

SOL PLAATJE LOCAL MUNICIPALITY



CITY OF KIMBERLEY

SOL PLAATJE LOCAL MUNICIPALITY

AUDITED ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2012

SOL PLAATJE LOCAL MUNICIPALITY

ADDITIONAL UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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**SOL PLAATJE LOCAL MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2012**

**EXECUTIVE MAYOR
SPEAKER**

Alderman A Ntlhangula
Councillor MV Diraditsile

GRADING OF THE LOCAL AUTHORITY:

Grade 4

AUDITORS:

Office of the Auditor-General		Private Bag X5013
31 Mc Dougallstreet		Kimberley
Kimberley		8300
8301		
Telephone	053-8311016	
Fax	053-8326277	

BANKERS:

Standard Bank		P.O. Box 626
Old Main Road		Kimberley
Kimberley		8300
8301		
Telephone	053-8078215	
Fax	053-8078173	

REGISTERED OFFICE:

Civic Centre		Private Bag X5030
Jan Smuts Boulevard		Kimberley
Kimberley		8300
8301		
Telephone	053-8306911	
Fax	053-8331005	

MUNICIPAL MANAGER:

Mr G Akharwaray B.Proc.LLB, Certificate in Management

CHIEF FINANCIAL OFFICER:

Me ZL Mahloko B.Comm Hons

MEMBERS OF COUNCIL:

Councillor

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

Proportional

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

**SOL PLAATJE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012**

I am accountable for the preparation of these annual financial statements, which are set out on pages 4 to 79, 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
29 August 2012

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 June 2012

	Note	2012 R	2011 R	2012 Budget R
ASSETS				
Current Assets		526,365,731	341,764,055	417,812,238
Inventory	2	21,257,101	18,941,978	20,078,496
Non-current Assets Held-for-Sale	3	265,439	47,428	-
Trade Receivables from Exchange Transactions	4	175,478,927	120,785,855	153,729,694
Trade Receivables from Non-Exchange Transactions	5	149,512,411	122,096,526	133,907,384
Cash and Cash Equivalents	6	171,930,590	69,989,615	110,000,000
Operating Lease Assets	7	98,017	90,342	96,664
Vat Receivable from Exchange Transactions	8	7,823,247	9,812,310	-
Non-Current Assets		1,049,069,046	961,961,410	1,045,182,501
Property, Plant and Equipment	9	923,114,875	834,339,342	928,461,611
Intangible Assets	10	4,914,331	3,969,019	2,560,150
Investment Property	11	121,039,839	123,653,049	114,160,740
Total Assets		1,575,434,777	1,303,725,465	1,462,994,739
LIABILITIES				
Current Liabilities		196,705,539	175,942,908	177,881,216
Consumer Deposits	13	14,098,382	11,857,366	13,043,102
Provisions	14	5,209,361	4,767,854	5,053,925
Creditors	15	127,678,510	115,249,723	122,028,876
Unspent Conditional Grants and Receipts	16	7,220,000	9,238,545	-
Vat Payable from Exchange Transactions	17	12,504,229	10,971,434	12,068,578
Bank Overdraft	6	11,645,158	9,418,186	9,700,731
Current Portion of Long-term Liabilities	18	18,349,899	14,439,801	15,986,004
Non-Current Liabilities		352,867,959	261,866,117	357,419,246
Long-term Liabilities	18	156,561,723	93,954,531	162,964,075
Retirement Benefit Liabilities	19	158,629,899	135,684,739	157,394,297
Non-current Provisions	20	37,676,337	32,226,847	37,060,874
Total Liabilities		549,573,498	437,809,024	535,300,462
Total Assets and Liabilities		1,025,861,279	865,916,441	927,694,277
NET ASSETS		1,025,861,279	865,916,441	927,694,277
Accumulated Surplus	21	1,025,861,279	865,916,441	927,694,277
Total Net Assets		1,025,861,279	865,916,441	927,694,277

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2012

Budget 2011 R	Budget 2012 R		Note	Actual 2012 R	Actual 2011 R
REVENUE					
Revenue from Non-exchange Transactions					
212,388,706	265,800,543	Property Rates	22	271,038,205	209,350,661
5,778,000	6,031,800	Fines		5,423,647	3,634,590
2,891,100	2,530,000	Licences and Permits		3,797,228	3,125,281
2,600,000	3,200,000	Income for Agency Services		3,602,984	3,808,176
215,443,432	258,396,127	Government Grants and Subsidies Received	26	252,559,853	189,851,943
Revenue from Exchange Transactions					
585,599,961	718,485,988	Service Charges	24	740,699,217	571,405,692
13,289,282	14,207,489	Rental of Facilities and Equipment	25	12,416,061	12,739,145
4,000,000	5,500,000	Interest Earned - External Investments	23	8,564,973	4,801,581
35,000,000	32,000,000	Interest Earned - Outstanding Debtors	23	30,385,801	30,000,343
29,914,837	61,191,846	Other Income	28	25,151,605	26,475,644
1,106,905,318	1,367,343,793	Total Revenue		1,353,639,575	1,055,193,058
EXPENDITURE					
361,242,530	415,947,832	Employee Related Costs	29	402,354,443	365,240,911
13,112,146	16,566,089	Remuneration of Councillors	30	16,415,015	13,330,953
1,145,000	1,200,000	Collection Costs		58,766	147,448
33,960,000	41,500,000	Depreciation and Amortisation	31	42,196,063	39,519,808
95,000,000	106,000,000	Impairment Losses	32	103,687,991	97,383,130
57,783,260	60,855,287	Repairs and Maintenance		65,322,981	51,065,386
16,685,829	30,725,187	Finance Costs	33	17,095,166	10,551,753
239,000,000	308,000,000	Bulk Purchases	34	290,022,102	234,314,846
3,191,000	3,550,000	Grants and Subsidies Paid	35	2,907,000	3,191,000
216,778,191	290,937,855	General Expenses	36	253,635,209	213,178,515
-	-	Loss on Disposal of Property, Plant and Equipment		-	396,060
1,037,897,956	1,275,282,250	Total Expenditure		1,193,694,736	1,028,319,810
69,007,362	92,061,543	SURPLUS FOR THE YEAR		159,944,838	26,873,248
Refer to Appendix E(1) for explanation of budget variances					

SOL PLAATJE LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 June 2012

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
2011							
Balance at 30 June 2010		1,591,726	16,817,826	7,856,696	782,488,174	808,754,422	808,754,422
Correction of Error	39				30,288,771	30,288,771	30,288,771
Restated Balance		1,591,726	16,817,826	7,856,696	812,776,945	839,043,193	839,043,193
Surplus for the year					26,873,248	26,873,248	26,873,248
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	837,219,365	865,916,441	865,916,441
2012							
Restated Balance		1,409,116	18,561,409	8,726,551	837,219,365	865,916,441	865,916,441
Surplus for the year					159,944,838	159,944,838	159,944,838
Transfer to Capital Replacement Reserve		19,000,000			(19,000,000)	-	-
Property, Plant and Equipment purchased		(2,876,233)			2,876,233	-	-
Contribution to Insurance Reserve			77,422	337,393	(414,815)	-	-
Balance at 30 June 2012		17,532,883	18,638,831	9,063,943	980,625,621	1,025,861,279	1,025,861,279

