

SOL PLAATJE MUNICIPALITY



CITY OF KIMBERLEY

SOL PLAATJE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2011

SOL PLAATJE MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

INDEX

	Page
General Information	2
Declaration Accounting Officer	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Accounting Policies	8
Notes to the Financial Statements	40
Appendix A: Schedule of External Loans	79
Appendix B: Analysis of Property, Plant and Equipment	80
Appendix C: Segmental Analysis of Property, Plant and Equipment	81
Appendix D: Segmental Statement of Financial Performance	82
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	83
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	84
Appendix F: Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	85
Appendix G: Disclosures of Deviations from procurement policy	86

**SOL PLAATJE MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2011**

**EXECUTIVE MAYOR
SPEAKER**

Alderman A Ntlhangula
Councillor MV Diraditsile

GRADING OF THE LOCAL AUTHORITY:

Grade 4

AUDITORS:

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Telephone 053-8311016
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Private Bag X5013
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BANKERS:

Standard Bank
Old Main Road
Kimberley
8301
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P.O. Box 626
Kimberley
8300

REGISTERED OFFICE:

Civic Centre
Jan Smuts Boulevard
Kimberley
8301
Telephone 053-8306911
Fax 053-8331005

Private Bag X5030
Kimberley
8300

MUNICIPAL MANAGER:

Mr G Akharwaray

CHIEF FINANCIAL OFFICER:

Me ZL Mahloko (Acting)

MEMBERS OF COUNCIL:

Councillor/Alderman

Ward

1 Settley VV	12 Tong KM	23 Doman WP
2 Rosen MS	13 Hale EK	24 Van Der Merwe DJP
3 Lewis CB	14 Askin LA	25 Fourie OC
4 Selao OG	15 Mpampi ZJ	26 Moseki OR
5 Matsio FF	16 Stout BJ	27 Koopman GT
6 Mothibi MK	17 Modise AA	28 Visagie GE
7 Morwe RT	18 Mathe EM	29 Springbok B
8 Ngoma TC	19 Jabetla AK	30 Pienaar D
9 Manyungwana M	20 Pitt DH	31 Nhlapo MG
10 Tsimakwane E	21 Louw PJF	
11 Thabane MP	22 Steyn L	

Councillor/Alderman

Proportional

1 Bauser R	11 Ludick RA	21 Pietersen J
2 Bishop PD	12 Matika OM	22 Setlhabi EK
3 Boqo AN	13 Mazabane J	23 Stanfley SH
4 Dawids RM	14 Mfulo A	24 Steyn JL
5 Frans T	15 Mogorosi SR	25 Srauss PAS
6 Jacobs M	16 Morudi GD	26 Tarentaal WSJ
7 Johnson E	17 Mthukwane KG	27 Vilakazi PM
8 Kruger LE	18 Ndlazi SP	28 Visser MD
9 Lekoma MD	19 Ngobeza WN	29 Voster PJ
10 Leven MM	20 O'Neil Coutts PA	

SOL PLAATJE MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

I am accountable for the preparation of these annual financial statements, which are set out on pages 4 to 78, 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 30 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.

GH Akharwaray
Municipal Manager
31 August 2011

SOL PLAATJE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 June 2011

	Note	2011 R	2010 R	2011 Budget R
ASSETS				
Current Assets		367 050 711	340 383 583	374 226 897
Inventory	2	18 941 978	15 733 318	16 205 317
Non-current Assets Held-for-Sale	3	643 888	596 460	-
Trade Receivables from Exchange Transactions	4	145 028 013	149 601 321	158 817 366
Trade Receivables from Non-Exchange Transactions	5	122 850 811	119 375 672	134 115 960
Cash and Cash Equivalents	6	70 002 668	51 238 735	65 000 000
Operating Lease Assets	7	90 342	84 604	88 254
Vat Receivable from Exchange Transactions	8	9 493 012	3 753 474	-
Non-Current Assets		910 392 198	869 473 699	789 213 159
Property, Plant and Equipment	9	792 556 915	749 931 361	731 409 358
Intangible Assets	10	2 485 582	3 425 872	3 597 165
Investment Property	11	115 349 700	116 116 467	54 206 635
Total Assets		1 277 442 909	1 209 857 282	1 163 440 056
LIABILITIES				
Current Liabilities		177 140 513	190 844 040	210 913 215
Consumer Deposits	13	11 857 366	10 225 457	10 838 987
Provisions	14	4 767 854	5 299 684	5 617 665
Creditors	15	112 989 700	106 265 502	113 564 041
Unspent Conditional Grants and Receipts	16	9 238 545	3 436 299	-
Vat Payable from Exchange Transactions	17	10 971 434	30 212 211	46 664 708
Bank Overdraft	6	9 418 186	25 067 445	25 819 468
Current Portion of Long-term Liabilities	18	17 897 429	10 337 441	8 408 346
Non-Current Liabilities		264 669 861	210 258 820	253 596 595
Long-term Liabilities	18	96 758 275	66 611 996	92 891 958
Retirement Benefit Liabilities	19	135 684 739	114 140 484	123 842 425
Non-current Provisions	20	32 226 847	29 506 340	36 862 212
Total Liabilities		441 810 374	401 102 860	464 509 810
Total Assets and Liabilities		835 632 535	808 754 422	698 930 246
NET ASSETS		835 632 534	808 754 422	698 930 246
Accumulated Surplus	21	835 632 534	808 754 422	698 930 246
Total Net Assets		835 632 534	808 754 422	698 930 246

SOL PLAATJE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2011

Budget 2010 R	Budget 2011 R		Note	Actual 2011 R	Actual 2010 R
REVENUE					
Revenue from Non-exchange Transactions					
190 313 244	212 388 706	Property Rates	22	209 350 661	189 423 946
5 280 000	5 778 000	Fines		3 634 590	3 776 691
2 491 100	2 891 100	Licences and Permits		3 125 280	3 089 183
2 322 800	2 600 000	Income for Agency Services		3 488 878	3 244 760
225 222 561	215 443 432	Government Grants and Subsidies Received	26	190 806 628	219 084 299
-	-	Public Contributions and Donations	27	-	3 877 500
Revenue from Exchange Transactions					
488 541 307	585 599 961	Service Charges	24	571 405 692	471 453 386
12 722 508	13 289 282	Rental of Facilities and Equipment	25	12 740 245	11 130 646
4 000 000	4 000 000	Interest Earned - External Investments	23	4 801 581	3 984 460
43 250 000	35 000 000	Interest Earned - Outstanding Debtors	23	31 282 531	39 476 418
45 229 766	29 914 837	Other Income	28	26 288 454	25 425 876
1 019 373 286	1 106 905 318	Total Revenue		1 056 924 539	973 967 166
EXPENDITURE					
300 269 021	361 242 530	Employee Related Costs	29	364 339 736	304 399 586
11 523 385	13 112 146	Remuneration of Councillors	30	13 330 953	11 380 466
1 095 000	1 145 000	Collection Costs		147 448	265 302
48 191 482	33 960 000	Depreciation and Amortisation	31	38 592 691	33 681 856
89 000 000	95 000 000	Impairment Losses	32	97 383 130	96 732 663
53 097 340	57 783 260	Repairs and Maintenance		51 065 386	53 826 249
12 221 964	16 685 829	Finance Costs	33	14 697 358	10 473 243
202 000 000	239 000 000	Bulk Purchases	34	234 314 846	196 224 388
1 350 000	3 191 000	Grants and Subsidies Paid	35	3 191 000	350 000
183 029 582	216 778 191	General Expenses	36	212 983 878	175 944 576
901 777 774	1 037 897 956	Total Expenditure		1 030 046 427	883 278 328
117 595 512	69 007 362	SURPLUS FOR THE YEAR		26 878 112	90 688 837

Refer to Appendix E(1) for explanation of budget variances

SOL PLAATJE MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 June 2011

Description	Note	Accumulated Surplus Account				Total for Accumulated Surplus Account	Total
		Capital Replacement Reserve(CRR)	Self Insurance Reserve	COID Reserve	Accumulated Surplus		
		R	R		R	R	R
2010							
Balance at 30 June 2009		74 851	16 733 761	7 549 079	516 216 367	540 574 058	540 574 058
Correction of Error	39				177 491 527	177 491 527	177 491 527
Restated Balance		74 851	16 733 761	7 549 079	693 707 894	718 065 585	718 065 585
Surplus for the year					90 688 837	90 688 837	90 688 837
Transfer to Capital Replacement Reserve		11 000 000			(11 000 000)	-	-
Property, Plant and Equipment purchased		(9 483 124)			9 483 124	-	-
Contribution to Insurance Reserve			84 064	307 617	(391 681)	-	-
Balance at 30 June 2010		1 591 726	16 817 826	7 856 696	782 488 174	808 754 422	808 754 422
2011							
Restated Balance		1 591 726	16 817 826	7 856 696	782 488 174	808 754 422	808 754 422
Surplus for the year					26 878 112	26 878 112	26 878 112
Transfer to Capital Replacement Reserve		15 000 000			(15 000 000)	-	-
Property, Plant and Equipment purchased		(15 182 611)			15 182 611	-	-
Contribution to Insurance Reserve			1 743 584	869 855	(2 613 439)	-	-
Balance at 30 June 2011		1 409 116	18 561 409	8 726 551	806 935 459	835 632 534	835 632 534

Details on the movement of the Funds and Reserves are set out in Note 21.

SOL PLAATJE MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2011

	Note	Actual 2011 R	Actual 2010 R	Budget 2011 R
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from Ratepayers, Government and Other	41	924 143 358	792 696 760	977 477 000
Cash paid to Suppliers and Employees	41	869 264 567	706 556 438	877 252 000
Cash generated from / (utilised in) Operations	41	54 878 791	86 140 322	100 225 000
Interest received	23	36 084 112	43 460 878	14 440 000
Interest paid	33	(14 697 358)	(10 473 243)	(16 685 000)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		76 265 544	119 127 958	97 980 000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	9	(79 196 326)	(103 358 636)	(119 469 000)
Purchase of Intangible Assets	10	(362 292)	(128 453)	
Purchase of Investment Property	11	-	(3 877 500)	
(Increase) / decrease in Long-term Receivables	12	-	113 424	-
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(79 558 618)	(107 251 164)	(119 469 000)
CASH FLOWS FROM FINANCING ACTIVITIES				
New Loans raised		39 818 246	10 463 371	36 630 000
Loans repaid		(2 111 980)	(10 557 701)	(7 746 000)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		37 706 266	(94 330)	28 884 000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6	34 413 192	11 782 464	7 395 000
Cash and Cash Equivalents at the beginning of the year		26 171 290	14 388 826	63 000 000
Cash and Cash Equivalents at the end of the year		60 584 482	26 171 290	70 395 000

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2009 and 30 June 2010 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, the management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

1. 2. Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. Revenue Recognition (continued)

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: *Revenue*, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation Accounting Policy 10). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in IAS 32: *Financial Instruments - Presentation* and IAS 39: *Financial Instruments - Recognition and Measurement*.

1. 2. Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

• Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

This was performed across all classes of debtors.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. BASIS OF PRESENTATION (continued)

1. 2. Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1. 2. Impairment: Write down of Property, Plant and Equipment and Inventories

Accounting Policy 3.9 on PPE - Impairment of assets and Accounting Policy 4.2 on Intangible assets - Subsequent Measurement, Amortisation and Impairment and Accounting Policy 8.2 on Inventory - Subsequent measurement describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: Property, Plant and Equipment, GRAP 12: Inventory and GRAP 102: Intangible assets. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

1. 2. Defined Benefit Plan Liabilities

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations, Long-service Awards and Ex-gratia Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19 (Employee Benefits). Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 19 and 20 to the Annual Financial Statements.

1. 2. Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 20 and 51 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

SOL PLAATJE MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

1. BASIS OF PRESENTATION (continued)

1. 5 OFFSETTING

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

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 18 Segment Reporting - issued March 2005

GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 25 Employee Benefits - issued December 2009

GRAP 26 Impairment of Cash-generating Assets - issued March 2009

GRAP 103 Heritage Assets - issued July 2008

GRAP 104 Financial Instruments - October 2009

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 will be effective for reporting periods commencing after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. STATUTORY FUNDS AND RESERVES

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
- If a profit is made on the sale of assets, the profit on these assets is reflected in the Statement of Financial Performance and is not transferred to the CRR, as it is regarded as revenue.

2. 2 Self insurance reserve

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services and credited to the operating accounts as per budgeted amount. Reinsurance premiums paid to external reinsurers and other expenditure are regarded as an expense, and are debited against the operating accounts. The net surplus or deficit on the insurance operating accounts is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

The balance of the self-insurance reserve is invested in short-term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance.

2. 3 Compensation for occupational injuries and diseases (COID) reserve

The Entity has been exempted from making contributions to the Compensation Commissioner for occupational injuries and diseases in terms of Section 84 of the COID Act (Act No. 130 of 1993). The certificate of exemption issued by the Commissioner, and as prescribed by the COID Act, requires that the Entity deposits cash and/or securities with the Commissioner. Premiums are charged to the respective services and credited to the operating accounts as per budgeted amount. Reinsurance premiums paid to external reinsurers and other expenditure are regarded as an expense, and are debited against the operating accounts. The net surplus or deficit on the COID operating account is transferred to or from the COID reserve via the Statement of Changes in Net Assets.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is 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.

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

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives:

	Years		Years
Infrastructure		Buildings	30
Roads and Paving	10 - 50		
Electricity	15 - 80	Other	
Water	15 - 100	Specialist Vehicles	5 - 15
Sewerage	10 - 55	Other Vehicles	5
Landfill Sites	25 - 30	Office Equipment	3 - 7
		Furniture and Fittings	10
Community		Bins and Containers	5
Recreational Facilities	15 - 30	Specialised Plant and Equipment	2 - 15
Public Safety	3 - 5	Other items of Plant and Equipment	2 - 15

Depreciation only commences when the asset is available for use, unless stated otherwise.

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

PROPERTY, PLANT AND EQUIPMENT (continued)

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Heritage Assets

Heritage assets, which are culturally significant resources of nature (examples are statues, graves, memorial assets, libraries, canons, etc) and accordingly to GRAP 17 should be shown at cost and are not depreciated owing to uncertainty regarding their estimated useful lives however as GRAP 103 is not effective, heritage assets are shown at a zero value for the financial year under review.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3. 9 Impairment of assets

3. 9. *Impairment of Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. PROPERTY, PLANT AND EQUIPMENT (continued)

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3. 9. Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 9. *Impairment of Non-Cash generating assets (continued)*

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

4. INTANGIBLE ASSETS

4. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

4. INTANGIBLE ASSETS (continued)

4. 1 Initial Recognition (continued)

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the assets given up.

4. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

5. INVESTMENT PROPERTY

5. 1 Initial Recognition

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

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

The cost of self-constructed investment property is the cost at date of completion.

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

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

5. INVESTMENT PROPERTY (continued)

5. 2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:
The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

6. FINANCIAL INSTRUMENTS (continued)

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

6. 1 Financial Assets - Classification

A financial asset is any asset that is cash or a contractual right to receive 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:

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

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.

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 profit and loss.

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:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Available for sale
Bank Balances and Cash	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

6. FINANCIAL INSTRUMENTS (continued)

6. 1 Financial Assets - Classification (continued)

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

6. 2 Financial Liabilities - Classification

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
- Certain Other Creditors
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss;
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost); or
- (iii) Financial guarantee contract.

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).

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09.

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

6. 3 Initial and Subsequent Measurement

6. 3. Financial Assets:

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

6. FINANCIAL INSTRUMENTS (continued)

6. 3 Initial and Subsequent Measurement (continued)

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

6. 3. Financial Liabilities:

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate. Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise. Prepayments are carried at cost less any accumulated impairment losses.

Financial guarantee contract

Financial guarantee contracts represent contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when they are contractually due. Financial guarantee contract liabilities are initially measured at fair value. The subsequent measurement of financial guarantee contracts is the higher of the amount determined in accordance with the policy on provisions as set out below, or the amount initially recognised less when appropriate cumulative amortisation.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

6. FINANCIAL INSTRUMENTS (continued)

6. 4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial performance even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in Statement of Financial Performance. A significant or prolonged decline in fair value of the instrument below cost is an indicator of impairment.

Impairment losses recognised in the Statement of Financial Performance for an investment in an equity instrument classified as available-for-sale are not reversed through the Statement of Financial Performance. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the Statement of Financial Performance, the impairment loss must be reversed, with the amount of the reversal recognised in the Statement of Financial Performance.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience 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.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

6. FINANCIAL INSTRUMENTS (continued)

6. 4 Impairment of Financial Assets (continued)

A provision for impairment of accounts 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 provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire 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.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

6. FINANCIAL INSTRUMENTS (continued)

6. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

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.

The Municipality has exposure to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

Risks and exposure are disclosed as follows:

Market Risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
- The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks.

Credit Risk

- Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.
- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)

Liquidity Risk

- Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.
- 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.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48.9 to the annual financial statements.

8. INVENTORIES

8. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

8. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first in first out (FIFO) method. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

8. INVENTORIES (continued)

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position. The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are valued by using the **weighted average** method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

9. NON-CURRENT ASSETS HELD-FOR-SALE (continued)

9. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

10. REVENUE RECOGNITION

10.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities, interest and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

10. REVENUE RECOGNITION (continued)

10.1 General (continued)

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

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

10.2 Revenue from Exchange Transactions

10.2. Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.2. Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end based on the average consumption history.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

10. REVENUE RECOGNITION (continued)

10.2. Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

10.2. Tariff Charges

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

10.2. Income from Agency Services

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

10.2. Sale of Goods (including Houses)

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

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

10.2. Rentals

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

10.2. Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

SOL PLAATJE MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

10. REVENUE RECOGNITION (continued)

10.2. Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

10.3 Revenue from Non-exchange Transactions

10.3. Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3. Fines

Fines constitute both spot fines and summonses for which revenue is recognised when it is probable that future economic benefits will be received. Fines are recognised on the best estimate of the recovery of fines issued.

