u>	<u><u>45,659,755</u></u>
7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
7.1 Conditional Grants from other spheres of Governmen:	27,011,829	5,584,015
FM Grant	<u>200,082</u>	<u>415,801</u>
FBDM Grant	<u>1,376,117</u>	<u>468,591</u>
MIG Grants	<u>10,124,969</u>	<u>0</u>
Provincial Grants	<u>15,310,662</u>	<u>4,699,623</u>
7.2 Other Conditional Receipts	540,532	299,728
Developers Contributions – Electricity	<u>0</u>	<u>0</u>
Lotto Grant	<u>540,532</u>	<u>180,466</u>
Forlang Borlange Grant	<u>0</u>	<u>13,113</u>
DBSA Grant	<u>0</u>	<u>106,149</u>
Total Conditional Grants and Receipts	<u><u>27,552,361</u></u>	<u><u>5,883,743</u></u>
See Note 21 for reconciliation of grants from other spheres of government. These amounts are invested until utilized.		
8 VAT		
VAT payable	<u><u>19,430,149</u></u>	<u><u>26,534,171</u></u>
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		
9 SHORT-TERM LOANS		
none	<u><u>0</u></u>	<u><u>0</u></u>

10 PROPERTY, PLANT AND EQUIPMENT
30 June 2008

	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Rental	Total
	R	R	R	R	R	R	R
Reconciliation of Carrying Value							
Carrying values at 1 July 2007	0	304,595,262	46,979,940	0	40,216,065	0	391,791,266
Cost	0	541,676,232	66,393,286	0	85,506,119	0	693,575,637
Correction of error (note 32)	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Accumulated depreciator	0	-237,080,969	-19,413,346	0	-45,290,054	0	-301,784,370
- Cost	0	-237,080,969	-19,413,346	0	-45,290,054	0	-301,784,370
- Revaluation	0	0	0	0	0	0	0
Acquisitions	0	81,496,972	6,589,048	0	18,128,278	0	106,214,298
Capital under Construction	0	0	0	0	0	0	0
Increases/decreases in revaluation	0	0	0	0	0	0	0
Depreciation	0	-25,530,245	-2,120,235	0	-5,498,711	0	-33,149,191
- based on cost	0	-25,530,245	-2,120,235	0	-5,498,711	0	-33,149,191
- based on revaluation	0	0	0	0	0	0	0
Carrying value of disposals	0	0	0	0	0	0	0
Cost/revaluation	0	0	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0
Carrying values at 30 June 2008	0	360,561,989	51,448,753	0	52,845,632	0	464,856,373
Cost	0	623,173,204	72,982,334	0	103,634,397	0	799,789,935
Revaluation	0	0	0	0	0	0	0
Accumulated depreciator	0	-262,611,214	-21,533,581	0	-50,788,765	0	-334,933,561
- Cost	0	-262,611,214	-21,533,581	0	-50,788,765	0	-334,933,561
- Revaluation	0	0	0	0	0	0	0

PROPERTY, PLANT AND EQUIPMENT
30 June 2007

	Land and Buildings	Infra-structure	Community	Heritage	Other	Housing Rental	Total
	R	R	R	R	R	R	R
Reconciliation of Carrying Value							
Carrying values at 1 July 2006	0	295,089,405	42,978,996	0	40,076,903	0	378,145,304
Cost	0	508,736,300	60,471,354	0	80,951,787	0	650,159,441
Revaluation	0	0	0	0	0	0	0
Accumulated depreciator	0	-213,646,895	-17,492,358	0	-40,874,884	0	-272,014,137
- Cost	0	-213,646,895	-17,492,358	0	-40,874,884	0	-272,014,137
- Revaluation	0	0	0	0	0	0	0
Acquisitions	0	32,939,932	5,921,932	0	4,661,159	0	43,523,023
Capital under construction	0	0	0	0	0	0	0
Increases/decreases in revaluation	0	0	0	0	0	0	0
Depreciation	0	-23,434,074	-1,920,988	0	-4,457,900	0	-29,812,963
- based on cost	0	-23,434,074	-1,920,988	0	-4,457,900	0	-29,812,963
- based on revaluation	0	0	0	0	0	0	0
Carrying value of disposals	0	0	0	0	-64,097	0	-64,097
Cost/revaluation	0	0	0	0	-106,827	0	-106,827
Accumulated depreciation	0	0	0	0	42,730	0	42,730
Impairment losses	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0
Carrying values at 30 June 2007	0	304,595,262	46,979,940	0	40,216,065	0	391,791,266
Cost	0	541,676,232	66,393,286	0	85,506,119	0	693,575,637
Correction of error (note 32)	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Accumulated depreciator	0	-237,080,969	-19,413,346	0	-45,290,054	0	-301,784,370
- Cost	0	-237,080,969	-19,413,346	0	-45,290,054	0	-301,784,370
- Revaluation	0	0	0	0	0	0	0

Assets are in the process to be revalued to fair value. The revaluation will be used for the financials of 30 June 2009.

After revaluation it is foreseen that asset value is going to increase materially

The revaluation surplus is reconciled as follows: -

	2008	2007
	R	R
Balance at beginning of year	0	0
Surplus realized	0	0
Balance at end of year	<u>0</u>	<u>0</u>

Refer to Appendix B for more detail on property, plant and equipment.

GAMAP 17. The Municipality is in the process of itemizing all infrastructure and assets and will recalculate accumulated depreciation if needed once this exercise has been completed. Depreciation on assets is calculated on an average basis of useful life for each category and using information as was available on the asset register, using global historical information in the accounting records. Furthermore, the Municipality has not assessed whether

SOL PLAATJE MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
11 INVESTMENT PROPERTY		
none	<u>0</u>	<u>0</u>
12 INVESTMENTS		
Total Investments	<u>0</u>	<u>0</u>
13 LONG-TERM RECEIVABLES		
Car loans	562,893	1,242,929
Sport Club loans	0	1,098
Interest and services capitalized	0	24,868,012
Less : Provision for bad debts	0	-63,487,687
Housing debtors loans	<u>0</u>	<u>55,170,965</u>
	562,893	17,795,317
Less : Current portion transferred to current receivables	454,388	2,995,310
Car loans	<u>454,388</u>	<u>642,316</u>
Sport Club loans	<u>0</u>	<u>1,098</u>
Housing debtors loans	<u>0</u>	<u>2,351,896</u>
Total	<u>108,504</u>	<u>14,800,007</u>

CAR LOANS

Staff are entitled to car loans which attract interest at 8% for senior and 10% for junior staff per annum and which are repayable over a maximum period of 6 years. These loans are to be phased out over the next years

HOUSING SELLING SCHEME LOANS

These loans are provided to the various housing administrations housing programme. These loans attract interest of 10.5% per annum and are repayable over 20 years.

SPORT CLUB LOAN

A loan was granted to Park Tennis Club in 1987. This loan attracts interest of 9.5% per annum and was repayable by 31 December 2007.

14 INVENTORY

Inventory stores – at cost	12,596,088	8,947,321
Water – at cost	263,575	248,202
Total Inventory	<u>12,859,663</u>	<u>9,195,523</u>

15 CONSUMER DEBTORS

	Gross Balances	Provision for Bad Debts	Net Balance
As at 30 June 2008			
Service debtors	368,308,643	-193,137,160	175,171,483
Rates	54,897,028	-193,137,160	-138,240,132
Electricity	45,475,252		45,475,252
Water	87,988,913		87,988,913
Refuse	39,045,110		39,045,110
Sewerage	44,221,657		44,221,657
Miscellaneous	96,680,684		96,680,684
Market	500,459	0	500,459
Other debtors	0	0	0
Housing debtors	8,190,444	0	8,190,444
Total	<u>376,999,546</u>	<u>-193,137,160</u>	<u>183,862,386</u>
As at 30 June 2007			
Service debtors	445,081,890	-297,725,638	147,356,251
Rates	40,155,208	-297,725,638	-257,570,430
Electricity	50,404,595		50,404,595
Water	70,113,412		70,113,412
Refuse	32,345,043		32,345,043
Sewerage	35,986,070		35,986,070
Miscellaneous	216,077,561		216,077,561
Market	546,249	0	546,249
Other debtors	0	0	0
Housing debtors	8,544,529	0	8,544,529
Total	<u>454,172,668</u>	<u>-297,725,638</u>	<u>156,447,030</u>