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

SOL PLAATJE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2012

	Note	Actual 2012 R	Actual 2011 R	Budget 2012 R
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from Ratepayers, Government and Other	41	1,127,999,900	948,690,505	1,182,288,000
Cash paid to Suppliers and Employees	41	985,268,315	896,882,821	998,784,000
Cash generated from / (utilised in) Operations	41	142,731,585	51,807,684	183,504,000
Interest received	23	38,950,774	34,801,924	11,840,000
Interest paid	33	(17,095,166)	(10,551,753)	(30,725,000)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		164,587,193	76,057,855	164,619,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	9	(127,897,271)	(79,196,326)	(177,405,000)
Purchase of Intangible Assets	10	(3,493,210)	(362,292)	
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(131,390,481)	(79,558,618)	(177,405,000)
CASH FLOWS FROM FINANCING ACTIVITIES				
New Loans raised		73,315,711	39,818,246	71,042,000
Loans repaid		(6,798,420)	(1,917,344)	(8,408,000)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		66,517,291	37,900,902	62,634,000
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6	99,714,002	34,400,139	49,848,000
Cash and Cash Equivalents at the beginning of the year		60,571,429	26,171,290	60,584,000
Cash and Cash Equivalents at the end of the year		160,285,432	60,571,429	110,432,000

SOL PLAATJE LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 Annual 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. 1 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 LOCAL MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. BASIS OF PRESENTATION (continued)

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

1. 2. 1 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. 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. 3 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 LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. BASIS OF PRESENTATION (continued)

1. 2. 4 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. 5 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. 6 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. 7 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 LOCAL MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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 20 Related Party Disclosures (Revised)
- 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 27 Agriculture (replace GRAP 101)
- GRAP 31 Intangible Assets (replace GRAP 102)
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - October 2009
- GRAP 105 Transfer of functions between entities under common control
- GRAP 106 Transfer of functions between entities not under common control
- GRAP 107 Mergers

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 LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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 LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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	50
Roads and Paving	10 - 50		
Electricity	10 - 120	Other	
Water	15 - 100	Specialist Vehicles	5 - 15
Sewerage	10 - 108	Other Vehicles	5
Landfill Sites	25 - 30	Office Equipment	3 - 7
Stormwater	25 - 82	Furniture and Fittings	10
Community		Bins and Containers	5
Recreational Facilities	15 - 50	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 LOCAL MUNICIPALITY

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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 listed 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. 1 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 LOCAL MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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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. 2 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 LOCAL MUNICIPALITY
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3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 9. 2 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.

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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.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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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.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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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 - 50 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 municipality 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.

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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

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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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. 1 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.

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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. 2 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.

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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.

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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.

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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.

Currency Risk

- The Municipality is exposed to foreign currency risk through the importation of goods and services either directly or indirectly through the award of contracts to local importers.

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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.

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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 LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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 LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

10.2.1 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.

10.2.2 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 LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

10. REVENUE RECOGNITION (continued)

10.2.3 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.

10.2.4 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.

10.2.5 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.

10.2.6 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.

10.2.7 Rentals

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

10.2.8 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 LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

10. REVENUE RECOGNITION (continued)

10.2. 9 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

10.3.1 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.

10.3.2 Fines

Fines constitute both fines and summonses for which revenue is recognised when payment is received.

10.3.3 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.

10.3.4 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.

10.3.5 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 LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

13.3.1 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 LOCAL MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

13. EMPLOYEE BENEFITS (continued)

13. 3. 1 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. 2 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. 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 LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 39 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 LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

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1. GENERAL INFORMATION

Sol Plaatje Local 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	19,756,250	17,339,294
Water - at cost	1,500,851	1,602,684
Total Inventory	21,257,101	18,941,978

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:

130,746 139,493

The cost of Inventories recognised as an expense during the period was:

34,491,348 29,186,782

3. NON-CURRENT ASSETS HELD-FOR-SALE

Other Assets Held-for-Sale	265,439	47,428
Net Assets classified as Held-for-Sale	265,439	47,428

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 2012.

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2012			
Service Debtors:	472,319,855	302,475,483	169,844,372
Electricity	94,018,864	60,210,049	33,808,816
Refuse	26,083,802	16,704,169	9,379,633
Sewerage	30,283,973	19,393,975	10,889,998
Water	99,849,174	63,943,802	35,905,372
Miscellaneous	222,084,042	142,223,489	79,860,553
Market	751,602	481,329	270,273
Housing Debtors	14,917,520	9,553,238	5,364,282
Total Consumer Debtors	487,988,978	312,510,051	175,478,927

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2011			
Service Debtors:	367,369,534	251,014,321	116,355,213
Electricity	79,614,542	51,031,138	28,583,404
Refuse	23,590,589	15,121,039	8,469,550
Sewerage	26,962,897	17,282,613	9,680,284
Water	78,374,526	50,236,315	28,138,211
Miscellaneous	158,826,980	117,343,217	41,483,763
Market	734,722	470,940	263,782
Housing Debtors	11,606,131	7,439,270	4,166,861
Total Consumer Debtors	379,710,386	258,924,531	120,785,855

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. Miscellaneous consist mainly out of interest charged on outstanding debtors and VAT on all services.

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 value.

	2012 R	2011 R
4.1 Ageing of Consumer Debtors		
Electricity: Ageing		
<i>Current:</i>		
0 - 30 days	43,159,146	34,320,990
<i>Past Due:</i>		
31 - 60 Days	6,579,639	5,174,863
61 - 90 Days	4,066,134	2,982,380
+ 90 Days	40,213,945	37,136,309
Total	94,018,864	79,614,542
Refuse: Ageing		
<i>Current:</i>		
0 - 30 days	2,196,932	1,824,402
<i>Past Due:</i>		
31 - 60 Days	1,164,123	899,540
61 - 90 Days	946,739	746,332
+ 90 Days	21,776,009	20,120,314
Total	26,083,802	23,590,589
Sewerage: Ageing		
<i>Current:</i>		
0 - 30 days	2,657,782	2,164,656
<i>Past Due:</i>		
31 - 60 Days	1,454,433	1,067,805
61 - 90 Days	1,198,893	904,646
+ 90 Days	24,972,864	22,825,790
Total	30,283,973	26,962,897