10.3. Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10.3. Other Donations and Contributions

Donations are recognised 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 available for use.

10.3. Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

10.4 Transitional Provisions

Revenue is initially recognised at fair value for the year ended 30 June 2009 (and retrospectively, where practicable) by discounting all future receipts using an imputed rate of return in accordance with the requirements of GRAP 9, GRAP 3 and SAICA circular 09/2006.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

11. CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised 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 recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

12. PROVISIONS

A provision is defined as a liability of uncertain timing and amount. Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Provision for Restructuring cost

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

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken;
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

12. PROVISIONS (continued)

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Entity's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFITS

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors in terms of defined benefit plans.

13.3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

13.3. Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13. EMPLOYEE BENEFITS (continued)

13. 3. *Post-retirement Health Care Benefits (continued):*

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

13. 3. *Long-service Allowance*

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

13. 3. *Provincially-administered Defined Benefit Plans*

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 49 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

14. LEASES (continued)

14.1 The Municipality as Lessee

Finance leases

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. 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.

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

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.2 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 recognised on a straight-line basis over the term of the relevant lease.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset in accordance with the requirements of GRAP 5.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payment basis.

18. UNAUTHORISED EXPENDITURE

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

19. 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 or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance.

20. 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.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 38 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. 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 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.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are converted at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

25. COMPARATIVE INFORMATION

25.1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been included in the financial statements and forms part of the audited Annual Financial Statements.

25.2 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 reasons for the reclassification are disclosed.

SOL PLAATJE MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

27. COMMITMENTS

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R

2010
R

1. GENERAL INFORMATION

Sol Plaatje Municipality (the municipality) is a local government institution in Kimberley, Northern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements. The principal activities of the municipality are prescribed by The Constitution.

2. INVENTORY

Inventory Stores - at cost	17 339 294	14 798 478
Water - at cost	1 602 684	934 840
Total Inventory	18 941 978	15 733 318

The net realisable value of the above water inventory is seen as higher than the cost as stipulated above.

The cost of Inventories recognised as an expense (included in general expenses) in respect of write downs of Inventory to Net Realisable Value and which was approved by Council amounted to:	139 493	77 932
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The cost of Inventories recognised as an expense during the period was:	29 186 782	25 756 182
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3. NON-CURRENT ASSETS HELD-FOR-SALE

Other Assets Held-for-Sale	643 888	596 460
Net Assets classified as Held-for-Sale	643 888	596 460

3.1 Property Held-for-Sale

The municipality intends to dispose some of its Property, Plant and Equipment (all comprising of vehicles) through public auction within the next ten months. No impairment loss was recognised on reclassification of the property as held-for-sale at 30 June 2011.

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2011			
Service Debtors:	391 611 691	251 014 321	140 597 370
Electricity	79 614 542	51 031 137	28 583 404
Refuse	23 590 589	15 121 039	8 469 550
Sewerage	26 962 897	17 282 613	9 680 284
Water	78 374 525	50 236 315	28 138 210
Miscellaneous	183 069 139	117 343 217	65 725 922
Market	734 722	470 940	263 782
Housing Debtors	11 606 131	7 439 270	4 166 861
Total Consumer Debtors	403 952 544	258 924 531	145 028 013

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R
2010
R

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2010			
Service Debtors:	533 160 870	387 703 432	145 457 439
Electricity	65 812 093	42 720 162	23 091 932
Refuse	43 657 195	32 138 358	11 518 837
Sewerage	52 998 063	39 072 894	13 925 170
Water	123 856 707	88 361 199	35 495 508
Miscellaneous	246 836 812	185 410 820	61 425 992
Market	879 328	421 460	457 868
Housing Debtors	13 900 899	10 214 884	3 686 015
Total Consumer Debtors	547 941 097	398 339 776	149 601 321

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors. The Municipality does not require collateral in respect of trade and other receivables, except for consumer deposits made by consumers with the connection of water and electricity services.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

2011
R
2010
R

4.1 Ageing of Consumer Debtors

Electricity: Ageing

Current:

0 - 30 days	34 320 990	24 942 532
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Past Due:

31 - 60 Days	5 174 863	5 092 732
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61 - 90 Days	2 982 380	2 691 120
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+ 90 Days	37 136 309	33 085 710
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Total	79 614 542	65 812 093
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Refuse: Ageing

Current:

0 - 30 days	1 824 402	2 356 223
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Past Due:

31 - 60 Days	899 540	1 478 348
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61 - 90 Days	746 332	1 383 230
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+ 90 Days	20 120 314	38 439 394
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Total	23 590 589	43 657 195
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Sewerage: Ageing

Current:

0 - 30 days	2 164 656	2 835 884
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Past Due:

31 - 60 Days	1 067 805	1 872 642
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61 - 90 Days	904 646	1 802 530
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+ 90 Days	22 825 790	46 487 008
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Total	26 962 897	52 998 063
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SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<i>Water: Ageing</i>		
<i>Current:</i>		
0 - 30 days	12 402 956	13 233 943
<i>Past Due:</i>		
31 - 60 Days	3 490 177	7 458 312
61 - 90 Days	3 518 204	4 934 768
+ 90 Days	58 963 188	98 229 683
Total	78 374 525	123 856 707
<i>Miscellaneous: Ageing</i>		
<i>Current:</i>		
0 - 30 days	8 963 247	9 680 387
<i>Past Due:</i>		
31 - 60 Days	4 716 978	6 648 137
61 - 90 Days	4 479 149	7 351 992
+ 90 Days	165 644 487	224 035 625
Total	183 803 860	247 716 140
<i>Housing Rentals: Ageing</i>		
<i>Current:</i>		
0 - 30 days	397 028	496 980
<i>Past Due:</i>		
31 - 60 Days	299 325	387 584
61 - 90 Days	284 079	388 775
+ 90 Days	10 625 699	12 627 559
Total	11 606 131	13 900 899

4.2 Summary of Consumer Debtors by Customer Classification (Exchange and Non-Exchange Transactions)

	Household R	Industrial/ Commercial R	National and Provincial Government R	Total R
As at 30 June 2011				
<i>Current:</i>				
0 - 30 days	39 064 429	22 790 616	4 369 227	66 224 273
<i>Past Due:</i>				
31 - 60 Days	12 100 490	5 273 598	1 473 770	18 847 858
61 - 90 Days	10 540 485	3 304 443	1 231 185	15 076 113
+ 90 Days	268 334 810	63 347 815	79 333 310	411 015 935
Sub-total	330 040 214	94 716 473	86 407 492	511 164 179
Less: Provision for Impairment	212 738 555	46 185 976	-	258 924 531
Total Debtors by Customer Classification	117 301 659	48 530 497	86 407 492	252 239 648
As at 30 June 2010				
<i>Current:</i>				
0 - 30 days	65 327 803	17 280 803	3 651 853	86 260 459
<i>Past Due:</i>				
31 - 60 Days	19 632 538	4 903 537	2 384 215	26 920 290
61 - 90 Days	16 027 882	3 953 582	2 005 528	21 986 992
+ 90 Days	409 216 420	50 095 173	57 000 618	516 312 211
Sub-total	510 204 644	76 233 095	65 042 214	651 479 953
Less: Provision for Impairment	396 079 739	2 260 037	-	398 339 776
Total Debtors by Customer Classification	114 124 905	73 973 058	65 042 214	253 140 177

The amount for debtors past due more than the impairment loss provided for is seen as recoverable therefore no impairment loss has been provided for this excess amount. Management is of the option that the current debtors is fully recoverable.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
4.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	398 339 776	293 134 698
Impairment Losses recognised	105 223 655	104 693 453
Amounts written off as uncollectable	(246 368 291)	(58 176)
Amounts reversed	1 729 391	569 802
Balance at end of year	<u>258 924 531</u>	<u>398 339 776</u>

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

4.4 Ageing of impaired Consumer Debtors

0 - 30 Days	2 085 279	16 152 343
31 - 60 Days	1 590 616	7 043 359
61 - 90 Days	1 390 207	6 602 485
+ 90 Days	<u>253 858 429</u>	<u>368 541 589</u>
Total	<u>258 924 531</u>	<u>398 339 776</u>

5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Assessment Rates	107 211 635	103 538 855
Government Subsidy Claims	15 071 901	11 359 448
Miscellaneous debtors	567 274	4 477 369
	<u>122 850 811</u>	<u>119 375 672</u>
Less: Provision for Impairment	-	-
Total Other Debtors	<u>122 850 811</u>	<u>119 375 672</u>

Management of the municipality is of the opinion that the carrying value of trade receivables from non-exchange transactions approximate their fair value.

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

5.1 Ageing of Consumer Debtors

Rates: Ageing

Current:

0 - 30 days	8 364 944	10 797 129
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Past Due:

31 - 60 Days	3 199 171	3 955 318
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61 - 90 Days	2 161 323	3 412 904
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+ 90 Days	<u>93 486 198</u>	<u>85 373 505</u>
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Total	<u>107 211 635</u>	<u>103 538 855</u>
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6. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	70 002 668	51 238 735
Bank Overdraft	(9 418 186)	(25 067 445)
Total Cash and Cash Equivalents	<u>60 584 482</u>	<u>26 171 290</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand and Cash in Banks, net of outstanding Bank Overdrafts.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.1 Current Investment Deposits		
Call Deposits	67 673 203	48 910 000
Notice Deposits	2 297 808	2 297 808
Total Current Investment Deposits	69 971 011	51 207 808

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.8% to 5.65% per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rate of 6.33% per annum.

A fixed deposit of R2,297,808 (2010: R2,297,808) was made as a security to the Self-Insurance Workman Compensation reserve as required by the Department of Labour - Compensation Commissioner.

A fixed deposit of R20,973,203 was invested and ceded to Development Bank of South Africa representing the equivalent of one instalment of a loan taken up during the current financial year.

6.2 Bank Accounts

Cash book balance

Cash book balance at beginning of year	(25 067 445)	(2 349 909)
Cash book balance at end of year	(9 418 186)	(25 067 445)

The following disclosures in terms of Municipal Finance Management Act (MFMA) section 125 2(a):

Current Account (Primary Bank Account)

The Municipality has the following main bank account:

Standard Bank Kimberley Old Main Road

Account Number 040065367

Primary Bank account 040065367

Bank statement balance at beginning of year / (overdrawn)	2 210 113	7 353 379
Bank statement balance at end of year / (overdrawn)	5 403 112	2 210 113
<u>Sub account -Resort 040039072</u>		
Bank statement balance at beginning of year / (overdrawn)	6 407	58 529
Bank statement balance at end of year / (overdrawn)	10 570	6 407
<u>Sub account -Traffic 040036340</u>		
Bank statement balance at beginning of year / (overdrawn)	-	-
Bank statement balance at end of year / (overdrawn)	-	-
<u>Sub account -Stores 040065405</u>		
Bank statement balance at beginning of year / (overdrawn)	-	(33)
Bank statement balance at end of year / (overdrawn)	(6 691)	-
<u>Sub account -Salary 040065391</u>		
Bank statement balance at beginning of year / (overdrawn)	(240)	(33)
Bank statement balance at end of year / (overdrawn)	-	(240)
<u>Sub account -Market 040065383</u>		
Bank statement balance at beginning of year / (overdrawn)	-	(33)
Bank statement balance at end of year / (overdrawn)	-	-

Interest on overdrawn current accounts are charged at the bank's prime rate per annum.
Interest is earned at different rates per annum on favourable balances.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R

2010
R

6. CASH AND CASH EQUIVALENTS (Continued)

6.3 Cash and Cash equivalents

Cash Floats and Advances	31 657	30 927
Cash on hand in Cash Floats, Advances and Equivalents	31 657	30 927

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

7. OPERATING LEASE ASSETS / RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance as at 30 June	84 604	78 787
Operating Lease expenses recorded	498 894	444 575
Operating Lease payments effected	(493 156)	(438 758)
Total Operating Lease Assets	90 342	84 604

Operating Lease Assets have been restated to due to an error in the prior year. Refer to Note 39.1 on "Correction of Error" for details of the restatement.

7.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to property owned by the municipality with lease terms of between 1 to 10 years. The lessees do not have an option to purchase the property at the expiration of the lease period. Operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

Rental Revenue earned from Investment Property	25 200	25 200
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7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	399 890	448 098
2 to 5 years	526 124	710 721
More than 5 years	622	38 957
Total Operating Lease Arrangements	926 636	1 197 776

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase in current year income of R5,142 (2010: R5,817).

The following restrictions have been imposed by the municipality in terms of its lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

8. VAT RECEIVABLE FROM EXCHANGE TRANSACTIONS

Vat Receivable from Exchange Transactions	9 493 012	3 753 474
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Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2011

Reconciliation of Carrying Value

Description	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R
Carrying values at 01 July 2010	508 674 342	193 107 560	42 648 429	5 501 030	749 931 361
Cost	796 192 154	222 059 097	67 232 436	8 850 021	1 094 333 708
- Completed Assets	723 538 813	218 062 498	67 232 436	8 850 021	1 017 683 767
- Under Construction	72 653 341	3 996 600	-	-	76 649 941
Accumulated Impairment Losses	-	-	-	-	-
Accumulated Depreciation:	(287 517 812)	(28 951 537)	(24 584 007)	(3 348 991)	(344 402 347)
- Cost	(287 517 812)	(28 951 537)	(24 584 007)	(3 348 991)	(344 402 347)
Acquisitions	16 212 282	4 909 939	5 227 643	-	26 349 864
Capital under Construction - Additions	48 046 664	4 799 798	-	-	52 846 462
- Cost	48 046 664	4 799 798	-	-	52 846 462
Depreciation:	(17 329 677)	(8 724 032)	(9 093 969)	(1 375 665)	(36 523 343)
- Based on Cost	(17 329 677)	(8 724 032)	(9 093 969)	(1 375 665)	(36 523 343)
Carrying value of Transfers to Held-for-Sale:	-	-	(47 428)	-	(47 428)
- Cost	-	-	(105 917)	-	(105 917)
- Accumulated Depreciation	-	-	58 489	-	58 489
- Based on Cost	-	-	58 489	-	58 489
Capital under Construction - Completed	(13 729 098)	-	-	-	(13 729 098)
Other Movements	13 729 098	-	-	-	13 729 098
- Cost	13 729 098	-	-	-	13 729 098
Carrying values at 30 June 2011	555 603 611	194 093 265	38 734 674	4 125 365	792 556 915
Cost	860 451 100	231 768 834	72 354 162	8 850 021	1 173 424 116
- Completed Assets	753 480 193	222 972 436	72 354 162	8 850 021	1 057 656 812
- Under Construction	106 970 907	8 796 398	-	-	115 767 305
Accumulated Depreciation:	(304 847 489)	(37 675 569)	(33 619 487)	(4 724 656)	(380 867 201)
- Cost	(304 847 489)	(37 675 569)	(33 619 487)	(4 724 656)	(380 867 201)

30 June 2010

Reconciliation of Carrying Value

Description	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R
Carrying values at 01 July 2009	425 870 131	199 186 908	57 809 225	6 677 732	689 543 997
Cost	697 694 757	219 731 845	77 739 103	8 913 239	1 004 078 944
- Completed Assets	661 883 359	218 062 498	77 739 103	8 913 239	966 598 199
- Under Construction	35 811 398	1 669 347	-	-	37 480 745
Accumulated Impairment Losses	-	-	-	-	-
Accumulated Depreciation:	(271 824 626)	(20 544 937)	(19 929 878)	(2 235 507)	(314 534 948)
- Cost	(271 824 626)	(20 544 937)	(19 929 878)	(2 235 507)	(314 534 948)
Correction of error (Note 39)	-	-	-	-	-
- Cost	(452 130)	-	(11 626 747)	(63 219)	-
- Accumulated Depreciation	(447 914)	-	1 846 945	20 590	-
- Accumulated Impairment Losses	-	-	-	-	-
Restated carrying values at 01 July 2009	424 970 088	199 186 908	48 029 423	6 635 103	689 543 997
Acquisitions	55 153 842	-	2 081 856	-	57 235 698
Capital under Construction - Additions	43 795 685	2 327 253	-	-	46 122 938
- Cost	43 795 685	2 327 253	-	-	46 122 938
Reversals of Impairment Losses	-	-	-	-	-
Depreciation:	(15 245 273)	(8 406 600)	(6 866 391)	(1 134 074)	(31 652 337)
- Based on Cost	(15 245 273)	(8 406 600)	(6 866 391)	(1 134 074)	(31 652 337)
Carrying value of Transfers to Held-for-Sale:	-	-	(596 460)	-	(596 460)
- Cost	-	-	(961 776)	-	(961 776)
- Accumulated Impairment Losses	-	-	-	-	-
- Accumulated Depreciation	-	-	365 317	-	365 317
- Based on Cost	-	-	365 317	-	365 317
Capital under Construction - Completed	(6 953 742)	-	-	-	(6 953 742)
Other Movements	6 953 742	-	-	-	6 953 742
- Cost	6 953 742	-	-	-	6 953 742
Carrying values at 30 June 2010	508 674 342	193 107 560	42 648 429	5 501 030	749 931 361
Cost	796 192 154	222 059 097	67 232 436	8 850 021	1 094 333 708
- Completed Assets	723 538 813	218 062 498	67 232 436	8 850 021	1 017 683 767
- Under Construction	72 653 341	3 996 600	-	-	76 649 941
Accumulated Depreciation:	(287 517 812)	(28 951 537)	(24 584 007)	(3 348 991)	(344 402 347)
- Cost	(287 517 812)	(28 951 537)	(24 584 007)	(3 348 991)	(344 402 347)