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

15 CONSUMER DEBTORS (continued)

	2008	2007
	R	R
Rates: Ageing		
Current (0 – 30 days)	6,565,697	5,810,878
31 - 60 Days	1,665,653	1,605,227
61 - 90 Days	1,391,621	1,306,594
91 - 120 Days	1,199,043	1,354,018
+ 121 Days	44,075,014	30,078,491
Total	54,897,028	40,155,208
(Electricity, Water, Refuse and Sewerage): Ageing		
Current (0 – 30 days)	30,797,656	27,904,677
31 - 60 Days	7,258,969	8,019,505
61 - 90 Days	6,498,860	7,821,801
91 - 120 Days	6,318,089	7,101,762
+ 121 Days	165,857,358	138,001,376
Total	216,730,932	188,849,121
Miscellaneous Services: Ageing		
Current (0 – 30 days)	20,385,650	13,757,007
31 - 60 Days	863,575	3,529,616
61 - 90 Days	2,620,181	3,212,321
91 - 120 Days	898,109	3,313,535
+ 121 Days	72,413,628	192,811,331
Total	97,181,143	216,623,810
Housing rentals: Ageing		
Current (0 – 30 days)	550,809	924,127
31 - 60 Days	306,243	370,767
61 - 90 Days	295,664	351,755
91 - 120 Days	282,504	338,141
+ 121 Days	6,755,224	6,559,739
Total	8,190,444	8,544,529

Summary of Debtors by Customer Classification
30 June 2008

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
	R	R	R
Current (0 – 30 days)	43,468,473	7,091,314	3,657,940
31 - 60 Days	9,698,768	870,171	76,374
61 - 90 Days	10,465,164	682,138	168,389
91 - 120 Days	8,607,358	546,407	50,566
+ 121 Days	275,604,556	14,162,342	1,849,586
Total debtors by customer classification	347,844,319	23,352,372	5,802,855

Summary of Debtors by Customer Classification
30 June 2007

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
	R	R	R
Current (0 – 30 days)	40,303,959	6,880,744	665,431
31 - 60 Days	12,428,512	945,087	151,516
61 - 90 Days	11,548,039	1,039,983	104,449
91 - 120 Days	11,222,793	706,375	178,287
+ 121 Days	345,604,414	20,757,562	1,635,517
Total debtors by customer classification	421,107,717	30,329,751	2,735,200

Reconciliation of the Bad Debt provision:-

	2008	2007
	R	R
Balance at the beginning of the year	361,213,325	340,709,320
Contribution to provision	60,000,000	40,000,000
Contribution of surplus/deficit account	0	0
Bad Debt written off against provision	-228,076,165	-19,495,995
Reversal of provision and other	0	0
Balance at the end of the year	193,137,160	361,213,325

16 OTHER DEBTORS

	2008	2007
	R	R
Payments made in advance	0	0
Unauthorized expenditure (see Note 36.1)	0	0
Fruitless and wasteful expenditure (see Note 36.2)	0	0
Government subsidies	0	614,700
Miscellaneous	4,978,918	4,643,611
Total Other Debtors	4,978,918	5,258,311

To see the real movement in total debtors note 13, 15 and 16 must be added. Total debtors 2008 : R 382 541 357
(2007 :R 533 166 719 ; 2006 : R 485 626 778 ; 2005 : R471 354 925)

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
17 CALL INVESTMENT DEPOSITS		
Other Deposits (mature within 12 months)	<u>79,007,808</u>	<u>77,007,808</u>
A fixed deposit of R 2 297 808 was made as a security to the Self-Insurance Workman Compensation reserve as required by the Department of Labour - Compensation Commissioner. The allocation of investments :-		
Capital replacement reserve	7,798,525	12,915,083
Insurance reserves	16,611,805	16,729,389
COVID reserves	7,229,485	6,689,268
Unspent grants	27,011,829	5,584,015
Consumer deposits	8,706,501	7,507,437
Cash book overdraft and operating account	11,649,663	27,582,616
	<u>79,007,808</u>	<u>77,007,808</u>

18 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following main bank accounts: -

Current Account (Primary Bank Account)

Standard Bank Kimberley Old Main Road
Account Number 040065367

Cash book balance at beginning of year / (overdrawn)	-27,640,442	-16,746,952
Cash book balance at end of year / (overdrawn)	-32,757,359	-27,640,442

Primary Bank account 040065367

Bank statement balance at beginning of year / (overdrawn)	668,781	772,284
Bank statement balance at end of year / (overdrawn)	4,029,982	668,781
<u>Sub account -Resort 040039072</u>		
Bank statement balance at beginning of year / (overdrawn)	-40	0
Bank statement balance at end of year / (overdrawn)	83,866	-40
<u>Sub account -Traffic 040036340</u>		
Bank statement balance at beginning of year / (overdrawn)	0	0
Bank statement balance at end of year / (overdrawn)	0	0
<u>Sub account -Stores 040065405</u>		
Bank statement balance at beginning of year / (overdrawn)	-40	-22
Bank statement balance at end of year / (overdrawn)	-30	-40
<u>Sub account -Salary 040065391</u>		
Bank statement balance at beginning of year / (overdrawn)	-40,498	0
Bank statement balance at end of year / (overdrawn)	-4,019	-40,498
<u>Sub account -Market 040065383</u>		
Bank statement balance at beginning of year / (overdrawn)	-40	-70
Bank statement balance at end of year / (overdrawn)	-30	-40

Savings Account

None	0	0
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Petty Cash

	30,927	31,007
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19 PROPERTY RATES

Actual

Residential	49,825,137	45,400,710
Business	29,710,022	29,993,060
Residential Business	2,873,343	2,858,563
Rural	134,639	146,330
Industrial	3,335,171	3,311,444
Post Office (Now Business)	0	5,872
State	32,320,508	16,869,923
Mining areas	2,551,589	1,308,316
Total Assessment Rates	<u>120,750,409</u>	<u>99,894,218</u>

Property Valuations

	<u>July 2007</u> <u>R000's</u> <u>Valuations</u>	<u>July 2006</u> <u>R000's</u> <u>Site</u>	<u>July 2006</u> <u>R000's</u> <u>Buildings</u>
Residential	8,679,028	458,290,220	3,213,879,950
Business	1,649,886	122,116,710	760,184,800
Residential Business	274,856	14,053,200	118,162,400
Rural	283,823	175,932,318	71,882,000
Industrial	121,726	14,515,500	53,023,500
Post Office (Now Business)	0	30,000	70,000
State	1,403,919	43,897,050	410,921,600
Mining areas	25,660	10,825,460	34,576,800
Exempt	304,150	138,564,530	263,975,350
Total Property Valuations	<u>12,743,048</u>	<u>978,224,988</u>	<u>4,926,676,400</u>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2007. Interim valuations are processed on a as received basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.010505 (2007: R0.018018) is applied to valuations to determine assessment rates. Rates are

20 SERVICE CHARGES	2008	2007
	R	R
Sale of electricity	177,104,259	154,487,166
Sale of water	82,501,495	92,250,533
Refuse removal	24,521,027	23,057,435
Sewerage and sanitation charges	33,209,534	30,861,331
Other service charges	13,288,821	13,314,206
Total Service Charges	<u>330,625,136</u>	<u>313,970,671</u>
21 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	60,738,317	50,356,269
Financial Management Grant	715,720	3,027,647
Frances Baard District Municipality	6,551,792	4,763,865
Provincial Projects	33,982,386	28,863,928
Provincial resort subsidies	487,000	445,000
Provincial health subsidies	2,070,900	1,950,800
MIG Grant	12,700,893	6,288,132
Total Government Grant and Subsidies	<u>117,247,007</u>	<u>95,695,641</u>
21.1 Equitable Share		
This unconditional grant is partly used to subsidise the provision of basic services to registered and verified indigent community members.		
21.2 Provincial Health Subsidies		
Balance unspent at beginning of year	0	0
Current year receipts - included in public health vote	2,070,900	1,950,800
Conditions met - transferred to revenue	-2,070,900	-1,950,800
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>
Government and is refunded the gazette amount. This grant has been used exclusively to health services (included in Appendix D). of the subsidy		
21.3 MIG Grant		
Balance unspent at beginning of year	0	0
Current year receipts	24,109,983	6,288,132
Conditions met - transferred to revenue	-13,985,015	-6,288,132
Conditions still to be met - transferred to liabilities (see note 7)	<u>10,124,969</u>	<u>0</u>
have been withheld.		
21.4 Provincial Grant		
Balance unspent at beginning of year	4,699,623	9,232,180
Current year receipts	40,454,437	24,314,022
Conditions met - transferred to revenue	-29,843,398	-28,846,579
Conditions still to be met - transferred to liabilities (see note 7)	<u>15,310,662</u>	<u>4,699,623</u>
The grant is spent in accordance with business plans approved by the Provincial Government (included in Appendix B). No funds have been		
21.5 Provincial Resort Subsidies		
Balance unspent at beginning of year	0	0
Current year receipts	487,000	445,000
Conditions met - transferred to revenue	-487,000	-445,000
Conditions still to be met - transferred to liabilities (see note 7)	<u>0</u>	<u>0</u>
refunded the gazette amount. This grant has been used exclusively to resort expenditure (included in Appendix D). The conditions of the grant have been met.		
21.6 Francis Baard District Municipality Grant		
Balance unspent at beginning of year	468,591	101,276
Current year receipts	7,459,318	5,131,179
Conditions met - transferred to revenue	-6,551,792	-4,763,865
Conditions still to be met - transferred to liabilities (see note 7)	<u>1,376,117</u>	<u>468,591</u>
The grant is spent in accordance with business plans approved by the FBD Municipality (included in Appendix B). No funds have been withheld.		
21.7 Financial Management Grant		
Balance unspent at beginning of year	415,801	2,943,448
Current year receipts	500,000	500,000
Conditions met - transferred to revenue	-715,720	-3,027,647
Conditions still to be met - transferred to liabilities (see note 7)	<u>200,082</u>	<u>415,801</u>
The grant is spent in accordance with National Treasury guidelines (included in Appendix D). No funds have been withheld.		
21.8 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the next two financial years.		