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012 R	2011 R
4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
Water: Ageing		
<i>Current:</i>		
0 - 30 days	16,688,904	12,402,956
<i>Past Due:</i>		
31 - 60 Days	6,121,535	3,490,177
61 - 90 Days	4,907,912	3,518,204
+ 90 Days	<u>72,130,823</u>	<u>58,963,188</u>
Total	<u>99,849,174</u>	<u>78,374,525</u>
		(1.10)
Miscellaneous: Ageing		
<i>Current:</i>		
0 - 30 days	10,726,127	8,963,247
<i>Past Due:</i>		
31 - 60 Days	5,614,495	4,716,978
61 - 90 Days	4,878,768	4,479,149
+ 90 Days	<u>201,616,254</u>	<u>141,402,328</u>
Total	<u>222,835,644</u>	<u>159,561,702</u>
Housing Rentals: Ageing		
<i>Current:</i>		
0 - 30 days	516,951	397,028
<i>Past Due:</i>		
31 - 60 Days	403,519	299,325
61 - 90 Days	394,494	284,079
+ 90 Days	<u>13,602,556</u>	<u>10,625,699</u>
Total	<u>14,917,520</u>	<u>11,606,131</u>

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 2012				
<i>Current:</i>				
0 - 30 days	61,081,475	30,551,299	8,240,277	99,873,051
<i>Past Due:</i>				
31 - 60 Days	14,574,475	7,968,727	3,381,505	25,924,707
61 - 90 Days	12,555,704	4,965,126	2,313,602	19,834,432
+ 90 Days	<u>273,587,764</u>	<u>85,752,798</u>	<u>72,789,435</u>	<u>432,129,997</u>
Sub-total	361,799,418	129,237,950	86,724,819	577,762,187
Less: Provision for Impairment	199,525,814	58,529,902	54,454,335	312,510,051
Total Debtors by Customer Classification	<u>162,273,604</u>	<u>70,708,048</u>	<u>32,270,484</u>	<u>265,252,136</u>
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	<u>268,334,810</u>	<u>63,347,815</u>	<u>55,091,152</u>	<u>386,773,777</u>
Sub-total	330,040,214	94,716,473	62,165,334	486,922,021
Less: Provision for Impairment	212,738,555	46,185,976	-	258,924,531
Total Debtors by Customer Classification	<u>117,301,659</u>	<u>48,530,497</u>	<u>62,165,334</u>	<u>227,997,489</u>

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 opinion that the current debtors is fully recoverable.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012	2011
	R	R
4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
4.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	258,924,531	398,339,776
Impairment Losses recognised	106,663,513	105,223,655
Amounts written off as uncollectable	(56,387,926)	(246,368,291)
Amounts reversed	3,309,933	1,729,391
Balance at end of year	312,510,051	258,924,531

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	2,516,836	2,085,279
31 - 60 Days	1,919,801	1,590,616
61 - 90 Days	1,677,917	1,390,207
+ 90 Days	306,395,498	253,858,429
Total	312,510,051	258,924,531

5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Assessment Rates	89,773,209	107,211,635
Government Subsidy Claims	55,349,475	14,117,217
Miscellaneous debtors	4,389,727	767,674
	149,512,411	122,096,526
Less: Provision for Impairment	-	-
Total Other Debtors	149,512,411	122,096,526

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	12,280,760	8,364,944
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Past Due:

31 - 60 Days	4,567,574	3,199,171
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61 - 90 Days	3,420,460	2,161,323
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+ 90 Days	69,504,414	93,486,198
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Total	89,773,209	107,211,635
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6. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	171,930,590	69,989,615
Bank Overdraft	(11,645,158)	(9,418,186)
Total Cash and Cash Equivalents	160,285,432	60,571,429

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 LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012 R	2011 R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.1 Current Investment Deposits		
Call Deposits	140,941,917	67,673,203
Notice Deposits	30,973,203	2,297,808
Total Current Investment Deposits	171,915,120	69,971,011

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.8% to 5.75% per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rate varying from 5.64% to 5.775% per annum.

A fixed deposit of R2,297,808 (2011: 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 (2011: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	(9,418,186)	(25,067,445)
Cash book balance at end of year	(11,645,158)	(9,418,186)

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)	5,403,112	2,210,113
Bank statement balance at end of year / (overdrawn)	21,589,652	5,403,112

Sub account -Resort 040039072

Bank statement balance at beginning of year / (overdrawn)	10,570	6,407
Bank statement balance at end of year / (overdrawn)	-	10,570

Sub account -Traffic 040036340

Bank statement balance at beginning of year / (overdrawn)	-	-
Bank statement balance at end of year / (overdrawn)	-	-

Sub account -Stores 040065405

Bank statement balance at beginning of year / (overdrawn)	(6,691)	-
Bank statement balance at end of year / (overdrawn)	-	(6,691)

Sub account -Salary 040065391

Bank statement balance at beginning of year / (overdrawn)	-	(240)
Bank statement balance at end of year / (overdrawn)	-	-

Sub account -Market 040065383

Bank statement balance at beginning of year / (overdrawn)	-	-
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 LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

2012
R

2011
R

6. CASH AND CASH EQUIVALENTS (Continued)

6.3 Cash and Cash equivalents

Cash Floats and Advances	15,470	18,604
Cash on hand in Cash Floats, Advances and Equivalents	15,470	18,604

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 value.

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	90,342	84,604
Operating Lease expenses recorded	450,802	498,894
Operating Lease payments effected	(443,127)	(493,156)
Total Operating Lease Assets	98,017	90,342

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	14,450	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	431,619	399,890
2 to 5 years	995,219	526,124
More than 5 years	154,991	622

Total Operating Lease Arrangements	1,581,829	926,636
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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 R7,675 (2011: R5,142).

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	7,823,247	9,812,310
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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 LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2012