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

Property, Plant and Equipment have been restated to include certain assets which were previously erroneously excluded from the Municipality's Asset Register. Refer to Note 39.6 on "Correction of Error" for details on the restatement.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
9. PROPERTY, PLANT AND EQUIPMENT (Continued)		
9.1 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal:		
Other	(47 428)	(596 460)
Carrying Value of PPE retired from active use and held for disposal	(47 428)	(596 460)

9.2 Assets pledged as security:

The municipality's obligations under Finance Leases (see Appendix B) are secured by the lessors' title to the leased assets, which have a carrying amount of:

	4 125 365	5 501 030
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9.3 Carrying Amount of Property, Plant and Equipment temporarily idle:

An element of plant of the Municipality is currently temporarily not in use. The carrying amount of this asset, which is included in the reconciliation of the carrying value of Property, Plant and Equipment as above, is as follows:

	5 366 786	5 618 243
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10. INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

	2 485 582	3 425 872
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The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 01 July 2010	3 425 872	3 425 872
Cost	6 357 222	6 357 222
Accumulated Amortisation	(2 931 350)	(2 931 350)
Acquisitions during the Year:	362 292	362 292
Purchased	362 292	362 292
Amortisation during the Year:	(1 302 582)	(1 302 582)
Purchased	(1 302 582)	(1 302 582)
Carrying values at 30 June 2011	2 485 582	2 485 582
Cost	6 719 514	6 719 514
Accumulated Amortisation	(4 233 932)	(4 233 932)
	Computer Software	Total
Carrying values at 01 July 2009	4 560 172	4 560 172
Cost	6 228 770	6 228 770
Accumulated Amortisation	(1 668 598)	(1 668 598)
Acquisitions during the Year:	128 453	128 453
Purchased	128 453	128 453
Amortisation during the Year:	(1 262 753)	(1 262 753)
Purchased	(1 262 753)	(1 262 753)
Carrying values at 30 June 2010	3 425 872	3 425 872
Cost	6 357 222	6 357 222
Accumulated Amortisation	(2 931 350)	(2 931 350)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
11. INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	<u>115 349 700</u>	<u>116 116 467</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	116 116 467	113 005 733
Cost	116 994 100	113 116 600
Accumulated Depreciation	(877 633)	(110 867)
Accumulated Impairment Losses	-	-
Acquisitions during the Year	-	3 877 500
Depreciation during the Year	(766 767)	(766 767)
Impairment Losses during the Year	-	-
Carrying values at 30 June	115 349 700	116 116 467
Cost	116 994 100	116 994 100
Accumulated Depreciation	(1 644 400)	(877 633)
Accumulated Impairment	-	-
Estimated Fair Value of Investment Property at 30 June	<u>116 994 600</u>	<u>117 474 296</u>

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	25 200	25 200
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All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

12. LONG-TERM RECEIVABLES

Staff was previously entitled to loans from the Municipality. This practice has been phased out by the Municipality in terms of the requirements of the MFMA. Subsequent to this change in policy, all loans have been repaid.

13. CONSUMER DEPOSITS

Electricity and Water	11 857 366	10 225 457
Total Consumer Deposits	<u>11 857 366</u>	<u>10 225 457</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>3 306 746</u>	<u>2 375 610</u>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
14. PROVISIONS		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19 below)	3 257 460	2 905 680
Current Portion of Non-Current Provisions (See Note 20 below):	1 510 394	2 394 004
Ex-Gratia Arrangements	-	-
Long-term Service	1 510 394	2 394 004
Rehabilitation of Land-fill Sites	-	-
Total Provisions	4 767 854	5 299 684

15. CREDITORS

Trade Creditors	78 006 029	62 052 668
Payments received in Advance	10 464 892	23 096 751
Staff Bonuses	6 770 637	5 884 932
Other Creditors	52 944	52 884
Accrued Leave	17 695 200	15 178 267
Total Creditors	112 989 700	106 265 502

Various immaterial individual creditor balances have been restated for the prior year. Refer to Note 39 on "Correction of Error" for the quantum of the restatement as at 30 June 2011.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

Accrued Leave accrues to the staff of the municipality on a monthly basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government

	9 238 545	3 436 299
Frances Baard District Municipality Grant (FBDM Grant)	1 208 696	2 381 493
Municipal Infrastructure Grant (MIG)	-	255 596
Provincial Grants	8 029 848	799 211
Total Conditional Grants and Receipts	9 238 545	3 436 299

See Note 26 for the reconciliation of Grants from Other Spheres of Government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. Refer to Appendix "F" for more detail on Conditional Grants.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
17. VAT PAYABLE FROM EXCHANGE TRANSACTIONS		
Vat Payable from Exchange Transactions	<u>10 971 434</u>	<u>30 212 211</u>
Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		
18. LONG TERM LIABILITIES		
Annuity Loans	99 804 371	66 591 061
Finance Lease Liabilities	<u>14 851 333</u>	<u>10 358 377</u>
Sub-total	114 655 704	76 949 438
Less: Current Portion transferred to Current Liabilities:-	17 897 429	10 337 441
Annuity Loans	<u>7 187 644</u>	<u>6 190 928</u>
Finance Lease Liabilities	<u>10 709 785</u>	<u>4 146 513</u>
Total Long-term Liabilities	<u>96 758 275</u>	<u>66 611 996</u>

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

R24,000,000 of the Debtors book as well as an investment of R20,973,203 with Standard Bank have been ceded as security on two loans with the DBSA . Refer to Appendix "A" for more detail on Long-term Liabilities.

18.1 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Office Equipment with lease terms of between 3 and 5 years (2010: 3 and 5 years). The effective monthly interest rate on Finance Leases is between 0.88% and 9.83% (2010: 0.88% and 9.83%).

The municipality does not have an option to purchase the leased Office Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2011	2010	2011	2010
	R	R	R	R
Amounts payable under finance leases:				
Within one year	15 729 963	8 183 356	10 709 785	4 146 513
In the second to fifth years, inclusive	<u>4 894 487</u>	<u>8 944 104</u>	<u>4 141 548</u>	<u>6 211 864</u>
	20 624 450	17 127 460	14 851 333	10 358 377
Less: Future Finance Obligations	<u>5 773 118</u>	<u>6 769 082</u>	-	-
Present Value of Minimum Lease Obligations	<u>14 851 332</u>	<u>10 358 378</u>	<u>14 851 333</u>	<u>10 358 377</u>
Less: Amounts due for settlement within 12 months (Current Portion)			<u>10 709 785</u>	<u>4 146 513</u>
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u>4 141 548</u>	<u>6 211 864</u>

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

Included in these classes are the following significant leases:

- (i) Itec Digital Copier
 - Instalments are payable monthly in advance
 - Average period outstanding 15 months
 - Average effective interest rate 4.08%
 - Average monthly instalment 32 000
- (ii) Samsung Office Server 500
 - Instalments are payable monthly in advance
 - Average period outstanding 2 months
 - Average effective interest rate 2.67%
 - Average monthly instalment 22 890

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
19. RETIREMENT BENEFIT LIABILITIES		
19.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	117 046 164	113 425 731
Contributions to Provision	(2 905 680)	(2 634 996)
Expenditure incurred	18 078 392	17 434 617
Actuarial (gain)/loss	6 723 323	(11 179 188)
Balance at end of Year	138 942 199	117 046 164
Transfer to Current Provisions	(3 257 460)	(2 905 680)
Total Post-retirement Health Care Benefits Liability	135 684 739	114 140 484

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service (employee) members	1 261	1 329
In-service (employee) non-members	656	614
Continuation Members (retirees and widowers)	136	148
Total Members	2 053	2 091

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

In-service Members	100 818 735	86 450 752
Continuation Members	38 123 464	30 595 412
Total Liability	138 942 199	117 046 164

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health
- Samwumed

The Current-service cost for the year ending 30 June 2011 is R7,441,600, whereas interest cost for the year is R10,636,792 the cost for the ensuing year is estimated to be R8,898,172 and R11,972,189 respectively (2010: R7,441,600 and R10,636,792 respectively).

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
19. RETIREMENT BENEFIT LIABILITIES (Continued)		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.72%	10.68%
Health Care Cost Inflation Rate	7.34%	9.56%
Net Effective Discount Rate	1.29%	1.02%
Expected Rate of Salary Increase	6.25%	5.55%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	117 046 164	113 425 731
Current service costs	7 441 600	7 375 261
Interest cost	10 636 792	10 059 356
Benefits paid	(2 905 680)	(2 634 996)
Actuarial losses / (gains)	6 723 323	(11 179 188)
Present Value of Fund Obligation at the end of the Year	138 942 199	117 046 164
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	138 942 199	117 046 164

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

Present value of fund obligations	138 942 199	117 046 164
Total Benefit Liability	138 942 199	117 046 164

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

Current service cost	7 441 600	7 375 261
Interest cost	10 636 792	10 059 356
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	18 078 392	17 434 617

The history of experienced adjustments is as follows:

	2011	2010	2009	2008	2007
	R	R	R	R	R
Present Value of Defined Benefit Obligation	138 942 199	117 046 164	113 425 731	98 197 330	-
Fair Value of Plan Assets	-	-	-	-	-
Deficit	138 942 199	117 046 164	113 425 731	98 197 330	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.

	2011	2010
	R	R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	20 747 000	20 279 600
Effect on the defined benefit obligation	163 083 000	132 363 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	15 597 200	14 790 900
Effect on the defined benefit obligation	119 503 000	102 739 000

Refer to Note 49 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
20. NON-CURRENT PROVISIONS		
Provision for Ex-Gratia Arrangements	477 682	381 297
Provision for Long Service Awards	8 208 229	6 674 375
Provision for Rehabilitation of Land-fill Sites	23 540 936	22 450 668
Total Non-current Provisions	32 226 847	29 506 340

Non-current Provisions have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 39 on "Correction of Error" for details of the restatement.

The movement in Non-current Provisions are reconciled as follows:

	Ex-Gratia Arrangements R	Long Service Awards R	Land-fill Sites R
30 June 2011			
Balance at beginning of year	381 297	9 068 379	22 450 668
Current service cost	-	1 718 741	-
Interest cost	34 348	712 884	-
Expenditure incurred / Contribution	-	(2 394 004)	1 090 268
Actuarial Loss / (Gain)	62 037	612 623	-
	477 682	9 718 623	23 540 936
Transfer to current provisions	-	(1 510 394)	-
Balance at end of year	477 682	8 208 229	23 540 936
30 June 2010			
Balance at beginning of year	413 564	8 770 794	25 060 000
Current service cost	-	1 634 749	-
Interest cost	38 071	712 659	-
Expenditure incurred / Contribution	-	(2 017 860)	(2 609 332)
Actuarial Loss / (Gain)	(70 338)	(31 963)	-
	381 297	9 068 379	22 450 668
Transfer to current provisions	-	(2 394 004)	-
Balance at end of year	381 297	6 674 375	22 450 668

20.1 Ex-Gratia Arrangements

Ex-gratia pensions are pensions that are paid by the Municipality from its revenue i.e. they are not funded or paid from one of the Municipality's pension arrangements. Provision has therefore not been made in this valuation for the possibility that future employees might be entitled to these annuities.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 2 employees were eligible for Ex-gratia arrangement awards.

The interest costs for the current year is estimated to be R34,348 (2010: R38,071).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.33%	9.01%
Cost Inflation Rate	6.35%	5.60%
Net Effective Discount Rate	0.00%	3.22%
Expected Rate of Salary Increase	0.00%	5.55%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	381 297	413 564
Interest cost	34 348	38 071
Actuarial losses / (gains)	62 037	(70 338)
Present Value of Fund Obligation at the end of the Year	477 682	381 297
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	477 682	381 297

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
20. NON-CURRENT PROVISIONS (Continued)		
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	34 348	38 071
Actuarial losses / (gains)	62 037	(70 338)
Total Post-retirement Benefit included in Employee Related Costs	96 385	(32 267)

The history of experienced adjustments is as follows:

	2011 R	2010 R	2009 R	2008 R	2007 R
Present Value of Defined Benefit Obligation	477 682	381 297	413 564	396 597	-
Fair Value of Plan Assets	-	-	-	-	-
Deficit	477 682	381 297	413 564	396 597	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.

	2011 R	2010 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the interest cost	37 628	42 034
Effect on the defined benefit obligation	519 115	417 709
Decrease:		
Effect on the aggregate of the interest cost	31 350	34 476
Effect on the defined benefit obligation	439 492	348 021

20.2 Long Service Awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future, based on an actuarial valuation performed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 1,838 employees were eligible for Long-service Awards.

The current service cost for the year is estimated to be R1,718,741 (2010: R1,634,749), whereas the interest costs for the current year is estimated to be R712,884 (2010: R712,659).

	2011 R	2010 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.65%	10.97%
Cost Inflation Rate	6.25%	9.09%
Net Effective Discount Rate	0.00%	1.72%
Expected Rate of Salary Increase	0.00%	5.55%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

	2011 R	2010 R
Balance at the beginning of the year	9 068 379	8 770 794
Current service costs	1 718 741	1 634 749
Interest cost	712 884	712 659
Benefits paid	(2 394 004)	(2 017 860)
Actuarial losses / (gains)	612 623	(31 963)
Present Value of Fund Obligation at the end of the Year	9 718 623	9 068 379
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	9 718 623	9 068 379

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
20. NON-CURRENT PROVISIONS (Continued)		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	9 718 623	9 068 379
Total Benefit Liability	9 718 623	9 068 379
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	1 718 741	1 634 749
Interest cost	712 884	712 659
Benefits paid	(2 394 004)	(2 017 860)
Actuarial losses / (gains)	612 623	(31 963)
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	650 244	297 585

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The actual return on plan assets was R0 (2010: R0).

The history of experienced adjustments is as follows:

	2011 R	2010 R	2009 R	2008 R	2007 R
Obligation	9 718 623	9 068 379	8 770 794	8 371 062	-
Fair Value of Plan Assets	-	-	-	-	-
Deficit	9 718 623	9 068 379	8 770 794	8 371 062	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.

	2011 R	2010 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	2 551 158	2 456 845
Effect on the defined benefit obligation	10 060 000	9 486 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	2 322 008	2 247 076
Effect on the defined benefit obligation	9 398 000	8 680 000

20.3 Rehabilitation of Land-fill Sites

In terms of the licensing of the landfill refuse sites, the municipality will incur the following licensing and rehabilitation costs to restore the site at the end of its useful life, estimated to be in 2025 (provision has been made for the net present value of this cost, using the average cost of borrowing interest rate):

	23 540 936	22 450 668
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An independent valuer performed the valuation. The valuer based his calculations on the rehabilitation costs incurred on a similar site in the Border area.

21. ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Capital Replacement Reserve (CRR)	1 409 116	1 591 726
Self-insurance Reserve	18 561 409	16 817 826
C.O.I.D. Reserve	8 726 551	7 856 696
Accumulated Surplus / (Deficit) due to the results of Operations	806 935 459	782 488 174
Total Accumulated Surplus	835 632 534	808 754 422

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully cash backed.

The **Self-insurance Reserve** covers all internal and external insurance claims against Council. Council is externally insured for catastrophic events.

The **C.O.I.D. Reserve** arises on the exemption from making contributions to the Compensation Commissioner for Occupational Injuries and Diseases in terms of Section 84 of the COID Act. A fixed deposit as determined by the Commissioner was made as a security to the Self-Insurance Workman Compensation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

			2011 R	2010 R
22. PROPERTY RATES				
	Property Valuations		Actual Levies	
	July 2010	July 2009		
	R000's	R000's		
Residential	9 141 002	9 029 693	72 243 648	61 973 170
Business	1 773 188	1 775 045	45 083 120	42 590 438
Residential Business	247 770	259 252	3 624 197	3 712 231
Rural	330 248	291 440	454 217	359 479
Industrial	115 311	116 911	4 172 528	3 891 032
PSI	618 000	613 840	1 539 975	1 187 780
State	1 314 240	1 312 664	81 670 314	75 184 120
Mining Areas	4 005	3 995	562 662	525 696
Exempt	393 443	366 463		
Total Assessment Rates	13 937 207	13 769 304	209 350 661	189 423 946

Valuations on land and buildings are performed every four years in terms of the Municipal property rates act (MPRA). The last general valuation came into effect on 1 July 2007. Supplementary valuations are processed when necessary to take into account changes in individual property values due to alterations, subdivisions, etc. Rates are levied on an annual basis with the final date of payment being 30 September each year. Ratepayers can apply to pay rates monthly. A general valuation has been performed during the financial year and will be applied with effect 1 July 2011. Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A rebate of 20% (2010: 20%) was allowed on residential properties for pensioners based on the annual income of the ratepayer's household.

	2011 R	2010 R
23. INTEREST EARNED		
External Investments:		
Interest	4 801 581	3 984 460
Outstanding Debtors:		
Outstanding Debtors	31 282 531	39 476 418
Total Interest Earned	36 084 112	43 460 878
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	4 801 581	3 984 460
Loans and Receivables	31 282 531	39 476 418
	36 084 112	43 460 878

	2011	2010
24. SERVICE CHARGES		
Sale of Electricity	360 484 993	299 849 953
Sale of Water	132 726 907	102 037 221
Refuse Removal	32 932 403	29 329 663
Sewerage and Sanitation Charges	45 180 404	39 920 760
Other	80 985	315 789
Total Service Charges	571 405 692	471 453 386

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs, which are billed to the consumers on a monthly basis according to approved tariffs.