	2008 R	2007 R
22 OTHER INCOME		
Other income	11,154,417	13,625,453
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 36)	0	0
Total Other Income	<u>11,154,417</u>	<u>13,625,453</u>
Included in other income is the following:-		
Premiums received and claims recovered	3,048,394	3,393,091
Miscellaneous revenue and sale of goods	7,208,564	9,748,448
	<u>10,256,958</u>	<u>13,141,539</u>

23 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	130,555,417	115,370,668
Employee related costs - Contributions for UIF, pensions and medical aids	36,373,387	32,458,842
Travel and other allowances	44,852,496	37,790,633
Housing subsidy	2,389,964	1,943,678
Overtime payments	7,028,416	5,959,487
Performance bonus	0	0
Long-service awards	6,346,473	5,839,480
Total Employee Related Costs	<u>227,546,153</u>	<u>199,362,788</u>

There were no advances to employees. Loans to employees are set out in note 13.

Remuneration of the Municipal Manager

Annual Remuneration	441,168	414,504
Performance Bonuses	0	0
Car Allowance	196,014	196,014
Medical, pension fund and other allowances	160,861	129,540
Total	<u>798,043</u>	<u>740,058</u>

Remuneration of the Chief Finance Officer

Annual Remuneration	386,376	363,048
Performance Bonuses	0	0
Car Allowance	170,340	170,340
Medical, pension fund and other allowances	162,324	127,501
Total	<u>719,040</u>	<u>660,889</u>

**Remuneration of Individual Executive Directors
 30 June 2008**

	<u>Community Directorate</u> R	<u>Corporate Directorate</u> R	<u>SED Directorate</u> R	<u>Technical Directorate</u> R
Annual Remuneration	310,200	286,376	363,048	386,388
Performance Bonuses	0	0	0	0
Car Allowance	149,502	170,340	170,340	170,344
Medical, pension fund and other allowances	43,140	128,478	128,181	130,092
Total	<u>502,842</u>	<u>585,194</u>	<u>661,569</u>	<u>686,824</u>

30 June 2007

	<u>Community Directorate</u> R	<u>Corporate Directorate</u> R	<u>SED Directorate</u> R	<u>Technical Directorate</u> R
Annual Remuneration	363,048	363,048	363,048	363,048
Performance Bonuses	0	0	0	0
Car Allowance	170,340	170,340	170,340	170,340
Medical, pension fund and other allowances	127,501	109,180	127,501	123,265
Total	<u>660,889</u>	<u>642,568</u>	<u>660,889</u>	<u>656,653</u>

The amounts of directors can vary because of different allowances and some of the posts were vacant during the year under review.

24 REMUNERATION OF COUNCILORS

	2008 R	2007 R
Executive Mayor	485,203	451,352
Speaker	383,905	361,081
Councilors	7,975,143	7,689,635
Councilors' pension contribution	762,776	1,154,162
Total Councilors' Remuneration	<u>9,607,027</u>	<u>9,656,230</u>

In-kind Benefits

The Executive Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council. Both have use of a Council owned vehicle for official duties

25 INTEREST PAID

Long-term liabilities	5,594,814	5,960,617
Bank overdrafts	0	0
Total Interest on External Borrowings	<u>5,594,814</u>	<u>5,960,617</u>

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
26 BULK PURCHASES		
Electricity	91,793,273	88,770,740
Water	20,548,416	15,667,119
Total Bulk Purchases	<u>112,341,689</u>	<u>104,437,859</u>

27 GRANTS AND SUBSIDIES PAID

Subsidy paid to SPCA	260,000	117,993
Subsidy to GW Cricket Union	271,368	272,374
Total Grants and Subsidies	<u>531,368</u>	<u>390,367</u>

The subsidy is to help the GWCU to pay for the provincial cricket lights. The subsidy is paid on an annual basis. The last payment was in August 2007
The subsidy to the SPCA is to assist the municipality to care for stray animals and other related tasks. The subsidy is paid on an annual basis

28 GENERAL EXPENSES

Included in general expenses is the following:-

28.1 Other:-

Audit fees	1,522,571	2,010,480
Bank charges	720,142	599,017
Clarification	2,437,016	2,878,481
Course fees /Central training fund	1,707,790	1,385,496
Electricity	12,710,877	13,428,246
Fuel	6,105,665	4,332,694
Hire of Equipment	2,059,377	1,577,836
Indigent subsidy	8,633,707	8,036,751
Legal expenses	1,335,784	729,864
Membership fees	852,164	579,725
Postage	1,450,317	1,402,706
Printing and stationary	3,901,647	4,826,215
Professional fees	8,262,527	10,751,050
Projects	14,765,614	19,206,608
Service station	934,562	875,367
Stores	1,126,591	972,509
Telephone expenditure	5,572,834	3,816,180
Transport costs	6,804,761	7,513,983
Water	4,943,811	5,980,229
Ward committee activities	481,911	233,269
	<u>86,329,668</u>	<u>91,136,706</u>

28.2 Net exchange differences

None 0

28.3 Material losses

None 0

29 SURPLUS OF ASSOCIATE

Share of retained profit on the equity method 0

30 PRIVATE PUBLIC PARTNERSHIPS

The municipality has no PPP's

31 CHANGE IN ACCOUNTING POLICY

The municipality applied the accounting framework as specified in government gazette 30013 of 29 June 2007. Where exemptions from standards or aspects of standards were accepted the facts are disclosed in the relevant accounting
Due to changes in the policy comparative figures can differ from previous years.

32 CORRECTION OF ERROR

32.1 Erroneous expenses and income was identified during the year re previous years:

Unknown Deposits	679,559	162,401
-Unknown Deposits (2005/06) corrected in the opening balance of the surplus account and note 6 retrospectively.	-500,784	500,784
-Unknown Deposits corrected in the statement of financial performance 2006/07 and notes 6 and 22 retrospectively.	-178,775	
Inventory corrections	0	-76,728
-Inventory adjustments (2006/07) corrected in statement of financial performance.	0	76,728
Correction on Sala pension fund for the period before 2006/07 corrected in opening balance of the surplus account.	0	-2,242,449
Correction on Receiver of revenue (vat corrections)	386,151	-905,232
-vat claim received re 2004/05 moved to adjust previous year opening balance of the surplus account.	-386,151	386,151
Correction on debtors controle accounts adjusted on the previous year opening balance of the surplus account.	0	62,935
Other adjustments water inventory	0	-225,000
-Water adjustment corrections 2006/07 corrected in statement of financial performance and note 26 retrospectively	0	225,000
Net effect on surplus/(deficit) for the year	<u>0</u>	<u>-2,035,410</u>

32.2 Water inventory to the value of R248 201.90 was omitted during the previous year. This oversight has been corrected retrospectively. See note 14.

32.3 Debtors with credit balances to the value of R7 547 263 was shown as debtors instead as creditors during the previous year. Debtors and creditors were increased retrospectively. See notes 6 creditors and 15 debtors.

32.4 Cash flow is presented on the direct method and is presented retrospectively on the direct method as shown in the cash flow and note 33.

32.5 Related parties were never disclosed before and is now disclosed in note 46.

32.6 Operating leases were never disclosed before and is now disclosed in note 47 retrospectively.

32.7 Financial instruments were never disclosed previously and is now disclosed in note 48 retrospectively.

33 CASH GENERATED BY OPERATIONS	2008 R	2007 R
Surplus/(Deficit) for the year	62,568,621	58,863,647
Investment income	-59,502,550	-47,414,011
(Increase)/decrease in debtors and (written of bad debts)	-84,874,435	-74,242,524
(Increase)/decrease in other debtors	279,392	-331,344
(Decrease)/increase in conditional grants and receipts	21,668,618	-7,689,263
Depreciation	33,149,191	29,812,962
Loss on disposal of property, plant and equipment	0	64,097
Contribution to bad debt provision	60,000,000	40,000,000
Surplus/(Deficit) account adjustments/errors	0	-2,035,410
Interest paid	5,594,814	5,960,617
(Increase)/Decrease in inventories	-3,664,140	-431,819
(Decrease)/Increase in creditors	8,801,528	-464,019
(decrease)/Increase in VAT	-7,104,022	-2,025,073
Cash generated by/(utilized in) operations	<u>36,917,017</u>	<u>67,859</u>
Income for the year	656,689,786	588,106,249
Adjustment for:-		
Investment income	-59,502,550	-47,414,011
(Increase)/decrease in debtors and (written of bad debts)	-84,874,435	-74,242,524
(Increase)/decrease in other debtors	279,392	-331,344
(Decrease)/increase in conditional grants and receipts	21,668,618	-7,689,263
Cash receipts from ratepayers, government and other	<u>534,260,810</u>	<u>458,429,106</u>
Expenditure for the year	594,121,165	529,242,602
Adjustment for:-		
Depreciation	33,149,191	29,812,962
Loss on disposal of property, plant and equipment	0	64,097
Contribution to bad debt provision	60,000,000	40,000,000
Surplus/(Deficit) account adjustments/errors	0	-2,035,410
Interest paid	5,594,814	5,960,617
Operating expenditure before working capital changes:	<u>495,377,160</u>	<u>455,440,336</u>
(Increase)/Decrease in inventories	-3,664,140	-431,819
(Decrease)/Increase in creditors	8,801,528	-464,019
(decrease)/Increase in VAT	-7,104,022	-2,025,073
Cash paid to suppliers and employees	<u>497,343,794</u>	<u>458,361,247</u>
Cash generated by/(utilized in) operations	<u>36,917,017</u>	<u>67,859</u>