Reconciliation of Carrying Value

Description	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R
Carrying values at 01 July 2011	558,657,262	234,801,182	36,755,534	4,125,365	834,339,342
Cost	863,144,579	274,101,646	69,359,967	8,850,021	1,215,456,212
- Completed Assets	756,173,672	265,305,248	69,359,967	8,850,021	1,099,688,908
- Under Construction	106,970,907	8,796,398	-	-	115,767,305
Accumulated Depreciation:	(304,487,317)	(39,300,464)	(32,604,433)	(4,724,656)	(381,116,870)
- Cost	(304,487,317)	(39,300,464)	(32,604,433)	(4,724,656)	(381,116,870)
Acquisitions	16,024,463	1,117,321	7,867,767	-	25,009,551
Capital under Construction - Additions	92,390,874	9,440,399	1,056,446	-	102,887,720
- Cost	92,390,874	9,440,399	1,056,446	-	102,887,720
Depreciation:	(18,758,118)	(9,339,533)	(9,397,963)	(1,408,114)	(38,903,728)
- Based on Cost	(18,758,118)	(9,339,533)	(9,397,963)	(1,408,114)	(38,903,728)
Carrying value of Transfers to Held-for-Sale:	-	-	(218,010)	-	(218,010)
- Cost	-	-	(585,948)	-	(585,948)
- Accumulated Depreciation	-	-	367,938	-	367,938
- Based on Cost	-	-	367,938	-	367,938
Capital under Construction - Completed	(72,087,052)	(2,530,655)	-	-	(74,617,707)
Other Movements	72,087,052	2,530,655	-	-	74,617,707
- Cost	72,087,052	2,530,655	-	-	74,617,707
Carrying values at 30 June 2012	648,314,481	236,019,369	36,063,774	2,717,251	923,114,875
Cost	971,559,916	284,659,366	77,698,232	8,850,021	1,342,767,535
- Completed Assets	844,285,187	268,953,224	76,641,786	8,850,021	1,198,730,217
- Under Construction	127,274,729	15,706,142	1,056,446	-	144,037,318
Accumulated Depreciation:	(323,245,435)	(48,639,997)	(41,634,458)	(6,132,770)	(419,652,660)
- Cost	(323,245,435)	(48,639,997)	(41,634,458)	(6,132,770)	(419,652,660)

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	508,690,345	192,213,526	42,648,429	5,501,030	749,053,330
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:	(287,501,809)	(29,845,571)	(24,584,007)	(3,348,991)	(345,280,378)
- Cost	(287,501,809)	(29,845,571)	(24,584,007)	(3,348,991)	(345,280,378)
Correction of error (Note 39)					
- Cost	2,693,479	42,332,812	(2,994,194)	-	42,032,097
- Accumulated Depreciation	365,784	(730,862)	665,384	-	299,306
Restated carrying values at 01 July 2010	511,749,608	233,815,476	40,319,619	5,501,030	749,053,330
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:	(17,351,292)	(8,724,031)	(8,744,299)	(1,375,665)	(36,195,287)
- Based on Cost	(17,351,292)	(8,724,031)	(8,744,299)	(1,375,665)	(36,195,287)
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	558,657,262	234,801,182	36,755,534	4,125,365	834,339,342
Cost	863,144,579	274,101,646	69,359,967	8,850,021	1,215,456,212
- Completed Assets	756,173,672	265,305,248	69,359,967	8,850,021	1,099,688,908
- Under Construction	106,970,907	8,796,398	-	-	115,767,305
Accumulated Depreciation:	(304,487,317)	(39,300,464)	(32,604,433)	(4,724,656)	(381,116,870)
- Cost	(304,487,317)	(39,300,464)	(32,604,433)	(4,724,656)	(381,116,870)

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 and 39.7 on "Correction of Error" for details on the restatement.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012 R	2011 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	(218,010)	(47,428)
Carrying Value of PPE retired from active use and held for disposal	(218,010)	(47,428)
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:		
	2,717,251	4,125,365
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:		
	2,639,298	5,366,786
10. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	4,914,331	3,969,019
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2011	3,969,019	3,969,019
Cost	8,968,648	8,968,648
Accumulated Amortisation	(4,999,629)	(4,999,629)
Acquisitions during the Year:	3,493,210	3,493,210
Purchased	3,493,210	3,493,210
Amortisation during the Year:	(1,992,950)	(1,992,950)
Purchased	(1,992,950)	(1,992,950)
Disposals during the Year:	(554,948)	(554,948)
At Cost	(554,948)	(554,948)
Carrying values at 30 June 2012	4,914,331	4,914,331
Cost	11,906,910	11,906,910
Accumulated Amortisation	(6,992,578)	(6,992,578)
	Computer Software	Total
Carrying values at 01 July 2010	5,286,450	5,286,450
Cost	8,606,356	8,606,356
Accumulated Amortisation	(3,319,906)	(3,319,906)
Acquisitions during the Year:	362,292	362,292
Purchased	362,292	362,292
Amortisation during the Year:	(1,679,723)	(1,679,723)
Purchased	(1,679,723)	(1,679,723)
Carrying values at 30 June 2011	3,969,019	3,969,019
Cost	8,968,648	8,968,648
Accumulated Amortisation	(4,999,629)	(4,999,629)

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 LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012	2011
	R	R
11. INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	<u>121,039,839</u>	<u>123,653,049</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	123,653,049	124,419,815
Cost	125,297,449	125,297,449
Accumulated Depreciation	(1,644,400)	(877,633)
Depreciation during the Year	(744,438)	(766,767)
Disposals during the Year:	(1,868,771)	-
At Cost	(1,868,771)	-
Carrying values at 30 June	121,039,839	123,653,049
Cost	123,428,677	125,297,449
Accumulated Depreciation	(2,388,838)	(1,644,400)
Estimated Fair Value of Investment Property at 30 June	<u>123,428,677</u>	<u>125,297,949</u>

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

Rental Revenue earned from Investment Property	14,450	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 were 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	14,098,382	11,857,366
Total Consumer Deposits	<u>14,098,382</u>	<u>11,857,366</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>3,374,446</u>	<u>3,306,746</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 value.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012 R	2011 R
14. PROVISIONS		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19 below)	3,773,604	3,257,460
Current Portion of Non-Current Provisions (See Note 20 below):	1,435,757	1,510,394
Long-term Service	1,435,757	1,510,394
Total Provisions	5,209,361	4,767,854

15. CREDITORS

Trade Creditors	86,669,641	77,820,838
Payments received in Advance	13,269,311	10,464,892
Staff Bonuses	7,375,533	6,770,637
Other Creditors	53,127	2,498,157
Accrued Leave	20,310,899	17,695,200
Total Creditors	127,678,510	115,249,723

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 2012.

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 value.

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

	7,220,000	9,238,545
Frances Baard District Municipality Grant (FBDM Grant)	-	1,208,696
Grants	7,220,000	8,029,848
Total Conditional Grants and Receipts	7,220,000	9,238,545