	2011	2010
25. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Facilities and Equipment	12 740 245	11 130 646
Total Rental of Facilities and Equipment	12 740 245	11 130 646

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

	2011	2010
26. GOVERNMENT GRANTS AND SUBSIDIES		
Provincial Equitable Share	121 743 177	95 167 000
Provincial Health Subsidies	2 306 000	2 301 000
Other Subsidies	1 677 000	1 545 000
Operational Grants	125 726 177	99 013 000
Conditional Grants	65 080 451	120 071 299
National: FMG	1 200 000	750 000
National: MIG	34 749 596	39 207 404
National: Grants	8 084 577	3 339 197
National: EPWP	9 649 080	5 728 100
Provincial: Grants	6 325 903	69 422 879
Local Government: Local Municipalities Grant	2 066 303	1 572 337
Other Spheres of Government: Various Grants	3 004 992	51 381
Total Government Grants and Subsidies	190 806 628	219 084 299

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Operational Grants:		
26.1 National: Equitable Share	<u>121 743 177</u>	<u>95 167 000</u>
This unconditional grant is partly used to subsidise the provision of basic services to registered and verified indigent community members.		
26.2 Provincial: Health Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts - included in Public Health vote	2 306 000	2 301 000
- Environmental Health	-	208 000
- Primary Health	2 306 000	2 093 000
Conditions met - transferred to Revenue	<u>(2 306 000)</u>	<u>(2 301 000)</u>
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>
The Municipality renders health services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to health services (included in Appendix F).		
26.3 Other Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts:	1 677 000	1 545 000
- Library	1 100 000	1 001 000
- Provincial Resort subsidy	577 000	544 000
Conditions met - transferred to Revenue	<u>(1 677 000)</u>	<u>(1 545 000)</u>
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>
The Municipality renders services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to resort expenditure (included in Appendix F). The conditions of the grant have been met.		
Conditional Grants:		
26.4 National: FMG Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 200 000	750 000
Conditions met - transferred to Revenue: Operating Expenses	<u>(1 200 000)</u>	<u>(750 000)</u>
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>
The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). The grant is spent in accordance with National Treasury guidelines (included in Appendix F). No funds have been withheld.		
26.5 National: MIG Funds		
Balance unspent at beginning of year	255 596	-
Current year receipts	34 494 000	39 463 000
Conditions met - transferred to Revenue: Operating Expenses	(1 137 736)	(923 095)
Conditions met - transferred to Revenue: Capital Expenses	<u>(33 611 859)</u>	<u>(38 284 310)</u>
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>255 596</u>
This grant was used for various projects (included in Appendix F). No funds have been withheld.		
26.6 National: Funds		
Balance unspent at beginning of year	-	146 393
Current year receipts	16 114 425	3 192 804
Conditions met - transferred to Revenue: Operating Expenses	(750 000)	(996 393)
Conditions met - transferred to Revenue: Capital Expenses	<u>(7 334 577)</u>	<u>(2 342 804)</u>
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>8 029 848</u>	<u>-</u>
This grant was used for various projects (included in Appendix F). No funds have been withheld.		
26.7 National - EPWP		
Balance unspent at beginning of year	-	-
Current year receipts	9 649 080	5 728 100
Conditions met - transferred to Revenue: Operating Expenses	(9 649 080)	(5 728 100)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>
This grant was used for various projects (included in Appendix F). No funds have been withheld.		
26.8 Provincial: Grants		
Balance unspent at beginning of year	799 211	4 254 376
Current year receipts	5 526 693	65 967 714
Conditions met - transferred to Revenue: Operating Expenses	-	(45 840 106)
Conditions met - transferred to Revenue: Capital Expenses	<u>(6 325 903)</u>	<u>(23 582 773)</u>
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>799 211</u>
The grant is spent in accordance with business plans approved by the Provincial Government (included in Appendix F). No funds have been withheld.		

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
26.9 Local Government - Local Municipalities		
Balance unspent at beginning of year	2 381 493	1 977 095
Current year receipts	893 506	1 976 735
Conditions met - transferred to Revenue: Operating Expenses	(500 000)	(558 111)
Conditions met - transferred to Revenue: Capital Expenses	(1 566 303)	(1 014 226)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>1 208 696</u>	<u>2 381 493</u>
The grant is spent in accordance with business plans approved by the FBD Municipality (included in Appendix F). No funds have been withheld.		
26.10 Other Grants		
Balance unspent at beginning of year	-	51 381
Current year receipts	3 004 992	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(3 004 992)	(51 381)
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>
The grant is spent in accordance with business plans approved by the relevant grantor (included in Appendix F). No funds have been withheld.		
26.11 Changes in levels of Government Grants		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years.		
27. PUBLIC CONTRIBUTIONS AND DONATIONS		
Donations Received	-	3 877 500
Total Public Contributions and Donations	<u>-</u>	<u>3 877 500</u>
Donations Received comprise of a farm that was donated to the Municipality during the previous year.		
28. OTHER INCOME		
Premiums received and claims recovered	3 419 905	3 151 891
Burial fees	1 340 736	1 305 796
Disconnections	6 657 812	5 989 940
Dues	3 406 021	3 340 479
Miscellaneous revenue	5 199 881	7 611 164
Sale of goods and land	2	11 793
Other Income	6 264 097	4 014 814
Total Other Income	<u>26 288 454</u>	<u>25 425 876</u>
The amounts disclosed above for Other Income are in respect of services, other than described in Notes 22 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
29. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	202 879 937	179 459 667
Employee Related Costs - Contributions for UIF and Medical Aids	26 310 274	21 486 515
Employee Related Costs - Contributions for Pensions	32 157 708	27 033 124
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	54 306 973	49 044 630
Housing Benefits and Allowances	2 111 306	2 201 948
Overtime Payments	12 078 850	10 922 840
Long-service Awards	6 552 340	5 712 254
Defined Benefit Plan Expense:	27 942 348	8 538 607
Current Service Cost	9 160 341	9 010 010
Interest Cost	11 384 024	10 810 086
Net Actuarial (gains)/losses recognised	7 397 983	(11 281 489)
Total Employee Related Costs	<u>364 339 736</u>	<u>304 399 586</u>
Remuneration of the Municipal Manager		
Annual Remuneration	1 381 270	1 054 991
Performance Bonus	-	-
Car Allowance	150 000	126 822
Company Contributions to UIF, Medical and Pension Funds	255 385	189 885
Total	<u>1 786 655</u>	<u>1 371 697</u>
Remuneration of the Director: Finance		
Annual Remuneration	523 649	484 483
Performance Bonus	-	-
Car Allowance	186 219	186 219
Company Contributions to UIF, Medical and Pension Funds	110 885	109 115
Total	<u>820 753</u>	<u>779 817</u>
The post is vacant. Salary shown here is for the person acting in this position.		

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
29. EMPLOYEE RELATED COSTS (Continued)		
<i>Remuneration of the Director: Corporate Services</i>		
Annual Remuneration	698 348	548 797
Performance Bonus	-	-
Car Allowance	211 619	206 599
Company Contributions to UIF, Medical and Pension Funds	108 576	100 210
Total	1 018 543	855 606
<i>Remuneration of the Director: Strategy, Economic Development and Planning</i>		
Annual Remuneration	630 576	399 072
Performance Bonus	-	-
Car Allowance	209 791	191 168
Company Contributions to UIF, Medical and Pension Funds	93 831	99 493
Total	934 198	689 733
<i>Remuneration of the Director: Community Services</i>		
Annual Remuneration	601 955	491 204
Performance Bonus	-	-
Car Allowance	188 443	188 443
Company Contributions to UIF, Medical and Pension Funds	108 818	107 836
Total	899 216	787 483
<i>Remuneration of the Director: Technical Services</i>		
Annual Remuneration	529 511	549 516
Performance Bonus	-	-
Car Allowance	186 219	204 375
Company Contributions to UIF, Medical and Pension Funds	101 488	87 349
Total	817 219	841 240
The post is vacant . Salary shown here is for the person acting in this position.		
The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:		
Staff Leave Benefits:-		
Municipal Manager	130 088	75 593
Chief Financial Officer	-	-
Director Community	-	-
Director Corporate	26 275	58 392
Director SED	51 005	36 782
Director Technical	-	89 329
Total	207 368	260 097
30. REMUNERATION OF COUNCILLORS		
Executive Mayor	594 278	505 658
Speaker	504 191	407 775
Councillors	7 557 550	6 287 740
Contributions to UIF, Medical and Pension Funds and other allowances	4 674 934	4 179 293
Total Councillors' Remuneration	13 330 953	11 380 466
<i>In-kind Benefits</i>		
The Councillors occupying the positions of Executive Mayor, Speaker and the Mayoral Committee serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties. Council owned vehicles are made available for official duties.		
31. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	36 523 343	31 652 337
Amortisation: Intangible Assets	1 302 582	1 262 753
Depreciation: Investment Property	766 767	766 767
Total Depreciation and Amortisation	38 592 691	33 681 856
32. IMPAIRMENT LOSSES		
<i>32.1 Impairment Losses on Financial Assets</i>		
Impairment Losses Recognised:		
Consumer Debtors	97 383 130	96 732 663
Total Impairment Losses	97 383 130	96 732 663
33. FINANCE COSTS		
Loans and Payables at amortised cost	8 736 269	6 494 138
Finance Leases	5 961 089	3 979 105
Total Interest Expense	14 697 358	10 473 243
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	14 697 358	10 473 243

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

34. BULK PURCHASES	2011 R	2010 R
Electricity	213 319 748	168 913 892
Water	20 995 098	27 310 497
Total Bulk Purchases	234 314 846	196 224 388

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the Department Water Affairs and Forestry.

35. GRANTS AND SUBSIDIES PAID		
Diamonds and Dorings Festival	1 000 000	-
Gariep Festival	1 000 000	-
Other Grants	741 000	-
Subsidy paid to SPCA	450 000	350 000
Total Grants and Subsidies	3 191 000	350 000

The grants to the festivals are to promote economic growth. 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.

36. GENERAL EXPENSES		
Audit fees	3 731 873	2 838 929
Audit committee	408 820	361 074
Bank charges	1 046 808	908 730
Claims paid	559 674	1 133 848
Clarification/Purification	7 030 887	2 854 225
Cleaning material	423 214	330 743
Conferences and seminars	4 447 851	2 920 070
Course fees/Central training fund	2 966 740	1 613 972
Discount on early payment	2 674 033	-
Electricity	27 300 973	24 809 590
Fuel	7 356 527	6 678 789
FMG Interns	578 714	365 026
Hire of labour	1 113 401	1 957 816
Indigent subsidy	34 378 808	14 221 993
Insurance - other	2 364 487	2 445 773
Insurance - vehicles	543 000	617 966
Laboratory	508 355	157 624
Job creation cleaning project	6 706 536	5 820 037
Legal expenses	955 827	798 044
Membership fees	1 810 271	1 669 662
Postage	1 599 753	1 452 188
Printing and stationery	3 665 332	3 820 344
Professional fees	18 545 017	20 995 239
Projects	43 596 603	30 668 008
Projects EPWP	9 649 080	-
Protective clothing	1 202 059	1 017 146
Refuse removals	477 449	422 570
Sanitation	914 932	918 421
Sport	522 732	-
Stores	1 590 660	1 252 175
Subsidy services projects	-	23 582 773
Sundries	269 819	412 351
Telephone expenditure	5 185 666	4 704 658
Training	1 312 409	854 306
Uniforms	1 030 058	713 086
Water	4 757 175	5 297 898
Ward committee activities	3 494 923	1 151 865
Workmen's compensation insurance	1 325 242	1 158 708
Other General Expenses	6 938 169	5 018 930
Total General Expenses	212 983 878	175 944 576

The comparative figures for General Expenses have been restated to correct errors contained in the prior year Financial Statements. Refer to note 39 on Correction of Errors for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

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37. DISCONTINUED OPERATIONS

No operations have been discontinued.

38. CHANGE IN ACCOUNTING POLICY

There were no changes in accounting policy during the current financial year.

39. CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial year ended 30 June.

Details of the appropriations are as follows:

Unappropriated Surplus Account:

Corrections to Debtors	(1 674 274)
Corrections to Expenditure	1 395 591
Corrections to Other Income	104 639
Corrections to Depreciation on Property, Plant and Equipment	1 419 621
Corrections to Income	(3 954)
Corrections to Investment Property	65 147 000
Corrections to Property, Plant and Equipment	111 102 904
Increase / (Decrease) in Unappropriated Surplus Account	<u>177 491 527</u>
Increase / (Decrease) in Accumulated Surplus Account	<u>177 491 527</u>

39.1 Restatement of Revenue:

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality. Refer to note 39.8 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2010 Revenue	2010 Correction	Restated Amount
Government Grants and Subsidies Received	218 639 955	444 343	219 084 299
Service Charges	489 460 439	(18 007 053)	471 453 386
Rental of Facilities and Equipment	11 126 139	4 507	11 130 646
Other Income	24 968 641	457 235	25 425 876
	<u>744 195 175</u>	<u>(17 100 968)</u>	<u>727 094 207</u>

39.2 Restatement of Expenditure:

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality. Refer to note 39.6 and 39.9 for further details regarding the nature of these errors and how it was rectified.

The effect of the Correction of Error is as follows:

	2010 Expenditure	2010 Correction	Restated Amount
Employee Related Costs	304 106 014	293 572	304 399 586
Depreciation and Amortisation	29 803 795	3 878 061	33 681 856
Finance Costs	8 930 826	1 542 416	10 473 243
General Expenses	192 049 294	(16 104 718)	175 944 576
	<u>534 889 929</u>	<u>(10 390 669)</u>	<u>524 499 260</u>

39.3 Restatement of Statement of Financial Position:

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	2010 Fin Position	2010 Correction	Restated Amount
Accumulated Surplus	629 922 885	178 831 537	808 754 422
Long-term Liabilities	63 609 046	3 002 951	66 611 996
Non-Current Provisions	34 775 672	(5 269 332)	29 506 340
Creditors	107 135 888	(870 386)	106 265 502
Current Portion of Long-term Liabilities	8 163 443	2 173 999	10 337 441
Property, Plant and Equipment	645 900 329	104 031 032	749 931 361
Investment Property	51 625 367	64 491 100	116 116 467
Trade Receivables from Exchange Transactions	151 254 634	(1 653 313)	149 601 321
Trade Receivables from Non-Exchange Transactions	119 746 393	(370 721)	119 375 672
Operating Lease Assets	84 051	553	84 604

39.4 Restatement of Non-current Provisions:

The Municipality has an obligation to rehabilitate its landfill site at the expected date of closure of 2025. In calculating the estimated liability as at 30 June 2011, the independent valuer tasked with preparing the valuation, revisited certain assumptions previously used in determining the Municipality's obligation. As a result, the Municipality's estimated obligation as at 30 June 2010 has been restated to incorporate these changes. This change resulted in the gross cost price of the landfill asset as well as the provision at 30 June 2010 to decrease by R5,269,332.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

39. CORRECTION OF ERROR (Continued)

The effect of the Correction of Error is as follows:

Balances as per AFS previously published for 2009/2010
 Restatement of non-current liabilities
 Balances as per current AFS published for 2009/2010

Non-current Provisions
34 775 672
(5 269 332)
29 506 340

39.5 Restatement of Finance Lease Liabilities:

Discrepancies were found in relation to the non-payment of instalments owing on a number of contracts entered into with a certain service provider during the current and previous financial years. As a result, finance costs increased by R1,542,416, general expenses increased by R1,627,589, while the finance lease liability owing at 30 June 2010 increased by R5,176,949.

The effect of the Correction of Error is as follows:

Balances as per AFS previously published for 2009/2010
 Restatement of Finance Lease Liabilities
 Balances as per current AFS published for 2009/2010

Finance Lease Liabilities
5 181 428
5 176 949
10 358 377

39.6 Restatement of Property, Plant and Equipment and Depreciation:

The Municipality unbundled its Asset Register during the prior financial year. Certain errors (duplications and omissions) were discovered on the Asset Register during the current financial year. As a result, Property, Plant and Equipment (refer to note 9) and the Depreciation expense (refer to note 31) have been restated to reflect these changes for the 2009/2010 year, while the adjustment to Accumulated Surplus is as indicated above.

The effect of the Correction of Error is as follows:

Balances as per AFS previously published for 2009/2010
 Restatement of Property, Plant and Equipment(PPE) and Depreciation
 Balances as per current AFS published for 2009/2010

Property, Plant and Equipment	Depreciation on PPE
645 900 329	28 430 176
104 031 032	3 222 161
749 931 361	31 652 337

39.7 Restatement of Investment Property:

The Municipality erroneously did not include certain items of Investment Property (see Note 11) in the Asset Register during the previous financial years. These assets are now accounted for and, as a result, the prior years' balances have been amended as indicated.

The effect of the Correction of Error is as follows:

Balances as per AFS previously published for 2009/2010
 Restatement of Investment Property and Depreciation
 Balances as per current AFS published for 2009/2010

Investment Property (IP)	Depreciation on IP
51 625 367	(221 733)
64 491 100	(655 900)
116 116 467	(877 633)

39.8 Adjustment of Revenue:

The prior year balance for Service Charges has been restated to exclude the estimation of revenue from bypassed electricity meters which was previously erroneously included in revenue. The restatement has the effect that Service Charges was reduced by R18,007,053.