34 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances and cash	30,927	31,007
Call investment	79,007,808	77,007,808
Bank overdraft	-32,757,359	-27,640,442
Total cash and cash equivalents	<u>46,281,376</u>	<u>49,398,373</u>

35 UTILIZATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 2)	50,337,432	53,955,452
Used to finance property, plant and equipment – at cost	<u>50,337,432</u>	<u>53,955,452</u>
Sub- total	0	0
Cash set aside for the repayment of long-term liabilities	0	0
Cash invested for repayment of long-term liabilities (see note 17)	<u>0</u>	<u>0</u>

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

36 UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

36.1 Unauthorized expenditure

year under review.

36.2 Fruitless and wasteful expenditure

the year under review.

36.3 Irregular expenditure

under review.

37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2008 R	2007 R
37.1 Contributions to organized local government		
Opening balance	0	0
Council subscriptions	836,123	576,174
Amount paid - current year	-836,123	-576,174
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

37.2 Audit fees		
Opening balance	0	0
Current year audit fee	1,522,571	2,010,480
Amount paid - current year	-1,522,571	-2,010,480
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

37.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 8 .
 All VAT returns have been submitted by the due date throughout the year.

37.4 PAYE and UIF

Opening balance	0	0
Current year payroll deductions	25,379,433	20,305,102
Amount paid - current year	-25,379,433	-20,305,102
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

37.5 Pension and Medical Aid Deductions

Opening balance	0	0
Current year payroll deductions and Council Contributions	53,167,250	48,568,359
Amount paid - current year	-53,167,250	-48,568,359
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

37.6 Councilor's arrear consumer accounts

The following Councilors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding less than 90 days	Outstanding more than 90 Days
30th June 2008			
Councilor Damoense EJ	468	468	
Councilor De Kock WE	365	365	
Councilor Fourie R	1,907	1,168	739
Councilor Louw A	62,699	2,045	60,654
Councilor Steyn JL	1,205	1,205	
Councilor Mazabane V	522	522	
Councilor Molale M	169	169	
Councilor Nthangula A	340	340	
Total Councilor Arrear Consumer Accounts	67,675	6,283	61,392
30th June 2007			
Councilor Louw A	98,015	693	97,322
Total Councilor Arrear Consumer Accounts	98,015	693	97,322

During the year the following Councilors' had arrear accounts outstanding for more than 90 days

	Highest Amount Outstanding	Ageing
30th June 2008		
Not available	0	0 days
30th June 2007		
Not available	0	0 days

37.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

37.7.1 The Municipality had deviated from the procurement policy and it was reported to council (See appendix G)

37.7.2 Awards to close family members of persons in the service of the state:

Name of Supplier	Name	Capacity	Amount
NB Mechanical Sales	S Barnes	Sol Plaatje Municipality	12,545,263
JC's Auto Clinique	J Malander	Teacher	77,241
S&R Enterprises	S Barnes	Sol Plaatje Municipality	479,047
Sulbrick Kimberley	Mr Suliman	Dept. Housing	0
Irrigation Equipment	B Julius	Sol Plaatje Municipality	321,785
Land Irrigation Suppliers	B Julius	Sol Plaatje Municipality	617,004
Kesmok	Y Mokgord	Judge Constitutional Court	41,061

**SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

38 CAPITAL COMMITMENTS

	2008	2007
	R	R
Commitments in respect of capital expenditure:		
- Approved but not yet contracted for	125,706,880	155,839,170
<i>Infrastructure</i>	120,033,880	105,348,000
<i>Community</i>	938,000	31,996,000
<i>Other</i>	4,735,000	18,495,170
Total	125,706,880	155,839,170
This expenditure will be financed from:		
- External Loans	52,850,000	35,000,000
- Capital Replacement Reserve	4,000,000	10,000,000
- Government Grants	62,661,880	90,574,170
- Other Grants	0	11,040,000
- Own resources	5,000,000	5,000,000
- District Council Grants	1,195,000	4,225,000
	125,706,880	155,839,170

39 RETIREMENT BENEFIT INFORMATION

The 30 June 2007 actuarial valuation of the Cape Joint Pension Fund showed that it was 107,2% funded. The 30 June 2007 valuator state that Cape Joint Retirement Fund is in a sound financial condition. The 1 July 2007 actuarial valuation of SALA pension Fund the valuation results showed that it was 110% funded. The valuator recommended that to retain a sound financial position, the employer continues to contribute at the current rate. At the valuation in 2006 SALA pension fund was 106% funded. The actuarial valuator of the Pension Fund for councilors on 30 June 2005 stated that it is in a sound financial position. (In 1999 it was a 100% funded)

Contributions by Council in respect of Councilor and employees retirement funding have been expended in the year

23,265,872	20,456,834
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40 CONTINGENT LIABILITY

40.1 Claim for damages The Municipality is sued for various vehicle accidents. Litigation is in process	149,060	100,000
40.2 Claim for legal costs closed.		375,815
40.3 Claim for services rendered Claim for services rendered. Pleadings to be exchanged	1,898,976	
40.4 Contractual delictual claim The Municipality is sued for a contractual claim. Pleadings to be exchanged.	2,548,680	
40.5 Contractual disputes contested based on legal advice.	22,568,873	487,866
40.6 Review application The matter was finalized in favour of the municipality.		300,000
40.7 Outstanding assessment of SARS on VAT SARS informed Council that the claim was in order.		2,081,949
40.8 Claim for evictions The Municipality is sued for various evictions. Litigations is in process.	360,000	
40.9 Claim for damages based on legal advice.	7,794,404	
40.10 Claim for damages predicted.	30,000	
40.11 Interdicts Various cases involving Council.	410,000	
40.12 Review application hearing Review application hearing re electricity prepaid system - no amount claimed.	1,000,000	
40.13 Claim for adjustment in remuneration The Municipality could have a future liability to bear due to the adjustment of remuneration packages of senior personnel.		
40.14 Claim for unpaid cheque The Municipality was sued for an unpaid cheque. Claim was settled		350,000
40.15 Labour matters (SALGBC) A case of unfair promotion is pending. Arguments finalized.	270,000	
40.16 Magistrate court matters Various cases involving Council.	226,636	
Guarantees by Sol Plaatje Municipality in respect of bank housing loans to officials	734,883	1,768,449

41 CONTINGENT ASSET

41.1 Claim against a seller of electricity coupons
Legal action has been proceeded against a seller of electricity coupons to the outstanding amount of R629 051-81. The contract with the seller was terminated on 2 December 2005. Interest at prime plus 1% will be calculated as from 1 November 2005.

41.2 Claim against a seller of electricity coupons
Legal action has been proceeded against a seller of electricity coupons to the outstanding amount of R806 244-61. The contract with the seller was terminated on 30 January 2008. Interest at prime plus 1% will be calculated as from 1 February 2008.

42 IN-KIND DONATIONS AND ASSISTANCE

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

- Secondment of International Finance Advisor by National Treasury

43 EVENTS AFTER THE REPORTING DATE

Management have not identified any matter or circumstance (adjusting or non-adjusting) since the end of the financial year, that has significantly affected, or may significantly affect, the operations, the results of those operations, or the

44 CONTRACTUAL OBLIGATION

Retention Money (not included in creditors)	3,066,004	1,727,567
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45 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that

**SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

46 RELATED PARTIES

46.1 Related party relationships exist between the municipality and the following parties:
Mayor, Speaker and Councillors.
Close family members of the family of the abovementioned parties

46.2 Related party transactions
During the year the municipality rendered services to the following related parties that are related to the municipality as indicated
Services rendered to related parties:

	Rates	Service Charges	Other	Outstanding Balances
30 June 2008				
Councillors	95,297	298,598	0	67,675
Municipal Manager and Section 57 Personnel	24,108	54,893	0	0
Total	119,405	353,491	0	67,675
30 June 2007				
Councillors	81,179	254,362	0	98,015
Municipal Manager and Section 57 Personnel	19,702	108,694	0	0
Total	100,881	363,056	0	98,015

The rates, service and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised. The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or

46.3 The compensation of key management personnel is set out in notes 23

46.4 Related Party Loans
Loans to senior management employees are no longer permitted since 1 July 2004. Loans that were granted prior to this date, together with the conditions,

46.5 Other related party transactions
Other related party transactions are reflected in note 37.7

47 LEASES

47.1 Operating leases

The Municipality as lessee

Leasing arrangements:

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Computer and other equipment

Up to 1 year
2 to 5 years

Total Operating Lease Arrangements

The following payments have been recognised as an expense in the Statement of Financial Performance:
Minimum lease payments

Total Operating Lease Expenses - as Lessee

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:
- Office Equipment

No restrictions have been imposed on the Municipality in terms of the operating lease agreements.