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 LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012 R	2011 R
17. VAT PAYABLE FROM EXCHANGE TRANSACTIONS		
Vat Payable from Exchange Transactions	<u>12,504,229</u>	<u>10,971,434</u>
<p>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.</p>		
18. LONG TERM LIABILITIES		
Annuity Loans	165,943,572	99,804,371
Finance Lease Liabilities	<u>8,968,050</u>	<u>8,589,960</u>
Sub-total	174,911,622	108,394,331
Less: Current Portion transferred to Current Liabilities:-	18,349,899	14,439,801
Annuity Loans	<u>9,471,767</u>	<u>7,187,644</u>
Finance Lease Liabilities	<u>8,878,132</u>	<u>7,252,157</u>
Total Long-term Liabilities	<u><u>156,561,723</u></u>	<u><u>93,954,531</u></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 (2011: 3 and 5 years). The effective monthly interest rate on Finance Leases is between 0.88% and 9.83% (2011: 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	
	2012	2011	2012	2011
Amounts payable under finance leases:	R	R	R	R
Within one year	9,074,999	7,814,551	8,714,696	7,628,786
In the second to fifth years, inclusive	<u>535,605</u>	<u>1,791,222</u>	<u>253,354</u>	<u>961,174</u>
	9,610,604	9,605,773	8,968,050	8,589,960
Less: Future Finance Obligations	<u>642,554</u>	<u>1,015,813</u>	-	-
Present Value of Minimum Lease Obligations	<u><u>8,968,050</u></u>	<u><u>8,589,960</u></u>	<u><u>8,968,050</u></u>	<u><u>8,589,960</u></u>
Less: Amounts due for settlement within 12 months (Current Portion)			<u>8,878,132</u>	<u>7,252,157</u>
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u><u>89,918</u></u>	<u><u>1,337,803</u></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 3 months
 - Average effective interest rate 4.08%
 - Average monthly instalment 32,000
- (ii) Scania Power Generator
 - Instalments are payable monthly in advance
 - Average period outstanding 6 months
 - Average effective interest rate 1.17%
 - Average monthly instalment 29,995

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012	2011
	R	R
19. RETIREMENT BENEFIT LIABILITIES		
19.1 Post-retirement Health Care Benefits Liability		
Balance at beginning of Year	138,942,199	117,046,164
Contributions to Provision	(3,257,460)	(2,905,680)
Expenditure incurred	20,870,361	18,078,392
Actuarial (gain)/loss	5,848,403	6,723,323
Balance at end of Year	162,403,503	138,942,199
Transfer to Current Provisions	(3,773,604)	(3,257,460)
Total Post-retirement Health Care Benefits Liability	158,629,899	135,684,739

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 2012 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	1,284	1,261
In-service (employee) non-members	691	656
Continuation Members (retirees and widowers)	149	136
Total Members	2,124	2,053

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

In-service Members	117,509,000	100,818,735
Continuation Members	44,894,503	38,123,464
Total Liability	162,403,503	138,942,199

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 2012 is R8,898,172, whereas interest cost for the year is R11,972,189 the cost for the ensuing year is estimated to be R9,455,725 and R12,942,473 respectively (2011: R7,441,600 and R10,636,792 respectively).

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

2012
R

2011
R

19. RETIREMENT BENEFIT LIABILITIES (Continued)

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

Discount Rate	8.06%	8.72%
Health Care Cost Inflation Rate	7.05%	7.34%
Net Effective Discount Rate	0.94%	1.29%
Expected Rate of Salary Increase	6.25%	6.25%
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	138,942,199	117,046,164
Current service costs	8,898,172	7,441,600
Interest cost	11,972,189	10,636,792
Benefits paid	(3,257,460)	(2,905,680)
Actuarial losses / (gains)	5,848,403	6,723,323
Present Value of Fund Obligation at the end of the Year	162,403,503	138,942,199
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	162,403,503	138,942,199

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

Present value of fund obligations	162,403,503	138,942,199
Total Benefit Liability	162,403,503	138,942,199

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

Current service cost	8,898,172	7,441,600
Interest cost	11,972,189	10,636,792
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	20,870,361	18,078,392

The history of experienced adjustments is as follows:

	2012 R	2011 R	2010 R	2009 R	2008 R
Present Value of Defined Benefit Obligation	162,403,503	138,942,199	117,046,164	113,425,731	98,197,330
Deficit	162,403,503	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.

2012
R

2011
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	25,046,800	20,747,000
Effect on the defined benefit obligation	183,755,000	163,083,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	17,566,900	15,597,200
Effect on the defined benefit obligation	143,774,000	119,503,000

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 LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012 R	2011 R
20. NON-CURRENT PROVISIONS		
Provision for Ex-Gratia Arrangements	551,734	477,682
Provision for Long Service Awards	11,936,361	8,208,229
Provision for Rehabilitation of Land-fill Sites	25,188,242	23,540,936
Total Non-current Provisions	37,676,337	32,226,847

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

	Ex-Gratia Arrangements R	Long Service Awards R	Land-fill Sites R
30 June 2012			
Balance at beginning of year	477,682	9,718,623	23,540,936
Current service cost	-	1,803,302	-
Interest cost	39,780	686,621	-
Expenditure incurred / Contribution	-	(1,510,394)	1,647,306
Actuarial Loss / (Gain)	34,272	2,673,966	-
	<u>551,734</u>	<u>13,372,118</u>	<u>25,188,242</u>
Transfer to current provisions	-	(1,435,757)	-
Balance at end of year	551,734	11,936,361	25,188,242
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	-
	<u>477,682</u>	<u>9,718,623</u>	<u>23,540,936</u>
Transfer to current provisions	-	(1,510,394)	-
Balance at end of year	477,682	8,208,229	23,540,936

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 2012 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 year is estimated to be: 39,780.00 34,348.00

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

Discount Rate	8.23%	8.33%
Cost Inflation Rate	7.13%	6.35%
Net Effective Discount Rate	1.02%	1.86%
Expected Rate of Salary Increase	6.25%	6.25%
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	477,682	381,297
Interest cost	39,780	34,348
Actuarial losses / (gains)	34,272	62,037
Present Value of Fund Obligation at the end of the Year	551,734	477,682
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	551,734	477,682

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

2012
R

2011
R

20. NON-CURRENT PROVISIONS (Continued)

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

Interest cost	39,780	34,348
Actuarial losses / (gains)	34,272	62,037
Total Post-retirement Benefit included in Employee Related Costs	74,052	96,385

The history of experienced adjustments is as follows:

	2012 R	2011 R	2010 R	2009 R	2008 R
Present Value of Defined Benefit Obligation	551,734	477,682	381,297	413,564	396,597
Deficit	551,734	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.

2012
R

2011
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	43,230	37,628
Effect on the defined benefit obligation	594,508	519,115

Decrease:

Effect on the aggregate of the interest cost	36,599	31,350
Effect on the defined benefit obligation	511,962	439,492

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 2012 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 1,975 (2011: 1,838) employees were eligible for Long-service Awards.

The current service cost for the year is estimated to be R1,803,302 (2011: R1,718,741), whereas the interest costs for the current year is estimated to be R686,621 (2011: R712,884).