The prior year balance for Government Grants and Subsidies has been restated due to an erroneous journal that was passed during the prior year. The restatement has resulted in an increase in Revenue of R444,344, an increase in the balance Trade Receivables from Non-Exchange Transactions of R222,177, while the creditors' balance decreased by R222,217.

Included in the restated prior year figures for Other Income (refer to Note 28) is an amount of R88,848 which was previously erroneously credited against a debtor's account which has now been reclassified as revenue.

The prior year balance for Rental of Facilities and Equipment has been restated due to an erroneous journal that was passed during the prior year. The restatement has resulted in an increase in Revenue of R4,507 and the Operating Lease Asset for the 2009/2010 year, while Accumulated Surplus as at 30 June 2009 decreased by R3,954.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

39. CORRECTION OF ERROR (Continued)

The effect of the Correction of Error is as follows:

	Service Charges	Grants and Subsidies Received	Other Income	Rental of Facilities and Equipment
Revenue as per AFS previously published for 2009/2010	489 460 439	218 639 955	24 968 641	11 126 139
Adjustment of prior period revenue	<u>(18 007 053)</u>	<u>444 344</u>	<u>457 235</u>	<u>4 507</u>
Revenue as per AFS currently disclosed for 2009/2010	<u>471 453 386</u>	<u>219 084 299</u>	<u>25 425 876</u>	<u>11 130 646</u>

39.9 Adjustment of Expenses:

The prior year figure for Employee Related Costs has been restated due to back-pay paid accrued (in relation to the previous two financial years) for four employees who received retrospective salary adjustments. As a result of the retrospective application of these salary adjustments, the Accumulated Surplus balance as at 30 June 2009 decreased by R309,267 while the 2009/10 figure increased by R708,961. Furthermore, an error was discovered within the calculation of the annual accrued leave balances as at 30 June 2009 as well as 30 June 2010. The result of the correction of these errors was that Accumulated Surplus as at 30 June 2009 increased by R76,575, while Employee Related Cost for the 2009/10 year decreased by R415,390.

The prior year figure for Finance Cost (refer to Note 33) have been restated due to the discovery of the non-payment of the number of finance lease contracts as mentioned in note 39.5 as above. This oversight has been rectified and the restated figure is reflected below.

The prior year figures for General Expenses (Note 36) has been restated due to three prior period errors which were discovered during the current financial year. Included in the decreased restated amount, is an amount of R1,627,589 in respect of the reclassification of the erroneously captured finance lease transactions (increase in General Expenses as detailed in note 39.5 as above), an amount of R18,007,053 in respect of estimated losses on bypassed electricity meters which was previously erroneously included (decrease in General Expenses) as well as an additional payment made to SALGA in respect of recalculated arrears membership fees of R192,157 (increase in General expenses).

The effect of the Correction of Error is as follows:

	Employee Related Costs	Finance Cost	General Expenses
Expenses as per AFS previously published for 2009/2010	304 106 014	8 930 826	192 049 294
Adjustment of prior period expenses	<u>293 572</u>	<u>1 542 417</u>	<u>(16 104 718)</u>
Expenses as per AFS currently disclosed for 2009/2010	<u>304 399 586</u>	<u>10 473 243</u>	<u>175 944 576</u>

39.10 Creditors:

Included in the prior year's restated creditors' balance is an amount of R222,217 (decrease in creditors and increase in revenue - refer to note 39.8) in respect of an incorrect journal passed in relation to Government Grants and Subsidies and an amount of R141,873 in respect of previously unknown deposits recognised as revenue (decrease in creditors and increase in revenue).

The effect of the Correction of Error is as follows:

	Creditors
Balances as per AFS previously published for 2009/2010	107 135 888
Adjustment for prior period error	<u>(870 386)</u>
Balances as per current AFS published for 2009/2010	<u>106 265 502</u>

39.11 Trade Receivables from Exchange Transactions:

Included in the prior year's restated balance for Trade Receivables from Exchange Transactions is an amount of R1,674,274 (decrease in Trade Receivables from Exchange Transactions as well as Accumulated Surplus) in respect of land sales which was recognised prior to the comparative financial year, which was subsequently cancelled, and which is now reversed.

The effect of the Correction of Error is as follows:

	Trade Receivables from Exchange
Balances as per AFS previously published for 2009/2010	151 254 634
Adjustment for prior period error	<u>(1 653 313)</u>
Balances as per current AFS published for 2009/2010	<u>149 601 321</u>

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
40. CHANGE IN ACCOUNTING ESTIMATES		
The Municipality amended its criteria in terms of which it calculated its annual provision for the impairment of its consumer debtors as at 30 June 2011. Each individual debtor's individual credit risk rating was assessed as at year end and was for the first time factored into the impairment calculation (as required in terms of IAS 39). As a result, the provision for the impairment of the Municipality's consumer debtors increased by R8,698,190 as at 30 June 2011 by using the amended methodology instead of the previous methodology.		
41. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	26 878 112	90 688 837
Adjustment for:		
Adjusting non cash flow items prior errors	-	5 002 905
Depreciation and Amortisation	38 592 691	33 681 856
Contribution to Impairment Provision	105 223 655	104 693 453
Bad Debts Recovered	1 729 391	569 802
Bad Debts Written-off	(246 368 291)	(58 176)
Investment Income	(36 084 112)	(43 460 878)
Finance Costs	14 697 358	10 473 243
Operating surplus before working capital changes	(95 331 195)	201 591 041
(Increase)/Decrease in Inventories	(3 208 660)	516 520
(Increase)/Decrease in Consumer Debtors	143 988 553	(88 341 767)
(Increase)/Decrease in Other Debtors	(3 475 139)	(48 225 227)
(Increase)/Decrease in VAT Receivable	(5 739 538)	(2 175 373)
(Increase)/Decrease in Operating Lease Assets	(5 738)	(5 817)
Increase/(Decrease) in Consumer Deposits	1 631 909	1 244 604
Increase/(Decrease) in Creditors	6 724 198	28 055 292
Increase/(Decrease) in Conditional Grants and Receipts	5 802 245	(2 992 946)
(increase)/Decrease in provisions	23 732 932	1 276 419
Increase/(Decrease) in VAT Payable	(19 240 777)	(4 802 425)
Cash generated by / (utilised in) Operations	54 878 791	86 140 322
Income for the year	1 056 924 539	973 967 166
Adjustment for:-		
Investment income	(36 084 112)	(43 460 878)
(Increase)/decrease in Consumer Debtors	143 988 553	(88 341 767)
Bad Debts Recovered	1 729 391	569 802
Bad Debts Written-off	(246 368 291)	(58 176)
(Increase)/Decrease in Operating Lease Assets	(5 738)	(5 817)
Increase/(Decrease) in Consumer Deposits	1 631 909	1 244 604
(Increase)/decrease in other debtors	(3 475 139)	(48 225 227)
(Decrease)/increase in conditional grants and receipts	5 802 245	(2 992 946)
Cash receipts from ratepayers, government and other	924 143 358	792 696 760
Expenditure for the year	1 030 046 427	883 278 328
Adjustment for:-		
Depreciation	38 592 691	33 681 856
Contribution to bad debt provision	105 223 655	104 693 453
Adjusting non cash flow items prior errors	-	5 002 905
Interest paid	14 697 358	10 473 243
Operating expenditure before working capital changes:	871 532 722	729 426 872
(Increase)/Decrease in inventories	(3 208 660)	516 520
(Decrease)/Increase in creditors	6 724 198	28 055 292
(increase)/Decrease in provisions	23 732 932	1 276 419
(decrease)/Increase in VAT	-24 980 315	-6 977 797
Cash paid to suppliers and employees	869 264 567	706 556 438
Cash generated by/(utilized in) operations	54 878 791	86 140 322
42. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the financial year.		
43. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility payable at call:		
- Amount used	-	-
- Amount unused	-	400 000
44. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 18)	114 655 704	76 949 438
Used to finance Property, Plant and Equipment - at cost	(114 655 704)	(76 949 438)
	-	-
Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act.		

**SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011**

45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.

	2011 R	2010 R	2009 R
Reconciliation of Unauthorised Expenditure:			
Opening balance	1 778 280	1 778 280	1 778 280
Unauthorised Expenditure current year	1 592 925	-	-
Approved by Council or condoned	(1 515 226)	-	-
Unauthorised Expenditure awaiting authorisation	1 855 979	1 778 280	1 778 280

Incident	Disciplinary Steps / Criminal Proceedings
Budget overspending not yet authorised by Council as per the financial statements	Item was tabled to Council but it was not clear in terms of authorisation which must be cleared.

45.2 Fruitless and Wasteful Expenditure

	2011 R	2010 R
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	727 289	669 351
Fruitless and Wasteful Expenditure current year	582 678	57 938
Condoned or written off by Council	(727 289)	-
Fruitless and Wasteful Expenditure awaiting condonement	582 678	727 289

Incident	Disciplinary Steps / Criminal Proceedings
Ex-gratia payments	Ex-gratia payments were made to officials who do not qualify for these payments.

45.3 Irregular Expenditure

	2011 R	2010 R	2009 R
Reconciliation of Irregular Expenditure:			
Opening balance	102 005 664	66 538 092	36 116 457
Irregular Expenditure current year	9 930 194	35 467 573	30 421 635
Condoned or written off by Council	(71 454 969)	-	-
Irregular Expenditure awaiting condonement	40 480 889	102 005 664	66 538 092

Incident	Disciplinary Steps / Criminal Proceedings
Suppliers in service of the state	Awards were made to suppliers in service of the state, in contravention of the Supply Chain Management Regulations. The supplies failed to declare the fact.
Diamond and Dorings	After having followed supply procedure of advertising, it was impractical to appoint a consultant and an executive decision was made to appoint a consultant on a deviation basis which the auditors did not agree with. The matter is still dealt with through the internal procedures.
World Travel	Officials and Politicians were requested by the Premier's office to be part of the entourage overseas to bid for the hosting of Uruguay in Kimberley. The premier's office made all arrangements and municipality had to pay the invoices. Unfortunately, no evidence was submitted by the Premier's office that supply chain procedures were followed.
Overpayment of councillors	Councillors were not remunerated in accordance with the upper limits as determined by the gazette issued in terms of the Remuneration of Public Office Bearers Act.
Supply chain management procedures not adhered to.	Various non-compliance with the Supply chain management regulations occurred, such as tax clearance certificates not being obtained, three quotations not being obtained, inaccuracies in the application of the point system, proper tender processes not being implemented.
Contracts extended without obtaining the required authorisation	Two contracts were extended without obtaining the necessary authorisation or following the required processes as prescribed by the supply chain management regulations.

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

	2011 R	2010 R
46.1 Contributions to organised local government - SALGA		
Opening Balance	-	-
Council Subscriptions	1 804 735	1 467 624
Amount Paid - current year	(1 804 735)	(1 467 624)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-
46.2 Audit Fees		
Opening Balance	-	-
Current year Audit Fee	3 731 873	2 838 929
Amount Paid - current year	(3 731 873)	(2 838 929)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

46.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in Note 8 and 17. All VAT returns have been submitted by the due date throughout the year.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
46.4 PAYE and UIF		
Opening Balance	-	-
Current year Payroll Deductions	39 314 918	29 718 762
Amount Paid - current year	(39 314 918)	(29 718 762)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

46.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	87 948 701	71 961 371
Amount Paid - current year	(87 948 701)	(71 961 371)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

46.6 Councillor's arrear Consumer Accounts

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

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2011			
Hale EM	25 664	2 747	22 918
Dawids RM	35 072	3 875	31 197
Doman WP	6 373	6 373	-
Johnson E	12 192	1 473	10 719
Lekoma MD	16 387	630	15 757
Manyungwana M	13 115	1 711	11 404
Matsio FF	20 090	2 778	17 312
Ludick RA	1 210	-	1 210
Matika OM	6 179	1 255	4 924
Mfulo A	7 492	1 585	5 907
Modise AA	26 903	2 141	24 762
Morwe RT	20 599	3 345	17 255
Mthukwane KG	1 582	436	1 146
Mpampi ZJ	151	-	151
Ndlazi SP	2 254	224	2 030
Pienaar D	24	-	24
Pitt DH	343	343	-
Selao OG	24 937	945	23 992
Stout BJ	449	44	405
Tarentaal WSJ	260	-	260
Tsimakwane E	1 773	250	1 524
Vilakasi PM	10 548	183	10 365
Visser MD	2 376	-	2 376
Leven MM	4 512	428	4 084
Morudi GD	92	-	92
Kruger LE	959	-	959
Mathe E	2 465	585	1 879
Ntlangula A	2 280	1 245	1 035
Pietersen J	746	173	573
Beyliefeld, MJ	602	84	518
Chwarisang, M	628	-	628
Britz, DP	191	191	-
de Kock, KJ	774	37	737
Everyday, P	1 738	1 738	-
Legwabe, HP	466	465	0
Mashodi, SC	1 896	430	1 467
Matsekete, LT	57 535	4 959	52 576
Mogoje, TT	812	812	-
Mbasa W	1 091	-	1 091
Mohulatsi, KB	259	13	246
Modise, ML	162	162	-
Mgwazeni, M	403	160	243
Motsage, J	8 237	619	7 618
Nkomo, MS	1 222	299	923
Smit, J	1 647	1 503	144
Phitlho, MP	248	248	-
Sebego, M	147	147	-
Sello, R	784	784	-
Swanepoel, F	10 793	833	9 960
Williams, LE	210	-	210
Thole, MK	1 572	207	1 365
Total Councillor Arrear Consumer Accounts	338 444	46 459	291 985

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)

30 June 2010	Total	Outstanding up to 90 days	Outstanding more than 90 days
Beyliefeld MJ	682	682	-
De Kock KJ	507	398	109
Kruger LE	21 632	3 065	18 568
Leven MM	1 737	1 737	-
Louw PJF	1 600	1 600	-
Mashodi SC	2 254	983	1 271
Mathe E	5 448	868	4 580
Matsekete LT	28 989	3 218	25 771
Mohulatsi KB	244	244	-
Morwe RT	11 224	1 861	9 362
Motsage J	8 147	3 290	4 857
Ngobeza WN	128	128	-
Nkomo MS & GR	940	940	-
Settley V	2 202	159	2 043
Swanepoel F	7 499	719	6 779
Williams LE	11 277	1 390	9 887
Total Councillor Arrear Consumer Accounts	104 509	21 282	83 226

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

No known matters existed at the reporting date.

46.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The Municipality has deviated from the procurement policy, the details of which were reported to council (refer to appendix G).

46.9 Material losses

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding water losses as a result of various factors for example burst pipes and stand pipes not metered is 17.54% (2010: 35.38%) is disclosed to the amount of:

23 279 988	10 126 587
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47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

60 077 528	6 644 905
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60 077 528	6 644 905
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- Approved but Not Yet Contracted for:-

Infrastructure

Community

Other

428 547 320	533 862 000
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337 983 475	349 042 000
-------------	-------------

14 768 000	122 600 000
------------	-------------

75 795 845	62 220 000
------------	------------

Total Capital Commitments

488 624 848	540 506 905
--------------------	--------------------

This expenditure will be financed from:

External Loans

Government Grants

Own Resources

226 000 000	230 000 000
-------------	-------------

225 624 848	263 506 905
-------------	-------------

37 000 000	47 000 000
------------	------------

488 624 848	540 506 905
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47.2 Lease Commitments

Commitments under Finance Leases are disclosed in Note 18.

47.3 Other Commitments

Retention Money (not included in creditors)

Retentions refer to construction contracts.