	2008 R	2007 R
Computer and other equipment	8,839,968	2,883,139
Up to 1 year	2,199,936	707,304
2 to 5 years	6,640,033	2,175,835
Total Operating Lease Arrangements	8,839,968	2,883,139
Total Operating Lease Expenses - as Lessee	1,632,102	589,537
	1,632,102	589,537

47.2 Finance leases

Due to a lack of information from the service providers the process of identifying the leases were not completed on year end.

48 FINANCIAL INSTRUMENTS

48.1 Classification

Financial Assets

In accordance with IAS 39.09 the Financial Assets of the municipality are

Financial asset in statement of financial position

Long-term Receivables

Financial asset in statement of financial position	Classification	2008	2007
Long-term Receivables			
Car Loans	Loans and receivables	108,504	600,614
Sport Club Loans	Loans and receivables	0	0
Interest and Services Capitalised	Loans and receivables	0	24,868,012
Housing Debtors Loans	Loans and receivables	0	52,819,069
Provision for Bad Debts	Loans and receivables	0	-63,487,687
Consumer Debtors			
Rates	Loans and receivables	54,897,028	40,155,208
Electricity	Loans and receivables	45,475,252	50,404,595
Water	Loans and receivables	87,988,913	70,113,412
Refuse	Loans and receivables	39,045,110	32,345,043
Sewerage	Loans and receivables	44,221,657	35,986,070
Miscellaneous	Loans and receivables	96,680,684	216,077,561
Market	Loans and receivables	500,459	546,249
Housing Debtors	Loans and receivables	8,190,444	8,544,529
Provision for Bad Debts	Loans and receivables	(193,137,160)	(297,725,638)
Other Debtors			
Government Subsidies	Loans and receivables	0	614,700
Miscellaneous	Loans and receivables	4,978,918	4,643,611

Current Portion of Long-term Receivables

Car Loans	Loans and receivables	454,388	642,316
Sport Club Loans	Loans and receivables	0	1,098
Housing Debtors Loans	Loans and receivables	0	2,351,896

Short-term Investment Deposits

Call Investment Deposits	Held to maturity	79,007,808	77,007,808
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Bank Balances and Cash

Cash Floats and Advances	Available for sale	30,927	31,007
Total Financial Assets		268,442,932	256,539,472

48 FINANCIAL INSTRUMENTS (CONTINUED)	2008 R	2007 R
Financial Liabilities		
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows:		
Financial liability in statement of financial position	Classification	
Long-term Liabilities		
Annuity Loans	Not valued at FVTPL	46,599,946
Consumer Deposits		
Electricity	Not valued at FVTPL	2,936,728
Water	Not valued at FVTPL	5,769,773
Accounts payable		
Trade creditors	Not valued at FVTPL	30,742,205
Payments received in advance	Not valued at FVTPL	9,074,994
Staff leave	Not valued at FVTPL	14,516,972
Other creditors	Not valued at FVTPL	127,112
Bank overdraft		
Bank overdraft	Not valued at FVTPL	32,757,359
Unspent Conditional Grants and Receipts		
Other Spheres of Government	Not valued at FVTPL	27,011,829
Other Conditional Receipts	Not valued at FVTPL	540,532
VAT Payable		
VAT Control Accounts	Not valued at FVTPL	19,430,149
Current Portion of Long-term Liabilities		
Annuity Loans	Not valued at FVTPL	3,737,487
Total Financial Liabilities		<u>193,245,086</u>
(FVTPL = Fair Value through Profit or Loss):		<u>167,180,999</u>

48.2 Fair Value of Financial Instruments

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements to approximate their fair values on 30 June 2008, as a result of the short-term maturity of these

These carrying amounts per classification of financial instrument are shown in **FINANCIAL ASSETS**

	2008 Carrying Amount R	2008 Fair Value R	2007 Carrying Amount R	2007 Fair Value R
Held to maturity:				
Call Investment Deposits	79,007,808	79,007,808	77,007,808	77,007,808
Loans and Receivables	189,404,197	189,404,197	179,500,657	179,500,657
Long-term Receivables	108,504	108,504	14,800,007	14,800,007
Consumer Debtors	183,862,386	183,862,386	156,447,030	156,447,030
Other Debtors	4,978,918	4,978,918	5,258,311	5,258,311
Current Portion of Long-term Receivables	454,388	454,388	2,995,310	2,995,310
Available for Sale	30,927	30,927	31,007	31,007
Bank Balances and Cash	30,927	30,927	31,007	31,007
Total Financial Assets	<u>268,442,932</u>	<u>268,442,932</u>	<u>256,539,472</u>	<u>256,539,472</u>
FINANCIAL LIABILITIES				
Trade and Other Payables:				
Long-term Liabilities	193,245,086	193,245,086	167,180,999	167,180,999
Consumer Deposits	46,599,946	46,599,946	50,611,495	50,611,495
Creditors	8,706,501	8,706,501	7,507,437	7,507,437
Bank Overdraft	54,461,282	54,461,282	45,659,755	45,659,755
Unspent Conditional Grants	32,757,359	32,757,359	27,640,442	27,640,442
VAT Payable	27,552,361	27,552,361	5,883,743	5,883,743
Current Portion of Long-term Liabilities	19,430,149	19,430,149	26,534,171	26,534,171
Total Financial Liabilities	<u>193,245,086</u>	<u>193,245,086</u>	<u>167,180,999</u>	<u>167,180,999</u>
Total Financial Instruments	<u>75,197,846</u>	<u>75,197,846</u>	<u>89,358,473</u>	<u>89,358,473</u>
Unrecognised Gain / (Loss)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The fair value of financial assets and liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment

48.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 2, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in

Gearing Ratio

The gearing ratio at the year-end was as follows:

	2008 R	2007 R
Net Debt	193,245,086	167,180,999
Equity	552,913,883	490,345,262
Net debt to equity ratio	34.95%	34.09%

Debt is defined as Long- and Short-term Liabilities, as detailed in Notes 2 to 9.

Assets in the Statement of Financial Position.

48 FINANCIAL INSTRUMENTS (CONTINUED)

48.4 Financial Risk Management Objectives

finance, municipalities are not exposed to the degree of financial risk faced by business entities.

Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply.

Generally, financial assets and liabilities are generated by day-to-day

the Directorate, Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and responding to potential risk, reports to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function

48.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting

48.6 Market Risk

The municipality's activities expose it primarily to the financial risk of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risk or the manner in which it manages and measures the risk.

48.7 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors and bank and

The municipality limits its counterparty exposures from its investment

operations by only dealing with well-established financial institutions of high

credit standing. The credit exposure to any single counterparty is managed by

funds at both fixed and floating interest rates. The risk is managed by the

municipality by maintaining an appropriate mix between fixed and floating rate

The municipality's maximum exposures to interest rates on Financial Assets

and Financial Liabilities are detailed in the Credit Risk Management section of

48.8 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67 (a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they

30 June 2008

Description	Average effective Interest Rate %	6 Months or less R	6 - 12 Months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R	Total R
FIXED RATE INSTRUMENTS							
Bank Facilities		0	9,801	71,740	295,604	49,960,288	50,337,433
Loan No 10112: DBSA	10.00%					17,105,877	17,105,877
Loan No 10113: DBSA	12.00%					14,464,047	14,464,047
Loan No 10616: DBSA	12.00%					5,628,811	5,628,811
Loan No 101452:DBSA	10.91%					12,753,778	12,753,778
Loan No 1 : DBCM	11.25%		9,801				9,801
Loan No 2 : DBCM	11.25%			5,050			5,050
Loan No 3 : DBCM	11.25%			66,690			66,690
Loan No 4 : DBCM	11.25%				51,571		51,571
Loan No 5 : DBCM	11.25%				1,800		1,800
Loan No 6 : DBCM	11.25%				88,833		88,833
Loan No 7 : DBCM	11.25%				59,137		59,137
Loan No 8 : DBCM	11.25%				83,815		83,815
Loan No 9 : DBCM	11.25%				10,448		10,448
Loan No 10 : DBCM	11.25%					7,775	7,775
Total Fixed Rate Instruments		0	9,801	71,740	295,604	49,960,288	50,337,433
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		0	79,007,808	0	0	0	79,007,808
Bank Balances and Cash		30,927	0	0	0	0	30,927
Total Variable Rate Instruments		30,927	79,007,808	0	0	0	79,038,735