2012
R

2011
R

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

Discount Rate	6.35%	7.65%
Cost Inflation Rate	5.98%	6.25%
Net Effective Discount Rate	0.35%	1.32%
Expected Rate of Salary Increase	6.50%	6.25%
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	9,718,623	9,068,379
Current service costs	1,803,302	1,718,741
Interest cost	686,621	712,884
Benefits paid	(1,510,394)	(2,394,004)
Actuarial losses / (gains)	2,673,966	612,623
Present Value of Fund Obligation at the end of the Year	13,372,118	9,718,623
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	13,372,118	9,718,623

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012 R	2011 R
20. NON-CURRENT PROVISIONS (Continued)		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	13,372,118	9,718,623
Total Benefit Liability	13,372,118	9,718,623

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

Current service cost	1,803,302	1,718,741
Interest cost	686,621	712,884
Benefits paid	(1,510,394)	(2,394,004)
Actuarial losses / (gains)	2,673,966	612,623
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	3,653,495	650,244

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 (2011: R0).

The history of experienced adjustments is as follows:

	2012 R	2011 R	2010 R	2009 R	2008 R
Obligation	13,372,118	9,718,623	9,068,379	8,770,794	8,371,062
Deficit	13,372,118	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.

	2012 R	2011 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	2,587,251	2,551,158
Effect on the defined benefit obligation	14,055,000	10,060,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	2,399,628	2,322,008
Effect on the defined benefit obligation	12,740,000	9,398,000

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):

	25,188,242	23,540,936
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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.

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

Inflation Rate	6.55%	4.91%
Size of landfill site in hectares	16	16
Annual tonnage of waste deposited	26,000	26,000
Approximately 1ha per year of the landfill site is considered to be filled with no air space remaining and may be prepared for rehabilitation.		

21. ACCUMULATED SURPLUS

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

Capital Replacement Reserve (CRR)	17,532,883	1,409,116
Self-insurance Reserve	18,638,831	18,561,409
C.O.I.D. Reserve	9,063,943	8,726,551
Accumulated Surplus / (Deficit) due to the results of Operations	980,625,621	837,219,365
Total Accumulated Surplus	1,025,861,279	865,916,441

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 LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

22. PROPERTY RATES	Property Valuations		2012	2011
	July 2011	July 2010	R	R
	R000's	R000's		
Residential	10,862,245	9,141,002	80,589,841	72,243,648
Business	2,674,320	1,773,188	65,170,530	45,083,120
Residential Business	238,096	247,770	3,411,962	3,624,197
Rural	1,037,324	330,248	1,363,607	454,217
Industrial	204,863	115,311	7,227,573	4,172,528
PSI	31,398	618,000	-	1,539,975
State	1,859,453	1,314,240	112,141,378	81,670,314
Mining Areas	8,274	4,005	1,133,314	562,662
Exempt	687,353	393,443		
Total Assessment Rates	17,603,326	13,937,207	271,038,205	209,350,661

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 2011. 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. 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 50% (2011: 20%) was allowed on residential properties for pensioners based on the annual income of the ratepayer's household.

23. INTEREST EARNED	2012	2011
	R	R
External Investments:		
Interest	8,564,973	4,801,581
Outstanding Debtors:		
Outstanding Debtors	30,385,801	30,000,343
Total Interest Earned	38,950,774	34,801,924

Interest Earned on Financial Assets, analysed by category of asset, is as follows:

Available-for-Sale Financial Assets	8,564,973	4,801,581
Loans and Receivables	30,385,801	30,000,343
	38,950,774	34,801,924

24. SERVICE CHARGES	2012	2011
Sale of Electricity	480,069,986	360,484,993
Sale of Water	169,936,398	132,726,907
Refuse Removal	37,730,629	32,932,403
Sewerage and Sanitation Charges	52,961,510	45,180,404
Other	695	80,985
Total Service Charges	740,699,217	571,405,692

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.

25. RENTAL OF FACILITIES AND EQUIPMENT	2012	2011
Rental Revenue from Facilities and Equipment	12,416,061	12,739,145
Total Rental of Facilities and Equipment	12,416,061	12,739,145

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

26. GOVERNMENT GRANTS AND SUBSIDIES	2012	2011
Provincial Equitable Share	131,806,000	121,743,177
Provincial Health Subsidies	2,435,000	2,306,000
Other Subsidies	1,698,000	1,677,000
Operational Grants	135,939,000	125,726,177
Conditional Grants	116,620,853	64,125,767
National: FMG	1,450,000	1,200,000
National: MIG	45,363,000	34,749,596
National: Grants	27,028,214	8,084,577
National: EPWP	11,462,340	9,649,080
Provincial: Grants	4,651,204	6,325,903
Local Government: Local Municipalities Grant	2,217,696	2,066,303
Other Spheres of Government: Various Grants	24,448,399	2,050,308
Total Government Grants and Subsidies	252,559,853	189,851,943

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012 R	2011 R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Operational Grants:		
26.1 National: Equitable Share	<u>131,806,000</u>	<u>121,743,177</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	2,435,000	2,306,000
- Environmental Health	-	-
- Primary Health	2,435,000	2,306,000
Conditions met - transferred to Revenue	<u>(2,435,000)</u>	<u>(2,306,000)</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 for health services (included in Appendix F).		
26.3 Other Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts:	1,698,000	1,677,000
- Library	1,086,000	1,100,000
- Provincial Resort subsidy	612,000	577,000
Conditions met - transferred to Revenue	<u>(1,698,000)</u>	<u>(1,677,000)</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	1,450,000	1,200,000
Conditions met - transferred to Revenue: Operating Expenses	<u>(1,450,000)</u>	<u>(1,200,000)</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). Not all funds have been paid.		
26.5 National: MIG Funds		
Balance unspent at beginning of year	-	255,596
Current year receipts	45,363,000	34,494,000
Conditions met - transferred to Revenue: Operating Expenses	(1,369,595)	(1,137,736)
Conditions met - transferred to Revenue: Capital Expenses	<u>(43,993,405)</u>	<u>(33,611,859)</u>
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.		
26.6 National: Funds		
Balance unspent at beginning of year	8,029,848	-
Current year receipts	26,218,365	16,114,425
Conditions met - transferred to Revenue: Operating Expenses	(995,368)	(750,000)
Conditions met - transferred to Revenue: Capital Expenses	<u>(26,032,845)</u>	<u>(7,334,577)</u>
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>7,220,000</u>	<u>8,029,848</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	11,462,340	9,649,080
Conditions met - transferred to Revenue: Operating Expenses	(11,462,340)	(9,649,080)
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
Current year receipts	4,651,204	5,526,693
Conditions met - transferred to Revenue: Operating Expenses	(1,047,684)	-
Conditions met - transferred to Revenue: Capital Expenses	<u>(3,603,520)</u>	<u>(6,325,903)</u>
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 Provincial Government (included in Appendix F). Not all funds have been paid.		