9 972 829	8 099 845
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SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

48. FINANCIAL INSTRUMENTS	2011 R	2010 R	
48.1 Classification			
FINANCIAL ASSETS:			
In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows:			
<u>Financial Assets</u>	<u>Classification</u>		
Consumer Debtors			
Electricity	Loans and receivables	28 583 404	23 091 932
Refuse	Loans and receivables	8 469 550	11 518 837
Sewerage	Loans and receivables	9 680 284	13 925 170
Water	Loans and receivables	28 138 210	35 495 508
Miscellaneous	Loans and receivables	65 725 922	61 425 992
Market	Loans and receivables	263 782	457 868
Housing Debtors	Loans and receivables	4 166 861	3 686 015
Other Debtors			
Assessment Rates	Loans and receivables	107 211 635	103 538 855
Government Subsidy Claims	Loans and receivables	15 071 901	11 359 448
Miscellaneous debtors	Loans and receivables	567 274	4 477 369
Bank, Cash and Cash Equivalents			
Call Deposits	Available for sale	67 673 203	48 910 000
Notice Deposits	Held to maturity	2 297 808	2 297 808
Cash Floats and Advances	Available for sale	31 657	30 927
Operating Lease Assets			
Operating Lease Assets / Receivables	Loans and receivables	90 342	84 604
 SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Short-term Investment Deposits	Notice Deposits	2 297 808	2 297 808
		2 297 808	2 297 808
 Loans and Receivables			
Consumer Debtors	Assessment Rates	107 211 635	103 538 855
Consumer Debtors	Electricity	28 583 404	23 091 932
Consumer Debtors	Refuse	8 469 550	11 518 837
Consumer Debtors	Sewerage	9 680 284	13 925 170
Consumer Debtors	Water	28 138 210	35 495 508
Consumer Debtors	Miscellaneous	65 725 922	61 425 992
Consumer Debtors	Market	263 782	457 868
Consumer Debtors	Housing Debtors	4 166 861	3 686 015
Other Debtors	Government Subsidy Claims	15 071 901	11 359 448
Other Debtors	Miscellaneous debtors	567 274	4 477 369
Operating Lease Assets	Operating Lease Assets / Receivables	90 342	84 604
		267 969 166	269 061 597
 Available for Sale:			
Bank Balances and Cash	Cash Floats and Advances	31 657	30 927
Short-term Investment Deposits	Call Deposits	67 673 203	48 910 000
		67 704 860	48 940 927
 Total Financial Assets			
		337 971 834	320 300 332
 FINANCIAL LIABILITIES:			
In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows:			
<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	92 616 727	60 400 132
Finance Lease Liabilities	Financial liabilities at amortised cost	14 851 333	10 358 377
Consumer Deposits			
Electricity and Water	Financial liabilities at amortised cost	11 857 366	10 225 457
Creditors			
Trade Creditors	Financial liabilities at amortised cost	78 006 029	62 052 668
Other Creditors	Financial liabilities at amortised cost	52 944	52 884
Payments received in Advance	Financial liabilities at amortised cost	10 464 892	23 096 751
Staff Bonuses	Financial liabilities at amortised cost	6 770 637	5 884 932
Accrued leave	Financial liabilities at amortised cost	17 695 200	15 178 267
Finance Lease Liabilities	Financial liabilities at amortised cost	10 709 785	4 146 513

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

		2011 R	2010 R
48. FINANCIAL INSTRUMENTS (Continued)			
	<u>Financial Liabilities</u>		
	<u>Classification</u>		
Unspent Conditional Grants and Receipts			
Conditional Grants from Government	Financial liabilities at amortised cost	9 238 545	3 436 299
Bank Overdraft			
Bank Overdraft	Financial liabilities at amortised cost	9 418 186	25 067 445
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	7 187 644	6 190 928
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	92 616 727	60 400 132
Long-term Liabilities	Finance Lease Liabilities	14 851 333	10 358 377
Consumer Deposits	Electricity and Water	11 857 366	10 225 457
Creditors	Trade Creditors	78 006 029	62 052 668
Creditors	Other Creditors	52 944	52 884
Unspent Conditional Grants and Receipts	Conditional Grants from Government	9 238 545	3 436 299
Bank Overdraft	Bank Overdraft	9 418 186	25 067 445
Current Portion of Long-term Liabilities	Annuity Loans	7 187 644	6 190 928
Creditors	Payments received in Advance	10 464 892	23 096 751
Creditors	Staff Bonuses	6 770 637	5 884 932
Creditors	Accrued leave	17 695 200	15 178 267
Creditors	Finance Lease Liabilities	10 709 785	4 146 513
		<u>268 869 285</u>	<u>226 090 654</u>
Total Financial Liabilities		<u>268 869 285</u>	<u>226 090 654</u>

Finance Lease payments in default:

A number of payments on some of the Municipality's existing Finance Lease contracts were not made during the current and prior financial years. The non-payment of these amounts stems from a contractual dispute between the Municipality and some of its service providers, which was not yet resolved as at the reporting date.

48.2 Fair Value

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- 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 ratio's of the municipality's debtors.

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial 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 ratio's of the municipality's debtors.

	30 June 2011		30 June 2010	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Held to maturity:	69 971 011	69 971 011	51 207 808	51 207 808
Call Deposits	67 673 203	67 673 203	48 910 000	48 910 000
Notice Deposits	2 297 808	2 297 808	2 297 808	2 297 808
Loans and Receivables	267 969 166	267 969 166	269 061 597	269 061 597
Consumer Debtors	252 239 648	252 239 648	253 140 176	253 140 176
Other Debtors	15 639 176	15 639 176	15 836 817	15 836 817
Operating Lease Assets	90 342	90 342	84 604	84 604
Current Portion of Long-term Receivables	-	-	-	-
Available for Sale	31 657	31 657	30 927	30 927
Bank Balances and Cash	31 657	31 657	30 927	30 927
Total Financial Assets	<u>337 971 834</u>	<u>337 971 834</u>	<u>320 300 332</u>	<u>320 300 332</u>

	30 June 2011		30 June 2010	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL LIABILITIES				
Designated as FVTPL:	243 308 167	243 308 167	211 585 764	211 585 764
Unsecured Bank Facilities:	102 034 913	102 034 913	85 467 577	85 467 577
- Annuity Loans	92 616 727	92 616 727	60 400 132	60 400 132
- Bank Overdraft	9 418 186	9 418 186	25 067 445	25 067 445
Trade and Other Payables:	141 273 254	141 273 254	126 118 186	126 118 186
- Consumer Deposits	11 857 366	11 857 366	10 225 457	10 225 457
- Creditors	112 989 700	112 989 700	106 265 502	106 265 502
- Unspent Conditional Grants	9 238 545	9 238 545	3 436 299	3 436 299
- Current Portion of Long-term Liabilities	7 187 644	7 187 644	6 190 928	6 190 928
Total Financial Liabilities	<u>243 308 167</u>	<u>243 308 167</u>	<u>211 585 764</u>	<u>211 585 764</u>
	<u>(25 561 117.68)</u>		<u>(14 504 890.20)</u>	
Total Financial Instruments	<u>94 663 667</u>	<u>94 663 667</u>	<u>108 714 568</u>	<u>108 714 568</u>
Unrecognised Gain / (Loss)		-		-

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R

2010
R

48. FINANCIAL INSTRUMENTS (Continued)

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 consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 18, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 6 and the Statement of Changes in Net Assets.

Gearing Ratio

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

Net Debt	243 308 167	211 585 764
Equity	835 632 534	808 754 422

Net debt to equity ratio	29.12%	26.16%
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Debt is defined as Long- and Short-term Liabilities, as detailed in the notes.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

48.4 Financial Risk Management Objectives

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 risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically 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 Policies to the Annual Financial Statements.

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.6 below). No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in exchange rate fluctuations.

48.6.2 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 market interest changes.

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

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

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", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows 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 borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R

2010
R

48. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

SENSITIVITY ANALYSIS - INTEREST RATE

Effect of a change in interest rate on interest bearing financial assets and liabilities

<u>Financial Assets</u>	<u>Classification</u>		
<u>External investments:</u>			
Call Deposits	Held to maturity	67 673 203	48 910 000
Notice Deposits	Held to maturity	2 297 808	2 297 808
Bank Balances	Available for Sale	31 657	30 927
		<u>70 002 668</u>	<u>51 238 735</u>

Interest received

Interest Earned - External Investments	4 801 581	3 984 460
Interest rate	7%	8%

Effect of a change in interest rate on interest earned from external investments:

Effect of change in interest rate	6%	7%
Effect of change in interest rate	Rand value	Rand value
	<u>4 101 554</u>	<u>3 472 073</u>
Effect of change in interest rate	8%	9%
Effect of change in interest rate	Rand value	Rand value
	<u>5 501 608</u>	<u>4 496 847</u>

Outstanding debtors:

Consumer Debtors	Loans and receivables	252 239 648	253 140 176
Other Debtors	Loans and receivables	15 639 176	15 836 817
Current portion - Long-term Receivables	Loans and receivables		
		<u>267 878 824</u>	<u>268 976 993</u>

Interest received

Interest Earned - Outstanding Debtors	31 282 531	39 476 418
Interest rate	12%	15%

Effect of a change in interest rate on interest earned from outstanding debtors

Effect of change in interest rate	11%	14%
Effect of change in interest rate	Rand value	Rand value
	<u>28 603 743</u>	<u>36 786 648</u>
Effect of change in interest rate	13%	16%
Effect of change in interest rate	Rand value	Rand value
	<u>33 961 319</u>	<u>42 166 188</u>

Financial Liabilities

Long-term Liabilities

	<u>Classification</u>		
Annuity Loans	Not valued at FVTPL	92 616 727	60 400 132
Annuity Loans - current portion	Not valued at FVTPL	7 187 644	6 190 928
		<u>99 804 371</u>	<u>66 591 061</u>

Interest paid

Long-term Liabilities	14 697 358	10 473 243
Interest rate %	15%	16%

Effect of a change in interest rate on interest paid on long-term liabilities

Effect of change in interest rate	14%	15%
Effect of change in interest rate	Rand value	Rand value
	<u>13 699 315</u>	<u>9 807 332</u>
Effect of change in interest rate	16%	17%
Effect of change in interest rate	Rand value	Rand value
	<u>15 695 402</u>	<u>11 139 153</u>

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

48. FINANCIAL INSTRUMENTS (Continued)

48.7 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 mature or, if earlier, reprice:

30 June 2011

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
FIXED RATE INSTRUMENTS							
Bank Facilities							
		99 804 370	14 865	17 291	37 505	28 429 684	71 305 025
Loan No 10112 : DBSA	10.00%	9 966 739				9 966 739	
Loan No 10113 : DBSA	12.00%	9 462 593				9 462 593	
Loan No 10616 : DBSA	12.00%	3 950 534					3 950 534
Loan No 101452 : DBSA	10.91%	10 750 821					10 750 821
Loan No 102855/1 : DBSA	12.61%	17 508 642					17 508 642
Loan No 102855/2 : DBSA	13.12%	5 000 641				5 000 641	
Loan No 102855/3 : DBSA	6.75%	4 286 609					4 286 609
Loan No 102855/4 : DBSA	6.75%	3 995 596				3 995 596	
Loan No 103958/2 : DBSA	12.445%	34 808 419					34 808 419
Loan No 6 : DBCM	11.25%	14 865	14 865				
Loan No 7 : DBCM	11.25%	17 291		17 291			
Loan No 8 : DBCM	11.25%	32 630			32 630		
Loan No 9 : DBCM	11.25%	4 875			4 875		
Loan No 10 : DBCM	11.25%	4 115				4 115	
Total Fixed Rate Instruments		99 804 370	14 865	17 291	37 505	28 429 684	71 305 025
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits							
		69 971 011		69 971 011			
Bank Balances and Cash							
		31 657	31 657				
Housing guarantees							
		27 900					27 900
Total Variable Rate Instruments		70 030 568	31 657	69 971 011	-	-	27 900

30 June 2010

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
FIXED RATE INSTRUMENTS							
Bank Facilities							
		66 591 061	11 472	666	75 055	11 972 634	54 531 233
Loan No 10112 : DBSA	10.00%	11 908 635				11 908 635	
Loan No 10113 : DBSA	12.00%	10 779 936					10 779 936
Loan No 10616 : DBSA	12.00%	4 380 336					4 380 336
Loan No 101452 : DBSA	10.91%	11 490 516					11 490 516
Loan No 102855/1 : DBSA	12.61%	15 821 851					15 821 851
Loan No 102855/2 : DBSA	13.12%	5 774 831					5 774 831
Loan No 102855/3 : DBSA	6.75%	2 880 248					2 880 248
Loan No 102855/4 : DBSA	6.75%	3 403 515					3 403 515
Loan No 4 : DBCM	11.25%	11 472	11 472				
Loan No 5 : DBCM	11.25%	666		666			
Loan No 6 : DBCM	11.25%	42 264			42 264		
Loan No 7 : DBCM	11.25%	32 791			32 791		
Loan No 8 : DBCM	11.25%	51 589				51 589	
Loan No 9 : DBCM	11.25%	6 939				6 939	
Loan No 10 : DBCM	11.25%	5 471				5 471	
Total Fixed Rate Instruments		66 591 061	11 472	666	75 055	11 972 634	54 531 233
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits							
		51 207 808		51 207 808			
Bank Balances and Cash							
		30 927	30 927				
Housing guarantees							
		230 600					230 600
Total Variable Rate Instruments		51 469 335	30 927	51 207 808	-	-	230 600

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

48.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

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 continuously monitoring forecast and actual cash flows. Included in the note is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

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 which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2011

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
Non-interest Bearing							
- Consumer Deposits		11 857 366					11 857 366
- Creditors		112 989 700	112 989 700				
- Unspent Conditional Grants		9 238 545		9 238 545			
Variable Interest Rate Instruments							
- Bank Overdraft		9 418 186	9 418 186				
Fixed Interest Rate Instruments							
Loan No 10112 : DBSA	10.00%	12 344 053	1 543 007	1 543 007	3 086 013	6 172 026	
Loan No 10113 : DBSA	12.00%	12 865 902	1 286 590	1 286 590	2 573 180	7 719 541	
Loan No 10616 : DBSA	12.00%	5 658 888	471 574	471 574	943 148	2 829 444	943 148
Loan No 101452 : DBSA	10.91%	16 779 847	987 050	987 050	1 974 100	5 922 299	6 909 349
Loan No 102855/1 : DBSA	12.61%	43 835 602	1 252 446	1 252 446	2 504 892	7 514 675	31 311 144
Loan No 102855/2 : DBSA	13.12%	6 784 439	753 827	753 827	1 507 653	3 769 133	
Loan No 102855/3 : DBSA	6.75%	6 417 811	256 712	256 712	513 425	1 540 275	3 850 687
Loan No 102855/4 : DBSA	6.75%	4 701 598	522 400	522 400	1 044 800	2 611 999	
Loan No 103958/2 : DBSA	12.45%	95 907 631	2 183 756	2 183 756	4 817 901	14 453 703	72 268 514
Loan No 6 : DBCM	11.25%	15 702	15 702				
Loan No 7 : DBCM	11.25%	18 763	9 383	9 380			
Loan No 8 : DBCM	11.25%	36 368	12 122	12 122	12 124		
Loan No 9 : DBCM	11.25%	5 579	1 394	1 394	2 791		
Loan No 10 : DBCM	11.25%	4 835	967	967	1 934	966	
Finance Lease Liabilities		20 624 450		15 729 963		4 894 487	
Total		369 505 265	131 704 815	34 249 733	18 981 960	57 428 548	127 140 208

30 June 2010

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
Non-interest Bearing							
- Consumer Deposits		10 225 457					10 225 457
- Creditors		106 265 502	106 265 502				
- Unspent Conditional Grants		3 436 299		3 436 299			
Variable Interest Rate Instruments							
- Bank Overdraft		25 067 445	25 067 445				
Fixed Interest Rate Instruments							
Loan No 10112 : DBSA	10.00%	20 621 464	1 686 506	1 686 506	3 373 012	10 119 037	3 756 403
Loan No 10113 : DBSA	12.00%	17 595 911	1 390 120	1 390 120	2 780 239	8 340 718	3 694 714
Loan No 10616 : DBSA	12.00%	7 474 452	504 931	504 931	1 009 863	3 029 589	2 425 137
Loan No 101452 : DBSA	10.91%	18 730 565	987 050	987 050	1 974 100	5 922 299	8 860 067
Loan No 102855/1 : DBSA	12.61%	14 190 958		394 193	788 387	2 365 160	10 643 219
Loan No 102855/2 : DBSA	13.12%	9 633 514	753 827	753 827	1 507 653	4 522 960	2 095 248
Loan No 102855/3 : DBSA	6.75%	4 271 371		164 284	328 567	985 701	2 792 820
Loan No 102855/4 : DBSA	6.75%	4 130 347	375 658	375 658	751 317	2 253 951	373 762
Loan No 4 : DBCM	11.25%	12 118	12 118				
Loan No 5 : DBCM	11.25%	724	362	362			
Loan No 6 : DBCM	11.25%	62 807	15 702	15 702	31 403		
Loan No 7 : DBCM	11.25%	56 289	9 383	9 383	18 762	18 762	
Loan No 8 : DBCM	11.25%	60 613	12 122	12 122	24 244	12 124	
Loan No 9 : DBCM	11.25%	8 368	1 394	1 394	2 789	2 791	
Loan No 10 : DBCM	11.25%	6 770	967	967	1 934	2 902	
Finance Lease Liabilities		17 127 460		8 183 356		8 944 104	
Total		258 978 432	137 083 087	17 916 154	12 592 270	46 520 096	44 866 826

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

48. FINANCIAL INSTRUMENTS (Continued)

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 rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment. 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", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are evaluated annually at balance sheet date for impairment.

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 related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists.

Counterparty and Location	30 June 2011 Carrying Amount R	30 June 2010 Carrying Amount R
Call Investment Deposits	69 971 011	51 207 808
Department of Public Works	25 995 362	5 311 505
Department of Housing and Local Government	16 629 564	15 357 717
Department of Transport	7 606 307	7 035 527
National Road Agency	11 483 809	10 381 154

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 account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2011 R	2010 R
Fixed Deposit Investments	69 971 011	51 207 808
Finance Lease Receivables	926 636	1 197 776
Consumer Debtors	145 028 013	149 601 321
Other Debtors	122 850 811	119 375 672
Bank, Cash and Cash Equivalents	31 657	30 927
Operating Lease Assets	90 342	84 604
Housing Guarantees	27 900	230 600
Maximum Credit and Interest Risk Exposure	338 926 370	321 728 708

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011	2010
R	R

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

All participating councillors belong to the Pension Fund for Municipal Councillors. Employees belong to a variety of approved Pension and Provident Funds as described below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Fund and the Cape Retirement Fund are defined contribution plans, whereas the other funds are defined benefit plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These following contributions have been expensed:

32 157 708	27 033 124
------------	------------

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation. None of the below mentioned Funds are State Plans.

Municipal Councillors Pension Fund:

The actuarial valuator of the Pension Fund for councillors stated that the fund is in a sound financial position as at 30 June 2010.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and Council (15%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Pension Fund:

The scheme is subject to a bi-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010 and has been valued by making use of the Discounted Cash Flow method of valuation.

The statutory valuation performed as at 30 June 2010 revealed that the fund had a surplus of R0 (30 June 2009: R0), with a funding level of 100% (30 June 2009: 100%). The recommended total contribution rate of 32.06% of pensionable salaries exceeds the total current contribution of 27% of salaries. This shortfall translates to about R9.8 million per year.