30 June 2007

Description	Average effective Interest Rate %	6 Months or less R	6 - 12 Months R	1 - 2 Years R	2 - 5 Years R	More than 5 Years R	Total R
FIXED RATE INSTRUMENTS							
Bank Facilities		0	0	-18,584	-352,630	-53,584,238	-53,955,452
Loan No 10112: DBSA	10.00%					-18,724,546	-18,724,546
Loan No 10113: DBSA	12.00%					-15,492,846	-15,492,846
Loan No 10616: DBSA	12.00%					-5,961,140	-5,961,140
Loan No 101452:DBSA	10.91%					-13,287,552	-13,287,552
Loan No 1 : DBCM	11.25%			-18,584			-18,584
Loan No 2 : DBCM	11.25%				-7,985		-7,985
Loan No 3 : DBCM	11.25%				-94,944		-94,944
Loan No 4 : DBCM	11.25%				-68,559		-68,559
Loan No 5 : DBCM	11.25%				-2,280		-2,280
Loan No 6 : DBCM	11.25%				-108,563		-108,563
Loan No 7 : DBCM	11.25%				-70,299		-70,299
Loan No 8 : DBCM	11.25%					-97,467	-97,467
Loan No 9 : DBCM	11.25%					-11,935	-11,935
Loan No 10 : DBCM	11.25%					-8,752	-8,752
Total Fixed Rate Instruments		0	0	-18,584	-352,630	-53,584,238	-53,955,452
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		0	77,007,808	0	0	0	77,007,808
Bank Balances and Cash		31,007	0	0	0	0	31,007
Total Variable Rate Instruments		31,007	77,007,808	0	0	0	77,038,815

48 FINANCIAL INSTRUMENTS (CONTINUED)

48.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by maintaining sufficient

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on

30 June 2008

Description	Average effective Interest Rate	6 Months	6 - 12	1 - 2	2 - 5	More than	Total
		or less	Months	Years	Years	5 Years	
	%	R	R	R	R	R	R
Non-interest Bearing							
- Consumer Deposits						8,706,501	8,706,501
- Creditors		54,461,282					54,461,282
- Unspent Conditional Grants			27,552,361				27,552,361
- VAT Payable		19,430,149					19,430,149
Variable Interest Rate Instruments							
- Bank Overdraft		32,757,359					32,757,359
Fixed Interest Rate Instruments							
Loan No 10112: DBSA	10.00%	1,686,506	1,686,506	3,373,012	10,119,037	7,942,453	24,807,514
Loan No 10113: DBSA	12.00%	1,390,120	1,390,120	2,780,239	8,340,718	9,775,260	23,676,456
Loan No 10616: DBSA	12.00%	504,931	504,931	1,009,863	3,029,589	4,490,081	9,539,396
Loan No 101452:DBSA	10.91%	987,050	987,050	1,974,100	5,922,299	12,834,297	22,704,796
Loan No 1 : DBCM	11.25%	5,317	5,318				10,635
Loan No 2 : DBCM	11.25%	1,877	1,877	1,875			5,628
Loan No 3 : DBCM	11.25%	19,081	19,081	38,163			76,325
Loan No 4 : DBCM	11.25%	12,118	12,118	24,237	12,117		60,590
Loan No 5 : DBCM	11.25%	362	362	724	722		2,170
Loan No 6 : DBCM	11.25%	15,702	15,702	31,403	47,105		109,911
Loan No 7 : DBCM	11.25%	9,383	9,383	18,765	37,528		75,058
Loan No 8 : DBCM	11.25%	12,122	12,122	24,244	60,612		109,101
Loan No 9 : DBCM	11.25%	1,394	1,394	2,789	8,368		13,945
Loan No 10 : DBCM	11.25%	967	967	1,934	5,803	966	10,637
		111,295,720	32,199,292	9,281,348	27,583,898	43,749,559	224,109,817

30 June 2007

Description	Average effective Interest Rate	6 Months	6 - 12	1 - 2	2 - 5	More than	Total
		or less	Months	Years	Years	5 Years	
	%	R	R	R	R	R	R
Non-interest Bearing							
- Consumer Deposits						7,507,437	7,507,437
- Creditors		45,659,755					45,659,755
- Unspent Conditional Grants			5,883,743				5,883,743
- VAT Payable		26,534,171					26,534,171
Variable Interest Rate Instruments							
- Bank Overdraft		27,640,442					27,640,442
Fixed Interest Rate Instruments							
Loan No 10112: DBSA	10.00%	1,686,506	1,686,506	3,373,012	10,119,037	11,315,465	28,180,526
Loan No 10113: DBSA	12.00%	1,390,120	1,390,120	2,780,239	8,340,718	12,555,499	26,456,695
Loan No 10616: DBSA	12.00%	504,931	504,931	1,009,863	3,029,589	5,499,944	10,549,259
Loan No 101452:DBSA	10.91%	987,050	987,050	1,974,100	5,922,299	14,808,397	24,678,895
Loan No 1 : DBCM	11.25%	5,317	5,317	10,635			21,269
Loan No 2 : DBCM	11.25%	1,877	1,877	3,753	1,875		9,382
Loan No 3 : DBCM	11.25%	19,081	19,081	38,162	38,163		114,487
Loan No 4 : DBCM	11.25%	12,118	12,118	24,237	36,354		84,827
Loan No 5 : DBCM	11.25%	362	362	724	1,446		2,894
Loan No 6 : DBCM	11.25%	15,702	15,702	31,403	78,508		141,315
Loan No 7 : DBCM	11.25%	9,383	9,383	18,765	56,293		93,823
Loan No 8 : DBCM	11.25%	12,122	12,122	24,244	72,733	12,124	133,345
Loan No 9 : DBCM	11.25%	1,394	1,394	2,789	8,366	2,791	16,734
Loan No 10 : DBCM	11.25%	967.09	967.09	1,934.18	5,802.54	2,901	12,571
		104,481,297	10,530,673	9,293,860	27,711,183	44,197,120	196,214,133

48.10 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are in the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection".

Long-term Receivables and Other Debtors are evaluated annually at balance. The municipality does not have any significant credit risk exposure to any single counterparty or any group of counter parties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are. The table below shows the balance of the 5 major counterparties at the balance

Counterparty and Location	2008	2007
	R	R
Call investment deposits	79,007,808	77,007,808
Department of Housing and Local Government	11,996,061	0
Promade PTY (LTD)	1,657,890	1,657,890
Diamond Knitting (PTY) LTD	1,633,077	1,482,771
National Road Agency	1,565,705	0

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking the maximum credit and interest risk exposure in respect of the relevant

Long-term Receivables	108,504	14,800,007
Consumer Debtors	183,862,386	156,447,030
Other Debtors	4,978,918	5,258,311
Bank and Cash Balances	30,927	31,007
Call investment deposits	79,007,808	77,007,808
Maximum Credit and Interest Risk Exposure	267,988,544	253,544,162

APPENDIX A
SOL PLAATJE MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/07	Received during the period	Redeemed written off during the period	Balance at 30/06/08	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
None			0	0	0	0	0	0
Total long-term loans			0	0	0	0	0	0
ANNUITY LOANS								
DBSA Loan @ 10%	10112	31-03-2015	18,724,546		1,618,669	17,105,877		
DBSA Loan @ 12%	10113	31-03-2016	15,492,846		1,028,799	14,464,047		
DBSA Loan @ 12%	10616	31-03-2017	5,961,140		332,329	5,628,811		
DBSA Loan @ 10.91%	101452	31-12-2019	13,287,552		533,774	12,753,778		
Sub total DBSA			53,466,084	0	3,513,571	49,952,513	66,886,588	
DBCM Loan @ 11.25%	1	31-03-2009	18,584		8,784	9,801		
DBCM Loan @ 11.25%	2	30-09-2009	7,985		2,935	5,050		
DBCM Loan @ 11.25%	3	31-03-2010	94,944		28,254	66,690		
DBCM Loan @ 11.25%	4	30-09-2010	68,559		16,988	51,571		
DBCM Loan @ 11.25%	5	31-03-2011	2,280		480	1,800		
DBCM Loan @ 11.25%	6	30-09-2011	108,563		19,730	88,833		
DBCM Loan @ 11.25%	7	31-03-2012	70,299		11,162	59,137		
DBCM Loan @ 11.25%	8	30-09-2012	97,467		13,653	83,815		
DBCM Loan @ 11.25%	9	31-03-2013	11,935		1,487	10,448		
DBCM Loan @ 11.25%	10	30-09-2013	8,752		976	7,775		
Sub total DBCM			489,368	0	104,449	384,919		
Total Annuity loans			53,955,452	0	3,618,020	50,337,432	66,886,588	0
GOVERNMENT LOANS								
- Other			0	0	0	0	0	0
Total Government Loans			0	0	0	0	0	0
LEASE LIABILITY								
Infrastructure			0	0	0	0	0	0
TOTAL EXTERNAL LOANS			53,955,452	0	3,618,020	50,337,432	66,886,588	0