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012	2011
	R	R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
26.9 Local Government - Local Municipalities		
Balance unspent at beginning of year	1,208,696	2,381,493
Current year receipts	1,009,000	893,506
Conditions met - transferred to Revenue: Operating Expenses	(2,217,696)	(500,000)
Conditions met - transferred to Revenue: Capital Expenses	-	(1,566,303)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	<u>1,208,696</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	-	-
Current year receipts	24,448,399	2,050,308
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(24,448,399)	(2,050,308)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
The grant is spent in accordance with business plans approved by the relevant grantor (Detail 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		
No Public contributions were received for the financial year.		
28. OTHER INCOME		
Premiums received and claims recovered	3,696,429	4,545,171
Admission and transaction fees	2,427,322	2,397,973
Burial fees	1,323,416	1,340,736
Connections and Disconnections	3,346,716	6,304,171
Dues	3,101,700	3,406,021
Miscellaneous revenue	6,949,328	5,387,072
Pail and Vacuum tank fees	822,181	768,193
Unclaimed fines, deposits and stale cheques	1,414,463	347,286
Other Income	2,070,050	1,979,023
Total Other Income	<u>25,151,605</u>	<u>26,475,644</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	218,961,590	203,334,610
Employee Related Costs - Contributions for UIF and Medical Aids	28,400,504	26,310,274
Employee Related Costs - Contributions for Pensions	34,853,376	32,157,708
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	63,982,524	54,751,135
Housing Benefits and Allowances	1,904,159	2,111,306
Overtime Payments	14,638,132	12,078,850
Long-service Awards	7,657,453	6,554,680
Defined Benefit Plan Expense:	31,956,705	27,942,348
Current Service Cost	10,701,474	9,160,341
Interest Cost	12,698,590	11,384,024
Net Actuarial (gains)/losses recognised	8,556,641	7,397,983
Total Employee Related Costs	<u>402,354,443</u>	<u>365,240,911</u>
Remuneration of the Municipal Manager		
Annual Remuneration	1,443,190	1,381,270
Car Allowance	150,000	150,000
Company Contributions to UIF, Medical and Pension Funds	272,926	255,385
Total	<u>1,866,116</u>	<u>1,786,655</u>
Remuneration of the Director: Finance		
Annual Remuneration	861,573	523,649
Car Allowance	242,257	186,219
Company Contributions to UIF, Medical and Pension Funds	128,957	110,885
Total	<u>1,232,787</u>	<u>820,753</u>

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NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012 R	2011 R
29. EMPLOYEE RELATED COSTS (Continued)		
<i>Remuneration of the Director: Corporate Services</i>		
Annual Remuneration	319,707	698,348
Car Allowance	102,425	211,619
Company Contributions to UIF, Medical and Pension Funds	46,571	108,576
Total	468,704	1,018,543
The post was vacant for a portion of the year.		
<i>Remuneration of the Director: Strategy, Economic Development and Planning</i>		
Annual Remuneration	361,966	630,576
Car Allowance	102,805	209,791
Company Contributions to UIF, Medical and Pension Funds	41,560	93,831
Total	506,330	934,198
The post was vacant for a portion of the year.		
<i>Remuneration of the Director: Community Services</i>		
Annual Remuneration	497,510	601,955
Car Allowance	203,038	188,443
Company Contributions to UIF, Medical and Pension Funds	82,746	108,818
Total	783,293	899,216
The post was vacant for a portion of the year.		
<i>Remuneration of the Director: Technical Services</i>		
Annual Remuneration	584,006	529,511
Car Allowance	240,082	186,219
Company Contributions to UIF, Medical and Pension Funds	115,761	101,488
Total	939,849	817,219
The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:		
Staff Leave Benefits:-		
Municipal Manager	194,785	130,088
Chief Financial Officer	53,446	-
Director Community	20,872	-
Director Corporate	-	26,275
Director SED	-	51,005
Director Technical	92,476	-
Total	361,578	207,368
30. REMUNERATION OF COUNCILLORS		
Executive Mayor	632,209	594,278
Speaker	460,967	504,191
Councillors	9,771,344	7,557,550
Contributions to UIF, Medical and Pension Funds and other allowances	5,550,494	4,674,934
Total Councillors' Remuneration	16,415,015	13,330,953
<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	38,903,727	37,073,319
Amortisation: Intangible Assets	2,547,898	1,679,723
Depreciation: Investment Property	744,438	766,767
Total Depreciation and Amortisation	42,196,063	39,519,808
32. IMPAIRMENT LOSSES		
32.1 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	103,687,991	97,383,130
Consumer Debtors	103,687,991	97,383,130
Total Impairment Losses	103,687,991	97,383,130
33. FINANCE COSTS		
Loans and Payables at amortised cost	15,856,487	8,736,269
Finance Leases	1,238,679	1,815,484
Total Interest Expense	17,095,166	10,551,753
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	17,095,166	10,551,753

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

34. BULK PURCHASES	2012	2011
	R	R
Electricity	269,730,672	213,319,748
Water	20,291,430	20,995,098
Total Bulk Purchases	<u>290,022,102</u>	<u>234,314,846</u>

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	1,000,000
Gariiep Festival	1,000,000	1,000,000
Other Grants	357,000	741,000
Subsidy paid to SPCA	550,000	450,000
Total Grants and Subsidies	<u>2,907,000</u>	<u>3,191,000</u>

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	4,047,921	3,731,873
Audit committee	433,950	408,820
Bank charges	1,551,927	1,046,808
Claims paid	1,442,254	559,674
Clarification/Purification	5,115,722	7,030,887
Cleaning material	425,794	423,214
Conferences and seminars	5,497,113	4,447,851
Course fees/Central training fund	3,670,849	2,966,740
Discount on early payment	7,200,676	2,674,033
Electricity	39,529,749	27,300,973
Fuel	9,230,201	7,356,527
FMG Interns	794,121	578,714
Hire of labour	1,204,600	1,113,401
Indigent subsidy	43,424,481	34,378,808
Insurance - other	2,878,453	2,364,487
Insurance - vehicles	600,000	543,000
Laboratory	260,355	508,355
Job creation cleaning project	6,836,118	6,706,536
Legal expenses	2,742,488	955,827
Membership fees	2,946,088	1,810,271
Postage	1,446,947	1,599,753
Printing and stationary	4,620,826	3,665,332
Professional fees	19,187,663	18,545,017
Projects	38,681,865	43,596,603
Projects EPWP	11,462,340	9,649,080
Protective clothing	1,388,419	1,202,059
Refuse removals	519,752	477,449
Sanitation	1,046,053	914,932
Sport	355,876	522,732
Stores	1,508,107	1,590,660
Subsidy services projects	-	-
Sundries	565,894	269,819
Telephone expenditure	5,654,638	5,185,666
Training	1,417,056	1,312,409
Uniforms	1,186,352	1,030,058
Water	11,591,929	4,757,175
Ward committee activities	3,801,348	3,494,923
Workmen's compensation insurance	1,322,795	1,325,242
Other General Expenses	8,044,489	7,132,805
Total General Expenses	<u>253,635,209</u>	<u>213,178,515</u>

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 directly attributable to a specific service or class of expense.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

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 under review.