Cape Retirement Fund:

The valuator stated that Cape Retirement Fund is in a sound financial condition as at 30 June 2010.

The Cape Retirement Fund operates as a defined contribution scheme. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund has a funding level of 100.3% (30 June 2009 - 103.3%). The contribution rate paid by the members (9%) and Municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

At the valuation date of 1 July 2010 the SALA pension fund was 96% (1 July 2009: 96%) funded. The valuator indicated that although the fund was less than 100% funded at the valuation date, no additional action was required at that stage to rectify the situation. The valuator recommended that the employers continue to contribute at the current rate.

Municipal Employees Pension Fund:

At the valuation date of 29 February 2008 the Municipal Employees Pension Fund was 108.2% (28 February 2005: 106.9%) funded. The valuator stated that the fund was in a sound position as at 29 February 2008, having sufficient assets to cover its obligations.

National Fund for Municipal Workers:

At the valuation date of 1 July 2008 the National Fund for Municipal Workers was 99.83% (1 July 2007: 100.26%) funded. The valuator stated that he was satisfied that the fund will continue to be able to meet its liabilities.

South African Municipal Workers Union National Provident Fund:

The SAMWUN Provident Fund operates as a defined contribution fund. At the last valuation date of 30 June 2005 the Fund was 100% funded. The valuator recommended that to retain a sound financial position, the members and employer continue to contribute at the current rate.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

50. RELATED PARTY TRANSACTIONS

50.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Akharwaray, GH	Municipal Manager	Directorships - GHA Property Investment, Gulshin Properties, PARMTRO Investment, Swanvest 356, Vecto Trade 465, Price Smart Technologies.
Mahloko, ZL	Acting CFO	50% interest in Intelligence Combinations Trading CC.
Sebolecewe, KR	Acting Executive Director: CS	Directorship & Partnerships – Clisa 22 CC (Commercial).
Tyabashe-Kesiamang, N	Executive Director: SEDP	JM & N Trading CC (member), Nqobile Planners & Development Specialists T/a N12 CC (member).
Setlogelo, S	Policy Manager	Seasons Find 45, Magogorwane Traders, Multi Shelf Contractors, Iphithelo Trading CC.
Stols, MM	IDP Manager	Directorships & Partnerships - Leopont 553 Properties (Pty) Ltd.
Molepo, NP	Acting Manager: Internal Audit	Directorship & Partnerships - Rebaumogo Bed & Breakfast.
Matsie, S	Communication Manager	Ukunzalwa Mining Trust, Sello Matsie Family Trust, Silver Solutions 851 CC, Metswi Productions. BEE partner in Balmoral Investments - 26%, Diney Investments - 26% and Wheatfields Investments 168.
Chwarisang, M	Councillor	Directorship – Thara Shera & Imvusa Trading Company (dormant).
Diraditsile, MV	Councillor	Directorship – Kutlwano Civic Integrated Housing Trust; IMVume CC21 (Dormant); Sponsorships & Grants – Pikwana Diamonds, Bafana Supporters Sorts Shirts.
Everyday, P	Councillor	Directorships & Partnerships – Oliday Mining (not yet operational).
Fourie, OC	Councillor	Shares – Rooiheuwels Sand (Bpk) Minerals; Directorships & Partnerships – ERO Sales, Services & Manufacturing CC (Engineering) (Dormant).
Leven, MM	Councillor	Shares – Linri SA (Pty) Ltd (Sole proprietor).
Louw, PJF	Councillor	Directorships & Partnerships PM Family Trust, Gentec, Wibec.
Mbasa, W	Councillor	Directorships & Partnerships – Coalition Trading.
Nhlapo, MG	Councillor	Shares – 60% interest Gopelang Cleaning Service; Directorships & Partnerships – Gopelang Cleaning Service.
Sebolai, LM	Councillor	Directorships, Partnerships and shares – Mot Quick Pulse.
Tier, F	Councillor	Consultancies & retainerships - IDF, Sponsorships & Grants - IDF.
Jacobs (Maphage), M	Councillor	Directorships & Partnerships - Reatlegile Funeral Burial Scheme.
Lewis, CB	Councillor	Shares - Anglo American, Directorships & Partnerships - CB Lewis Taxis.
Ludick, RA	Councillor	Shares - Bon-Appetite Caterers.
Mfulo, AT	Councillor	Shares - Sasol Inzako, Old Mutual, Directorships & Partnerships - Diamond Ronen Promotions & Event Management.
Pienaar, D	Councillor	Shares - KDC Transport; Directorships & Partnerships - KDC Transport.
Pietersen, J	Councillor	Directorships & Partnerships - Zintle's Funeral Undertaking.

50.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2011				
Councillors	134 338	442 680	-	338 444
Municipal Manager and Section 57 Personnel	57 064	450 160	-	8 924
Total Services	191 402	892 840	-	347 368
For the Year ended 30 June 2010				
Councillors	103 882	540 410	-	104 509
Municipal Manager and Section 57 Personnel	55 846	150 067	-	4 529
Total Services	159 728	690 477	-	109 038

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

50. RELATED PARTY TRANSACTIONS (Continued)

50.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

50.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

2011 **2010**
R **R**

50.5 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Name Supplier	Related Person	Municipal Capacity	Purchases for the year	Purchases for the year
N B Mechanical Sales	S Barnes	Nursing Sister	3 727 521	6 416 394
S&R Enterprises	S Barnes	Nursing Sister	1 303 556	1 812 003
Irrigation Equipment	B Julius	Demand Manager	550 700	433 621
Land Irrigation Suppliers	B Julius	Demand Manager	615 761	1 262 405
Benlin Computers	V Gous	IT	122 794	287 737
Qongo TG Trading	Mother	Nursing Sister	728 120	306 942
Naledi Chemicals	D De Haast	Department of Education	579 597	238 068
Mr I's A1 Auto	C Jenneke	Financial Manager	2 780	-
Linri Enterprises	MM Leven	Councillor	169 467	57 684
Total Purchases			7 800 297	10 814 854

51. CONTINGENT LIABILITIES

51.1 Guarantees:

The municipality pledged the following amounts as guarantee for employees' housing bonds:

27 900 230 600

The validity of these bonds in terms of the original conditions at which they were issued could not be verified with the respective banks. The banks have misplaced the guarantee documents and have exonerated the municipality from such liability. For instances where bank confirmation could not be obtained, a possible liability exists.

51.2 Court Proceedings:

51.2.1 High Court matters	56 767 790	56 152 160
Various claims and litigation is in process.		
51.2.2 Litigation and claims in process	17 025 627	8 186 298
Various claims and litigation is in process.		
51.2.3 Labour matters (SALGBC)	620 000	620 000
A case of unfair promotion is referred to the Labour Court.		
51.2.4 Magistrate court matters	158 380	369 535
Various cases involving Council.		
	<u>74 571 798</u>	<u>65 327 993</u>

All the above cases are being defended.

51.3 Other liabilities:

51.3.1 Various cases: Salga relating to issues regarding Task's implementation date and possible back pay.

51.3.2 Upgrade cases: Various claims between employees and Council is in process.

52. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

SOL PLAATJE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

53. IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and assistance during the year under review:

- (i) A secondment of a finance expert and an engineer by the DBSA.

54. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

55. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the 2010/11 financial year.

56. 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 state of affairs of the municipality in future financial years.

57. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 39).

58. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

APPENDIX A
SOL PLAATJE MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Loan Number	Redeemable Date	Balance at 30/06/10	Received during the period	Redeemed written off during the period	Balance at 30/06/11	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG TERM LIABILITIES								
ANNUITY LOANS							73 558 697	
DBSA Loan @ 10%	10112	30-06-2015	11 908 635		1 941 896	9 966 739		
DBSA Loan @ 12%	10113	30-06-2016	10 779 936		1 317 344	9 462 593		
DBSA Loan @ 12%	10616	30-06-2017	4 380 336		429 802	3 950 534		
DBSA Loan @ 10.91%	101452	31-12-2019	11 490 516		739 695	10 750 821		
DBSA Loan @ 12.61%	102855/1	31-12-2028	15 821 851	1 996 882	310 091	17 508 642		
DBSA Loan @ 13.12%	102855/2	31-12-2015	5 774 831		774 190	5 000 641		
DBSA Loan @ 6.75%	102855/3	31-12-2023	2 880 248	1 654 040	247 680	4 286 609		
DBSA Loan @ 6.75%	102855/4	31-12-2015	3 403 516	1 358 904	766 824	3 995 596		
DBSA Loan @ 12.445%	103958/2	30-06-2031		34 808 419		34 808 419		
Sub total DBSA			66 439 869	39 818 246	6 527 520	99 730 594		
DBCM Loan @ 11.25%	4	30-09-2010	11 472		11 472	-		
DBCM Loan @ 11.25%	5	31-03-2011	666		666	-		
DBCM Loan @ 11.25%	6	30-09-2011	42 264		27 398	14 865		
DBCM Loan @ 11.25%	7	31-03-2012	32 791		15 500	17 291		
DBCM Loan @ 11.25%	8	30-09-2012	51 589		18 959	32 630		
DBCM Loan @ 11.25%	9	31-03-2013	6 939		2 064	4 875		
DBCM Loan @ 11.25%	10	30-09-2013	5 471		1 356	4 115		
Sub total DBCM			151 192	-	77 415	73 777		
Total Annuity loans			66 591 061	39 818 246	6 604 936	99 804 371	73 558 697	-
LEASE LIABILITY								
Various Finance Leases			10 358 377		(4 492 955)	14 851 333	4 125 365	-
TOTAL EXTERNAL LOANS			76 949 438	39 818 246	2 111 980	114 655 704	77 684 062	-

APPENDIX B
SOL PLAATJE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost/Revaluation							Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Work in Progress Additions	Disposals	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
					Opening Balance	Commissioned	Closing Balance						
Infrastructure													
Electricity	159 880 746	3 723 455	4 486 713		18 823 598		23 310 311	168 090 914	68 172 793	2 657 642		70 830 436	97 260 478
Roads	251 568 138	9 233 199	3 122 771		11 401 382	9 658 252	4 865 902	263 924 107	61 104 978	7 430 102		68 535 080	195 389 027
Sewerage	115 569 983	729 346	33 473 572		39 173 559	1 965 153	70 681 978	149 772 901	40 290 439	1 577 088		41 867 527	107 905 375
Street Lights	17 414 316	1 398 185						18 812 501	5 123 002	507 085		5 630 087	13 182 414
Storm Water	51 870 145				615 503	521 882	93 621	51 870 145	37 149 882	1 052 098		38 201 980	13 668 165
Landfill Site	22 450 668	1 090 268						23 540 936	1 566 250	1 392 295		2 958 545	20 582 391
Water	177 438 158	37 828	6 963 609		2 639 298	1 583 812	8 019 095	184 439 595	74 110 468	2 713 367		76 823 835	107 615 760
	796 192 154	16 212 282	48 046 664	-	72 653 340	13 729 098	106 970 906	860 451 100	287 517 812	17 329 677	-	304 847 489	555 603 611
Community Assets													
Community Buildings	179 952 482	1 294 500	2 438 791		2 550 632		4 989 423	183 685 773	18 594 742	7 395 921		25 990 663	157 695 111
Parks and Gardens	1 683 744	442 355	2 142 193		558 574		2 700 767	4 268 291	40 632	39 325		79 957	4 188 334
Recreational Facilities	40 422 872	3 173 083	218 814		887 394		1 106 208	43 814 769	10 316 163	1 288 785		11 604 949	32 209 821
	222 059 097	4 909 939	4 799 798	-	3 996 600	-	8 796 398	231 768 834	28 951 537	8 724 032	-	37 675 568	194 093 265
Heritage Assets													
Heritage Assets	-							-				-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased Assets													
Various	8 850 021							8 850 021	3 348 991	1 375 665		4 724 656	4 125 365
	8 850 021	-	-	-	-	-	-	8 850 021	3 348 991	1 375 665	-	4 724 656	4 125 365
Other Assets													
Bins and Containers	20 526							20 526	4 121	3 757		7 879	12 647
Other Buildings	157 168	275 427						432 594	4 329	29 012		33 342	399 253
Emergency Equipment	29 788							29 788	4 008	2 703		6 711	23 077
Furniture & Fittings	12 943 118	1 070 563						14 013 680	2 965 971	1 525 320		4 491 291	9 522 389
Office Equipment	7 585 473	2 298 683						9 884 155	2 668 907	1 456 515		4 125 422	5 758 733
Kitchen Equipment	1 014 548	152 917						1 167 465	245 263	117 672		362 935	804 530
Laundry Equipment	77 108							77 108	9 639	4 652		14 291	62 817
Medical Equipment	324 273	56 223						380 497	36 757	31 118		67 875	312 621
Maintenance Equipment	1 783 591	145 312						1 928 903	771 191	214 563		985 754	943 149
Motor Vehicles	41 294 494	1 199 880		(105 917)				42 388 457	17 208 032	5 460 408	(58 489)	22 609 951	19 778 506
Office Equipment	1 772 029	28 638						1 800 667	506 882	243 151		750 033	1 050 634
Plant and Equipment	36 914							36 914	3 250	3 655		6 905	30 009
Software	152 558							152 558	152 558			152 558	-
Water Craft	40 849							40 849	3 098	1 442		4 540	36 309
	67 232 436	5 227 643	-	(105 917)	-	-	-	72 354 161	24 584 007	9 093 969	(58 489)	33 619 487	38 734 674
Total	1 094 333 707	26 349 864	52 846 462	(105 917)	76 649 940	13 729 098	115 767 304	1 173 424 116	344 402 347	36 523 343	(58 489)	380 867 201	792 556 915

APPENDIX C
SOL PLAATJE MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
AS AT 30 JUNE 2011

Directorate	Cost							Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Work in Progress Additions	Disposals	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals		Closing Balance
					Opening Balance	Commissioned	Closing Balance						
Executive and Council	427 764	105 764						533 528	110 581	11 560		122 141	411 386
Municipal General	897 910	395 767						1 293 677	292 096	26 571		318 667	975 010
Municipal Manager	1 586 956	36 294						1 623 250	526 685	2 978		529 663	1 093 587
Corporate Services	27 495 072	271 349						27 766 421	7 324 367	1 393 162		8 717 529	19 048 892
Community Services	133 739 251	2 889 268	4 799 798		3 996 600		8 796 398	141 428 317	26 062 925	9 611 178		35 674 103	105 754 214
Financial Services	17 944 713	1 947 842						19 892 555	4 752 399	1 332 093		6 084 492	13 808 063
Strategic and Economic Development	34 232 436	1 353 596						35 586 032	10 984 335	1 332 010		12 316 345	23 269 687
Infrastructure and Services	878 009 605	19 349 984	48 046 664	(105 917)	72 653 340	13 729 098	106 970 907	945 300 336	294 348 959	22 813 791	(58 489)	317 104 261	628 196 075
TOTAL	1 094 333 707	26 349 864	52 846 462	(105 917)	76 649 941	13 729 098	115 767 305	1 173 424 116	344 402 347	36 523 343	(58 489)	380 867 201	792 556 915

APPENDIX D
SOL PLAATJE MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2011

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
61 381	26 030 399	(25 969 018)	Executive and Council	34 633	29 261 925	(29 227 292)
239 628 672	155 192 987	84 435 685	Municipal General	223 672 432	212 522 657	11 149 776
1 328 016	8 478 630	(7 150 614)	Municipal Manager	1 559 154	9 966 785	(8 407 630)
2 094 919	30 549 677	(28 454 758)	Corporate Services	2 552 879	35 355 014	(32 802 135)
19 740 517	95 074 478	(75 333 961)	Community Services	21 005 650	108 198 685	(87 193 035)
198 759 645	53 071 512	145 688 133	Financial Services	219 531 226	63 598 095	155 933 132
7 572 148	24 668 515	(17 096 367)	Strategic and Economic Development	6 178 654	25 698 816	(19 520 162)
504 781 869	530 903 060	(26 121 191)	Infrastructure and Services	582 389 911	592 474 728	(10 084 817)
<u>973 967 166</u>	<u>923 969 257</u>	<u>49 997 908</u>	Sub Total	<u>1 056 924 539</u>	<u>1 077 076 703</u>	<u>(20 152 164)</u>
	(40 690 929)	40 690 929	Less Inter-Departmental Charges		(47 030 276)	47 030 276
<u>973 967 166</u>	<u>883 278 328</u>	<u>90 688 837</u>	Total	<u>1 056 924 539</u>	<u>1 030 046 427</u>	<u>26 878 112</u>

APPENDIX E(1)

SOL PLAATJE MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual R	2011 Budget R	2011 Adjustment R	2011 Final Budget R	2011 Variance R	2011 Variance R	Explanation of Significant Variances greater than 10% versus Budget
REVENUE							
Property Rates	209 350 661	208 319 706	4 069 000	212 388 706	(3 038 045)	-1%	
Property rates - penalties imposed and Service Charges	571 405 692	582 599 961	3 000 000	585 599 961	(14 194 269)	-2%	
Rental of Facilities and Equipment	12 740 245	13 289 282	-	13 289 282	(549 037)	-4%	Due to rentals and hire income not realizing.
Interest Earned - External Investments	4 801 581	6 000 000	(2 000 000)	4 000 000	801 581	20%	Due to increase in investments.
Interest Earned - Outstanding Debtors	31 282 531	38 000 000	(3 000 000)	35 000 000	(3 717 469)	-11%	Due to declining interest rate and indigents written off.
Fines	3 634 590	5 778 000	-	5 778 000	(2 143 410)	-37%	Due to fines not realizing.
Licenses and Permits	3 125 280	2 891 100	-	2 891 100	234 180	8%	
Income for Agency Services	3 488 878	2 600 000	-	2 600 000	888 878	34%	Due to increase in transactions.
Government Grants and Subsidies	190 806 628	228 709 070	(13 265 638)	215 443 432	(24 636 804)	-11%	Various grants not realizing.
Public Contributions and Donations	0	-	-	0	-	0%	
Other Income	26 288 454	29 914 837	-	29 914 837	(3 626 383)	-12%	Various miscellaneous income not realizing.
Total Revenue	1 056 924 539	1 118 101 956	(11 196 638)	1 106 905 318	(49 980 779)	-5%	
EXPENDITURE							
Employee Related Costs	364 339 736	329 042 530	32 200 000	361 242 530	3 097 206	1%	Due to provision health incurring actuarial loss.
Remuneration of Councillors	13 330 953	14 612 146	(1 500 000)	13 112 146	218 807	2%	Implementing of new council and mayoral committee.
Impairment Losses	97 383 130	95 000 000	-	95 000 000	2 383 130	3%	Impairment of debtors being increased.
Collection Costs	147 448	1 145 000	-	1 145 000	(997 552)	-87%	Due to savings.
Depreciation	38 592 691	49 732 000	(15 772 000)	33 960 000	4 632 691	14%	Due to error correction on asset register.
Repairs and Maintenance	51 065 386	56 678 260	1 105 000	57 783 260	(6 717 874)	-12%	Qualifying asset expenditure transferred to capital.
Finance Costs	14 697 358	20 685 829	(4 000 000)	16 685 829	(1 988 471)	-12%	Due to savings (loan phased in over 3 years).
Bulk Purchases	234 314 846	241 000 000	(2 000 000)	239 000 000	(4 685 154)	-2%	
Grants and Subsidies Paid	3 191 000	1 450 000	1 741 000	3 191 000	-	0%	
General Expenses - Other	212 983 878	209 084 191	7 694 000	216 778 191	(3 794 313)	-2%	Non-qualifying asset expenditure transferred.
Total Expenditure	1 030 046 427	1 018 429 956	19 468 000	1 037 897 956	(7 851 529)	-1%	
NET SURPLUS FOR THE YEAR	26 878 112	99 672 000	(30 664 638)	69 007 362	(42 129 250)	-61%	Mainly due to the increase in the impairment of debtors, general expenses and a decrease in income.