APPENDIX B

SOL PLAATJE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
Land and Buildings										
Land	0	0	0	0	0	0	0	0	0	0
Buildings	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Infrastructure										
Storm water	56,769,244	6,020,420			62,789,664	13,742,434	2,706,606		16,449,040	46,340,624
Roads	124,747,382	33,652,700			158,400,082	47,792,470	6,438,148		54,230,618	104,169,464
Pavements	27,008	2,402,306			2,429,314	21,606	15,147		36,753	2,392,561
Parking	1,661,298				1,661,298	103,831	83,065		186,896	1,474,402
Refuse sites	160,000				160,000	32,000	5,333		37,333	122,667
Other	97,427,465	1,102,778			98,530,243	63,462,687	4,270,819		67,733,506	30,796,737
Sewerage	68,777,068	6,808,080			75,585,148	30,000,430	3,260,228		33,260,658	42,324,490
Electricity	80,270,829	25,306,735			105,577,564	34,259,008	3,590,312		37,849,320	67,728,244
Street lights	15,341,041	854,357			16,195,398	6,372,664	871,171		7,243,835	8,951,563
Water	96,494,895	5,349,596			101,844,491	41,293,840	4,289,416		45,583,256	56,261,235
	541,676,231	81,496,972	0	0	623,173,203	237,080,970	25,530,245	0	262,611,215	360,561,988
Community Assets										
Parks & Gardens	2,768,738	1,329,851			4,098,589	372,032	95,985		468,017	3,630,572
Libraries	6,696,131				6,696,131	2,124,212	195,734		2,319,946	4,376,185
Recreation	33,327,967	2,879,834			36,207,801	10,722,165	1,074,989		11,797,154	24,410,647
Halls	4,658,646	301,854			4,960,500	980,974	156,123		1,137,097	3,823,403
Clinics	4,175,969				4,175,969	1,717,089	133,193		1,850,282	2,325,687
Other	14,765,833	2,077,509			16,843,342	3,496,874	464,211		3,961,085	12,882,257
	66,393,286	6,589,048	0	0	72,982,334	19,413,346	2,120,235	0	21,533,581	51,448,753
Heritage Assets										
Historical Buildings	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Total carried forward	608,069,517	88,086,020	0	0	696,155,537	256,494,316	27,650,480	0	284,144,796	412,010,741

APPENDIX B (CONTINUED)

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost				Accumulated Depreciation				Carrying Value
	Opening	Additions	Under	Disposals	Closing	Opening	Additions	Disposals	

	Balance		Construction		Balance	Balance			Balance	
Total brought forward	608,069,517	88,086,020	0	0	696,155,537	256,494,316	27,650,480	0	284,144,796	412,010,741
Housing Rental Stock										
Housing Rental	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Leased Assets (Infrastructure)										
Sewerage Mains & Purify	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Other Assets										
Other Land & Buildings	12,973,191				12,973,191	8,690,164	168,103		8,858,267	4,114,924
Markets	3,355,228				3,355,228	1,470,539	105,742		1,576,281	1,778,947
Security	26,288				26,288	26,287			26,287	1
Civic Land & Buildings	35,888,767	1,011,491			36,900,258	19,207,316	821,553		20,028,869	16,871,389
Office Equipment	1,972,192	8,108,197			10,080,389	1,163,965	437,677		1,601,642	8,478,747
Furniture & Fittings	17,283,305	197,877			17,481,182	5,951,804	1,724,259		7,676,063	9,805,119
Motor vehicles	11,646,415	4,558,675			16,205,090	7,841,269	1,455,604		9,296,873	6,908,217
Fire engines	1,292,000				1,292,000	582,466	129,200		711,666	580,334
Refuse tankers	1,068,734	4,252,038			5,320,772	356,244	656,574		1,012,818	4,307,954
	85,506,119	18,128,278	0	0	103,634,397	45,290,054	5,498,711	0	50,788,765	52,845,632
Total	693,575,636	106,214,298	0	0	799,789,934	301,784,370	33,149,191	0	334,933,561	464,856,373

APPENDIX C
SOL PLAATJE MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
AS AT 30 JUNE 2008

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
Executive and Council	1,644,676	5,154	0	0	1,649,830	580,925	243,324		824,249	825,581
Municipal General	107,075	8,615	0	0	115,690	1,785	21,989		23,774	91,916
Municipal Manager	10,110	59,521	0	0	69,631	1,095	3,538		4,633	64,998
Corporate Services	26,163,676	109,789	0	0	26,273,465	10,832,515	1,567,637		12,400,152	13,873,313
Community Services	66,999,774	5,620,480	0	0	72,620,254	23,265,593	2,531,454		25,797,047	46,823,207
Financial Services	4,366,624	7,904,054	0	0	12,270,678	1,059,991	447,660		1,507,651	10,763,027
Strategic and Economic development	32,092,313	3,220,664	0	0	35,312,977	13,645,212	868,782		14,513,994	20,798,983
Infrastructure and Services	562,191,388	89,286,023	0	0	651,477,411	252,397,255	27,464,807		279,862,062	371,615,350
TOTAL	693,575,636	106,214,300	0	0	799,789,936	301,784,371	33,149,191	0	334,933,562	464,856,374

APPENDIX D
SOL PLAATJE MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2008

2007	2007	2007		2008	2008	2008
Actual	Actual	Surplus/		Actual	Actual	Surplus/
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
R	R	R		R	R	R
50,645	12,986,772	-12,936,127	Executive and Council	0	14,451,864	-14,451,864
139,809,655	71,635,470	68,174,185	Municipal General	175,509,494	87,471,053	88,038,441
570,823	5,700,501	-5,129,678	Municipal Manager	303,879	6,843,331	-6,539,452
1,929,735	25,058,332	-23,128,597	Corporate Services	1,760,505	31,789,263	-30,028,758
14,820,581	72,551,970	-57,731,389	Community Services	16,354,259	82,000,809	-65,646,550
110,391,605	37,495,788	72,895,817	Financial services	127,457,071	40,838,448	86,618,623
9,189,395	17,644,380	-8,454,985	Strategic and Economic Development	5,208,167	19,763,042	-14,554,875
311,343,811	314,474,610	-3,130,799	Infrastructure and Services	330,096,411	341,873,106	-11,776,695
<u>588,106,250</u>	<u>557,547,822</u>	<u>30,558,427</u>	Sub Total	<u>656,689,786</u>	<u>625,030,916</u>	<u>31,658,870</u>
	-28,305,220	28,305,220	Less Inter-Dep Charges		-30,909,751	30,909,751
<u>588,106,250</u>	<u>529,242,602</u>	<u>58,863,647</u>	Total	<u>656,689,786</u>	<u>594,121,165</u>	<u>62,568,621</u>
		0	Add: Share of Associate			0
		<u>58,863,647</u>				<u>62,568,621</u>

APPENDIX E(1)

SOL PLAATJE MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual (R)	2008 Budget (R)	2008 Variance (R)	2008 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Property rates	120,750,409	120,800,000	-49,591	0%	
Service charges	330,625,136	335,500,000	-4,874,864	-1%	
Rental of facilities and equipment	10,480,433	10,300,000	180,433	2%	
Interest earned - external investments	11,450,596	8,500,000	2,950,596	35%	Due to an increase in interest rates
Interest earned - outstanding debtors	48,051,954	49,856,000	-1,804,046	-4%	
Fines	4,307,087	4,450,000	-142,913	-3%	
Licenses and permits	2,622,746	3,550,000	-927,254	-26%	Due to license fees not realizing
Government grants and subsidies	117,247,007	122,137,829	-4,890,822	-4%	
Other income	11,154,417	11,500,000	-345,583	-3%	
Total Revenue	656,689,786	666,593,829	-9,904,043	-1%	
EXPENDITURE					
Employee related costs	227,546,153	222,728,227	4,817,926	2%	
Remuneration of Councilors	9,607,027	9,678,655	-71,628	-1%	
Bad debts	60,000,000	60,000,000	0	0%	
Collection costs	1,133,289	1,100,000	33,289	3%	
Depreciation	33,149,191	31,247,000	1,902,191	6%	
Repairs and maintenance	32,265,230	30,294,000	1,971,230	7%	Due to deficits on costing accounts
Interest on external borrowings	5,594,814	6,162,610	-567,796	-9%	Due to loan not taken up in full
Bulk purchases	112,341,689	116,000,000	-3,658,311	-3%	
Grants and subsidies paid	531,368	610,000	-78,632	-13%	Due to public grants not made
General expenses - other	111,952,404	129,928,508	-17,976,104	-14%	Savings to make a contribution to CRR
Total Expenditure	594,121,165	607,749,000	-13,627,835	-2%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	62,568,621	58,844,829	3,723,792	6%	

APPENDIX E(2)