APPENDIX E(2)
SOL PLAATJE MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual R	2011 Under Construction R	2011 Total Additions R	2011 Original Budget R	2011 Adjustment R	2011 Final Budget R	2011 Variance R	2011 Variance %	Explanation of Significant Variances greater than 5% versus Budget
Executive and Council	105 764	-	105 764	106 000	-	106 000	(236)	0%	
Municipal General	395 767	-	395 767	414 000	-	414 000	(18 233)	-4%	
Municipal Manager	36 294	-	36 294	37 000	-	37 000	(706)	0%	
Corporate Services	271 349	-	271 349	280 000	-	280 000	(8 651)	-3%	
Community Services	2 889 268	4 799 798	7 689 066	25 530 000	(17 606 086)	7 923 914	(234 848)	-3%	
Financial Services	1 947 842	-	1 947 842	1 990 000	-	1 990 000	(42 158)	-2%	
Strategic and Economic Development	1 353 596	-	1 353 596	26 900 000	(7 268 748)	19 631 252	(18 277 656)	-93%	NDPG and GURP projects in the process of being rolled over.
Infrastructure and Services	19 349 984	48 046 664	67 396 648	249 415 000	(160 328 137)	89 086 863	(21 690 215)	-24%	Various projects in the process of construction being rolled over.
				0					
TOTAL	26 349 864	52 846 462	79 196 326	304 672 000	(185 202 971)	119 469 029	(40 272 703)	-34%	Non qualifying assets expenditure transferred to operational budget.

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 2011

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 the municipality comply with the grant conditions in terms of grant framework in the	Reason for non-compliance
		Total	Total	Total	Total		Yes / No	
Library Services	Provincial	1 100 000	1 100 000	-	1 100 000	None	Yes	None
Primary Health	Provincial	1 323 000	2 306 000	983 000	2 306 000	Late Payment. Revenue accrued.	Yes	None
Subsidy Resort	Provincial	-	577 000	577 000	577 000	Late Payment. Revenue accrued.	Yes	None
EPWP	Provincial	3 023 000	9 649 080	6 626 080	14 984 000	No Payment. Revenue accrued.	Yes	None
Neighbourhood development	National	9 000 000	1 780 307	-	19 300 000	None	Yes	None
Equitable Share	National	121 743 177	N/A	-	121 741 000	None	Yes	None
Department Water Affairs	National	3 864 425	3 864 425	-	N/A	None	Yes	None
Financial Management Grant	National	1 200 000	1 200 000	-	1 200 000	None	Yes	None
MIG	National	34 494 000	34 749 595	-	34 494 000	None	Yes	None
MSIG	National	750 000	750 000	-	750 000	None	Yes	None
DOE	National	2 500 000	1 689 845	-	2 500 000	None	Yes	None
Frances Baard Municipality	Municipality	893 506	2 066 303	-	N/A	None	N/A	None
GURP	Provincial	-	5 526 693	5 526 693	7 500 000	No Payment. Revenue accrued.	Yes	None
Provincial projects	Provincial	-	799 211	-	N/A	None	Yes	None
DBSA Grant	DBSA	1 645 863	3 004 992	1 359 129	N/A	Late Payment. Revenue accrued.	Yes	None
Total		181 536 971	69 063 450	15 071 901	206 452 000			

National and Provincial grants are spent in accordance with business plans approved by the various Government Departments.

The EPWP grant is a job creating grant to alleviate poverty and unemployment approved by Provincial Government.

APPENDIX G
SOL PLAAATJE MUNICIPALITY: DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY
FOR THE YEAR ENDED 30 JUNE 2011

DocNo.	Service Provider	Service Rendered / Product Purchased	Financial Implications	Line Manager	Motivation
1/2010/11	Masingita Group	Hiring of a private refuse Compactor	100 035	KD Williams	Exceptional cases
2/2010/11	Toughflex Coatings (PTY) LTD	Upgrading of Pescodia Swimming Pool	58 174	F Calvert	Sole Provider
3/2010/11	Masingita Group	Hiring of Private refuse Compactor	109 782	KD Williams	Exceptional cases
4/2010/11	Prigoso Enterprise	Hiring of a free standing tent	173 100	C Bosman	Sole Provider
5/2010/11	Poloko Trading 688 CC	T Shirts for Base Camp Uruguay (2010 W. Cup)	230 000	C Bosman	Sole Supplier
6/2010/11	Adistra 11 CC	Staging of soccer clinics for 2010 Programmes	187 925	C Bosman	Sole Supplier
7/2010/11	Wydex	Youth Bash on June 16. 2010 Progress	250 000	C Bosman	Exceptional cases
8/2010/11	Kahlola Trading	Trial run of the Public Viewing Area	116 700	N Poolo	Exceptional cases
9/2010/11	Tsameka Entertainment	Staging of Public Viewing Events (2010 W. Cup)	353 874	C Bosman	Exceptional cases
10/2010/1	Tsameka Entertainment	Staging of Public Viewing Events (2010 W. Cup)	289 680	C Bosman	Exceptional cases
11/2010/1	Barloworld	Repairs to front end loader	77 397	Y Snyders	Sole Provider
12/2010/1	Northern Cape Canvas and Nets	Install PVC curtains at Platfontein School	35 139	MW Pretorius	Sole Provider
13/2010/1	Bell Equipment	Repairs to landfill Compactor	207 085	Y Snyders	Sole Provider
14/2010/1	Aqua Transport and Plant Hire	Hiring of Private refuse Compactor	162 671	KD Williams	Exceptional cases
15/2010/1	Kwezi V3 Engineers	Refurbishment and Maintenance work at Beaconsfield Waste Water Treatment Work	595 216	B Dhlwayo	Exceptional cases
16/2010/1	C-Pac Pumps & Valves	Repair of Pump Station	35 811	MG Usher	An Emergency
17/2010/1	Super Armature Winding	Repair of HL Pump	82 424	SH Coetzee	An Emergency Sole Provider
18/2010/1	Mc Gregor Shop	Decoration of all Municipal buildings for the 2010	41 189	C Bosman	Sole Supplier
19/2010/1	ICTV & Radio	Diski Truck was specially commissioned for Sol Plaatje staff soccer day	34 200	C Bosman	Sole Supplier Exceptional cases
20/2010/1	Aqua Transport and Plant Hire	Hiring of refuse compactor	202 297	KD Williams	Exceptional cases
21/2010/1	Hi-Five Crystal Enterprises	Procuring clothing for the Sol Plaatje team SAMSRA GAMES 2010	67 099	OG Manong	Sole Provider Exceptional cases
22/2010/1	Adreach-North Central Region T/A Pole Add	Hired for Marketing and branding	171 000	C Bosman	Sole Provider Exceptional cases
23/2010/1	Big Sky Coaches Kimberley	Only company offering luxury coaches for the specified amount	47 600	OG Manong	Sole Provider Exceptional cases
24/2010/1	Road Lodge Potchefstroom	Only available accommodation to house the entire team	173 546	OG Manong	Sole Provider Exceptional cases
25/2010/1	C-Pac Pumps & Valves	Repair and replace all stolen Electrical components at Camilla Pimp Station	127 398	D H Leeuw	An Emergency
26/2010/1	Lincru Security Company	Rendering Security Services during the staging of the PVA at Galeshewe Stadium	91 571	C Bosman	Sole Provider Exceptional cases
27/2010/1	Aqua Transport and Plant Hire	Hiring of refuse compactor	109 198	KD Williams	An Emergency Exceptional cases
28/2010/1	Premier Auto	Repair of refuse truck	45 417	Y Snyders	An Emergency Sole Provider
29/2010/1	Force Eng / Mayibuye	Repair of samag vehicles	42 292	K Williams	Sole Provider
30/2010/1	ICTV& Radio	Hiring of disk dance truck	34 200	C Bosman	Exceptional cases Sole Provider
31/2010/1	ICTV& Radio	Hiring of disk dance truck	39 900	C Bosman	Exceptional cases Sole Provider
32/2010/1	ICTV& Radio	Hiring of disk dance truck	68 400	C Bosman	Sole Provider Exceptional cases
33/2010/1	Walker Mare Quantity Surveyors	Acquiring the professional services of a quality surveying firm	114 000	S Mathebula	Exceptional cases
34/2010/1	Bell Equipment	Repair Bomag Landfill Compactor	141 718	K Williams	Sole Provider
35/2010/1	Orange Toyota	Repairs to vehicle D908	100 416	Y Snyders	Sole Provider
36/2010/1	Trek Scale Company	Upgrade Of Software to Comply with standards set by Road Traffic Act 93 of 1996	32 490	MG Alfonso	Sole Provider
37/2010/1	Gariep Motors	Remove and replace with shift controller on freightliner	57 163	MW Pretorius	An Emergency Sole Provider
38/2010/1	C-Pac Pumps & Valves	Supply and install of Chemical dosing Equipment	578 234	M Mazzoncino	Exceptional cases
39/2010/1	Dawson Lemma arts and Crafts	Purchase the work of arts with faces of K Galeshewe and ST Plaatje on animal skin	75 000	GH Akharwaray	Work of Art or historical object
40/2010/1	Gariep Motors	Emergency Repairs on vehicle (Fire)	39 520	N Sephiri	An Emergency Sole Provider
41/2010/1	CQS	Provide software to draft financial statements for 2011	161 740	R Booysen	Sole Provider
42/2010/1	Navil Hill Lodge	Accommodation (Boarding and Lodging)	34 650	C Langford	Exceptional cases
43/2010/1	Authentix	Procuring a new product (detection marker)	210 000	JB Anthony	Sole Provider
44/2010/1	Sight Lines Pipe Survey Services	Specialized equipment required	104 300	DH Leeuw	An Emergency
45/2010/1	Elster	Replacement of multiplexer cards	85 380	D Mooketsi	Sole Provider
46/2010/1	Blue Print	Reprinting of Brochures and street maps	70 110	N Poolo	Sole Provider
47/2010/1	(1)Navil Hill Lodge (2)Mary Jay's Place (3)Shawu Lodge	Accommodation	544 500	C Langford	Exceptional cases
48/2010/1	(1)Golden Rewards t/a Gosiame (R515 900) Hiring of toilets (R42 500) (2)SJC Glass Work (R22 640) (3)Big Five Construction of Shanties (R768 075)	Disaster relief programme	1 349 115	N Moatswi	An Emergency
49/2010/1	Marvin Marketing	Urgent purchase of chemicals.	107 730	B Dhlwayo	An Emergency Exceptional cases
50/2010/1	(1)Lecflo (R62 997.54) (2)C-Pac (R127 805.40)	Repair Flight Pump Model PC 7050 75 KW 380V	190 803	B Dhlwayo	An Emergency
51/2010/1	Lexis Nexis	Road Traffic / Transport ACT 93 Of 1996:Issue 28 Delivery & Handling	46 461	CFM Langford	Sole Provider
52/2010/1	Aqua Agri Solution	Urgent purchase of chemicals from supplier in Bloemfontein	263 397	B Dhlwayo	An Emergency Exceptional cases
53/2010/1	Lexis Nexis	Road Traffic / Transport ACT 93 Of 1996:Issue 27 Delivery & Handling	43 588	CFM Langford	Sole Provider
54/2010/1	Kimberley Electroplating and Engineering	Refurbishment of the tram	167 000	N Poolo	Exceptional cases
55/2010/1	Parsons Home Appliances CC	Purchase of furniture for MAYCO Members	210 000	G Lesenyio	Exceptional cases
56/2010/1	Golden Rewards t/a Gosiame Construction	Catering Flood Disaster	539 000	N Moatswi	An Emergency
57/2010/1	Mpho Catering and Hiring Services	Catering Flood Disaster	156 500	N Moatswi	Exceptional cases
58/2010/1	Golden Rewards t/a Gosiame Construction	Catering Flood Disaster	367 500	N Moatswi	An Emergency
59/2010/1	Lethabile Coaches	Transport for sport team	32 650	OG Manong	Exceptional cases
60/2010/1	Golden Rewards t/a Gosiame Construction	Catering Flood Disaster	539 000	N Moatswi	An Emergency
61/2010/1	Linsumi Investments (PTY) LTD	Hiring of Toilets Flood Disaster	97 500	N Moatswi	An Emergency
62/2010/1	Highbury Safika Media (PTY) LTD	The annual advert for the Indaba Issue	79 800	N Poolo	Sole Provider
63/2010/1	E. Hassen & Sons Trading CC	New Furniture for Council Chamber	46 700	L Fouche	Sole Provider Exceptional cases
64/2010/1	Trellidor T/A K & M Marketing Enterprises	Machine room doors (Galeshewe, Ritchie and main Station)	66 900	MW Pretorius	An Emergency Sole Provider
65/2010/1	Mpho,s Catering and Hiring Services	Catering commemoration service (Soul Spoor)	120 000	N Moatswi	Exceptional cases
66/2010/1	Bentley Systems SA (PTY) LTD	Purchasing of the Microstation CAD Program	42 850	MEL Myburgh	Sole Provider
67/2010/1	Hendri Badenhorst Eiendomwaarders en Ass.	Procure the services of a professional Valuer	199 044	EM Baise	Exceptional cases
68/2010/1	Cinogen Trading cc	Procurement of new testing equipment	208 000	MG Alfonso	Exceptional cases
69/2010/1	Business Connexion	Migration of Venus and Cashdrawer to new servers as Virtual Machines	307 507	H Niemann	Sole Provider
70/2010/1	Ronre Electrical Enterprises CC	Repair injection Equipment master controller PC cards	189 202	D Mooketsi	An Emergency Sole Provider
71/2010/1	Golden Rewards T/A Gosiame Construction	Catering Flood Relief	367 500	N Moatswi	Exceptional cases
72/2010/1	Golden Rewards T/A Gosiame Construction	Catering Flood Relief	367 500	N Moatswi	Exceptional cases
73/2010/1	Retlakemela Trading CC	Repair of water pipes and leaks	39 800	B Dhlwayo	Exceptional cases
74/2010/1	Nkgabise Construction	Repair of water pipes and leaks	68 799	B Dhlwayo	Exceptional cases
75/2010/1	Tshireletso Trading CC	Repair of water pipes and leaks	83 328	B Dhlwayo	Exceptional cases
76/2010/1	Freshmark Systems	Upgrade Freshmark system	377 800	Kelvin Smith	Sole Provider
77/2010/1	Lexis Nexis	Road Traffic /Transport Act 93 of 1996, amendment nr.30	31 458	CFM Langford	Sole Provider
78/2010/1	Ilini Enterprises CC	Printing of 300 colour copies of annual report 2009/10 period	108 027	B Vermeulen	Sole Provider
79/2010/1	Linsumi Investment (PTY) LTD	Hiring of Toilets Flood Relief	97 500	N Moatswi	An Emergency
80/2010/1	Mario's Restaurant	Catering for new Councillors	36 007	Kerlieng	Sole Provider
81/2010/1	Golden Rewards T/A Gosiame Construction	Catering Flood Relief	367 500	N Moatswi	An Emergency
82/2010/1	Golden Rewards T/A Gosiame Construction	Catering Flood Relief	236 250	N Moatswi	An Emergency
83/2010/1	MC Suppliers	Patching of Potholes	859 085	T Raseobi	An Emergency
84/2010/1	Linsumi Investment (PTY) LTD	Patching of Potholes	391 126	T Raseobi	An Emergency