SOL PLAATJE MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

	2008 Actual	2008 Under Construction	2008 Total Additions	2008 Budget	2008 Variance	2008 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive and Council	5,154	0	5,154	5,200	-46	-1%	
Municipal General	8,615	0	8,615	8,700	-85	-1%	
Municipal Manager	59,521	0	59,521	60,000	-479	0%	
Corporate Services	109,789	0	109,789	110,000	-211	0%	
Community Services	5,620,480	0	5,620,480	7,223,000	-1,602,520	-22%	Expenditure moved to Operational Budget
Financial Services	7,904,054	0	7,904,054	7,641,000	263,054	3%	
Strategic and Economic development	3,220,664	0	3,220,664	3,340,113	-119,449	-4%	
Infrastructure and Services	89,286,023	0	89,286,023	101,138,463	-11,852,440	-12%	Meters, roads and other roll over projects
TOTAL	106,214,300	0	106,214,300	119,526,476	-13,312,176	-11%	Roll over projects

APPENDIX F
SOL PLAATJE MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Grants and Subsidies received for the year ended 30 June 2008

Name of Grants	Name of organ of state or municipal entity	Total Receipts for the Year	Total Expenditure for the Year	Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Total	Total	Total	Total		Yes / No	
Environmental Health	Provincial	188,100	188,100	0	187,000	None	Yes	None
Library Services	Provincial	743,000	893,270	0	743,000	None	Yes	None
Primary Health	Provincial	1,882,800	1,882,800	0	1,881,000	None	Yes	None
Subsidy Resort	Provincial	487,000	487,000	487,000	487,000	Payment not yet received. Revenue accrued.	Yes	None
Equitable Share	National	60,738,317	N/A	0	60,738,000	None	Yes	None
Financial Management Grant	National	500,000	715,720	0	500,000	None	Yes	None
MIG	National	24,109,983	13,985,015	0	25,610,000	None	Yes	None
MSIP	National	734,000	734,000	0	734,000	None	Yes	None
NDOT	National	11,000,000	8,311,788	0	11,000,000	None	Yes	None
Frances Baard Municipality	Municipality	7,459,318	6,551,792	0	N/A	None	N/A	None
DPLG	Provincial	12,000,000	12,000,000	0	12,000,000	None	Yes	None
DTPW	Provincial	2,184,273	2,184,273	0	0	None	N/A	None
Provincial projects	Provincial	17,878,615	11,180,310	0	0	None	N/A	None
		139,905,406	59,114,068	487,000	113,880,000			

APPENDIX G
SOL PLAATJE MUNICIPALITY: DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY
FOR THE YEAR ENDED 30 JUNE 2008

No.	Service Provider	Service Rendered / Product Purchased	Financial Implications	Line Manager	Motivation
1	Much Asphalt	Hot Asphalt (Hot Premix)	145,000	G. van Wyk	An emergency
2	Much Asphalt	Hot Asphalt (hot Premix)	40,600	G. van Wyk	An Emergency
3	R&C Traders	Equipment for establishment of Contracts Department	72,744	N. Sonquishe	An Emergency
4	Kumiso Info Techn Holdings	Laptops for Councillors	178,798	M. Ntlangani	An Emergency
5	WEIRD	Hire of Grader	46,800	L. van der Linde	An Emergency
6	Kotze E/Moving	Hire of Grader	45,600	L. van der Linde	An Emergency
7	P.E. V.D Sandt H/A Diesel Tech	Hire of Flatbed	48,000	L. van der Linde	An Emergency
8	TP'S Plant Hire & Const.	Hire of Flatbed Truck	48,000	L. van der Linde	An Emergency
9	Khumiso IT Holdings Pty Ltd	Laptops for Councillors	263,335	M. Ntlangani	Exceptional Cases
10	WEIRD	Hire of Front End Loader	67,200	L. van der Linde	An Emergency
11	WEIRD	Hire of Tipper Truck	60,192	L. van der Linde	An Emergency
12	TP'S Plant Hire	Hire of Flatbed Truck	208,000	L. van der Linde	An Emergency
13	Marcu Handelaars	Hire of Water Tanker	88,400	L. van der Linde	An Emergency
14	JO-JO'S Transport	Hire of Flatbed Truck	104,000	L. van der Linde	An Emergency
15	Kimberley Clothing	Sports Wear for Southern African Inter-Municipal Games	32,975	R. Mathapeng	An Emergency
16	WEIRD	Hire of 2 Tip Trucks	260,832	L. van der Linde	An Emergency
17	MBW Building Construction	Hire of Flatbed Truck	104,000	L. van der Linde	An Emergency
18	P.E. V.D. Sandt H/A Diesel Tech	Hire of Flatbed Truck	208,000	L. van der Linde	An Emergency
19	Kotze Earthmoving	Hire of Grader	197,600	L. van der Linde	An Emergency
20	WEIRD	Hire of Front End Loader	291,200	L. van der Linde	An Emergency
21	WEIRD	Hire of Grader	202,800	L. van der Linde	An Emergency
22	Marcu Handelaars	Hire of Bomag Roller	150,800	L. van der Linde	An Emergency
23	K.K.M. Consulting Engineers	Appointment of Project Manager for Bucket Eradication System	1,208,400	B. Dhlwayo	An Emergency & Exceptional
24	Woodrow Engineering sales	Bradley Soft Starters for Newton Water works	79,863	R.D. Pretorius	Sole Provider
25	Cemforce CC	Pre Cast Toilet Structures	54,720	D. Leeuw	Sole Provider
26	C-Pac Pumps & Valves	Electrical Panel for Second Lot Goned Butterfly Valves at Riverton	31,941	R.D. Pretorius	Sole Provider
27	Sekela Consulting	Integrated Financial Systems	2,081,622	M. Ntlangani	An Emergency & Exceptional
28	Sight Lines Pipe Survey Services	Hire of Pressure/Vacuum Unit	79,572	G. van Wyk	An Emergency
29	C-Pac Pumps & Valves	Refurbish HLP9/16/18 Allen Gwynn Pump	422,940	S. Coetzee	An Emergency
30	Barloworld equipment	Shoes – 6G4526	38,781	S. Greef	An Emergency & Sole Provider
31	ABB Powertech Transm & Distr	Voltage transformer	30,055	R. Pretorius	Sole Provider
32	Rural Road Maintenance Africa	Ashphalt	120,042	P. Van Wyk	An Emergency & Sole Provider
33	Mosegedi and Ass.	Installation of services in Lindani & Promised land	644,110	N. Mpolokeng	An Emergency
34	Alstom	Single busbar & Ext. Panel	370,742	R. Pretorius	Sole Provider
35	Maxima Global Engineering	N12 Re-alignment	826,501	O.J. Maimane	Exceptional Cases
36	Semo Consulting Engineers	Major/Minor Road Network	1,684,349	O.J. Maimane	Exceptional Cases
37	Vela VKE	Link Green Street & Nobengula Road	302,100	O.J. Maimane	Exceptional Case
38	Weird	Cement Bricks	2,747,270	O.J. Maimane	An Emergency
39	Teloc (Pty) Ltd T/A Malume	Cleaning of stormwater lines	58,026	P.G. van Wyk	An Emergency
40	Alstom	Alstom Switchgear	1,729,688	R. Pretorius	Sole Provider
41	Semo Consulting Engineers	Water level of Kamfersdam Pan – consultation	650,912	B. Dhlwayo	An Emergency
42	Transtech	Repair refuse compactor D906	99,180	M. Steyn	An Emergency & Sole provider
43	Phuthanang Trading	Remove and move rubble to the dumping site	66,880	T. Khweshiwe	Exceptional cases
44	Barloworld Equipment	Replace circle GP & Labour	54,811	M.P. Arthur	An Emergency & Sole Provider
45	C-Pac Pumps & valves	Pumps inadequate & needs to be upgraded	55,769	C. Marsh	An Emergency & Sole Provider
46	Huber Technology	Screen at the inlet of the works deteriorated	97,504	G. Corns	An Emergency & Sole Provider
47	Charlies Welding & Hyd. Works	Modify existing pipe line	59,986	G. Corns	An Emergency
48	RRM Africa	Hot Premix for road patching	120,042	P.G. van Wyk	Sole Provider
49	RRM Africa	Hot Premix for road patching	66,690	P.G. van Wyk	Sole Provider
50	Teloc (Pty) Ltd t/a Malume	Cleaning of Stormwater pipes with high pressure machine	55,176	P.G. van Wyk	An Emergency
51	Cemforce cc	Erect structures for basic services	45,600	P. Mohalalelo	Sole Provider
52	Teloc (Pty) Ltd t/a Malume	Hire high pressure vacuum	55,347	D.H. Leeuw	An Emergency
53	ABB SA (Pty) Ltd	Reyrolle Equipment	81,499	R. Pretorius	Sole Provider
54	RRM Africa	Hot premix for road patching	186,732	P.G. van Wyk	Sole Provider
55	Hitachi	Repair Diff	44,150	S. Greeff	Sole Provider