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	(22,959,971)
Corrections to Expenditure	766,365
Corrections to Depreciation on Property, Plant and Equipment	300,307
Corrections to Income	(13,953)
Corrections to Property, Plant and Equipment	<u>52,196,023</u>
Increase / (Decrease) in Unappropriated Surplus Account	<u>30,288,771</u>
Increase / (Decrease) in Accumulated Surplus Account	<u>30,288,771</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:

	2011 Revenue	2011 Correction	Restated Amount
Government Grants and Subsidies Received	190,806,628	(954,684)	189,851,943
Income for Agency Services	3,488,878	319,298	3,808,176
Interest Earned - Outstanding Debtors	31,282,531	(1,282,188)	30,000,343
Rental of Facilities and Equipment	12,740,245	(1,100)	12,739,145
Other Income	<u>26,288,454</u>	<u>187,191</u>	<u>26,475,644</u>
	<u>264,606,735</u>	<u>(1,731,483)</u>	<u>262,875,252</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:

	2011 Expenditure	2011 Correction	Restated Amount
Employee Related Costs	364,339,736	901,175	365,240,911
Depreciation and Amortisation	38,592,691	927,117	39,519,808
Loss on Disposal of Property, Plant and Equipment	-	396,060	396,060
General Expenses	<u>212,983,878</u>	<u>194,637</u>	<u>213,178,515</u>
	<u>615,916,306</u>	<u>2,418,988</u>	<u>618,335,294</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:

	2011 Fin Position	2011 Correction	Restated Amount
Accumulated Surplus	835,632,534	30,283,906	865,916,441
Long-term Liabilities	96,758,275	(2,803,744)	93,954,531
Creditors	112,989,700	2,260,023	115,249,723
Current Portion of Long-term Liabilities	17,897,429	(3,457,628)	14,439,801
Property, Plant and Equipment	792,556,915	41,782,427	834,339,342
Intangible Assets	2,485,582	1,483,437	3,969,019
Investment Property	115,349,700	8,303,349	123,653,049
Non-current Assets Held-for-Sale	643,888	(596,460)	47,428
Trade Receivables from Exchange Transactions	145,028,013	(24,242,157)	120,785,855
Trade Receivables from Non-Exchange Transactions	122,850,811	(754,284)	122,096,526
Cash and Cash Equivalents	70,002,668	(13,053)	69,989,615
Vat Receivable from Exchange Transactions	9,493,012	319,298	9,812,310

39.4 Restatement of Non-current 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 general expenses increased by R194,636, while the finance lease liability owing at 30 June 2011 increased by R194,636.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

39. CORRECTION OF ERROR (Continued)

The effect of the Correction of Error is as follows:

	Finance Lease Liabilities
Balances as per AFS previously published for 2010/2011	14,851,133
Restatement of non-current liabilities	(6,261,173)
Balances as per current AFS published for 2010/2011	8,589,960

39.5 Restatement of Current Liabilities:

Included in the prior year's restated creditors' balance is an amount of R2,260,023 in respect of the backpay and qualification refunds to employees created retrospectively.

As explained in note 39.4 the correction in the leases resulted in a correction (see note 18.1) as is reflected below.

The effect of the Correction of Error is as follows:

	Current Portion of Long-term Liabilities	Creditors
Balances as per AFS previously published for 2010/2011	17,897,429	112,989,700
Restatement of Current Liabilities	(3,457,628)	2,260,023
Balances as per current AFS published for 2010/2011	14,439,801	115,249,723

39.6 Restatement of Non-Current Assets

The Municipality unbundled its Asset Register during a 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), Investment Property (refer to note 11) and Intangible Assets (refer note 10) have been restated to reflect these changes for the 2010/2011 year, while the adjustment to Accumulated Surplus is as indicated.

The effect of the Correction of Error is as follows:

	Investment Property (IP)	Property, Plant and Equipment	Intangible Assets (IA)
Balances as per AFS previously published for 2010/2011	115,349,700	792,556,915	2,485,582
Restatement of non-current assets	8,303,349	41,782,427	1,483,437
Balances as per current AFS published for 2010/2011	123,653,049	834,339,342	3,969,019

39.7 Restatement of Depreciation:

The Municipality unbundled its Asset Register during a prior financial year. Certain errors (duplications and omissions) were discovered on the Asset Register during the current financial year. As a result the Depreciation expense (refer to note 31) have been restated to reflect these changes for the 2010/2011 year, while the adjustment to Accumulated Surplus is as indicated.

The effect of the Correction of Error is as follows:

	Depreciation on IP	Depreciation on PPE	Depreciation on IA
Balances as per AFS previously published for 2010/2011	1,644,400	380,867,201	4,233,932
Restatement of Depreciation	-	249,669	765,697
Balances as per current AFS published for 2010/2011	1,644,400	381,116,870	4,999,629

39.8 Adjustment of Revenue:

The prior year balance for Interest Earned - Outstanding Debtors has been restated to exclude the interest on two accounts which was previously erroneously included in debtors. The restatement has the effect that income was reduced by R1,282,188.

Included in the restated prior year figures for Income for Agency Services is an amount of R319,298 which was erroneously paid over to SARS which has now been reclassified as revenue.

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 decrease in Revenue of R954,684, and a decrease in the balance Trade Receivables from Non-Exchange Transactions of R954,684.

Included in the restated prior year figures for Other Income (refer to Note 28) is an amount of R187,190 which was previously credited against a creditor's account which has now been reclassified as revenue.

The prior year balance for Rental of Facilities and Equipment has been restated due to a journal that was passed during the year. The restatement has resulted in an increase in Revenue of R1,100 and the Accumulated Surplus as at 30 June 2011 decreased by R1,100.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

39. CORRECTION OF ERROR (Continued)

The effect of the Correction of Error is as follows:

	Income for Agency Services	Government Grants and Subsidies	Other Income	Interest Earned - Outstanding Debtors
Revenue as per AFS previously published for 2010/2011	3,488,878	190,806,628	26,288,454	31,282,531
Adjustment of prior period revenue	319,298	(954,685)	187,190	(1,282,188)
Revenue as per AFS currently disclosed for 2010/2011	<u>3,808,176</u>	<u>189,851,943</u>	<u>26,475,644</u>	<u>30,000,343</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 financial years) for employees who received retrospective salary adjustments. As a result of the retrospective application of these salary adjustments, the Accumulated Surplus decreased by R809,466. Furthermore backpay for employees of R99,708 re qualification allowances were paid retrospectively. The result of the correction of this error was that Accumulated Surplus as at 30 June 2011 decreased by R99,708.

The prior year figure for Depreciation and Amotisation has been restated due to corrections made to the Asset Register. This oversight has been rectified and the restated figure is reflected below.

The prior year figure for loss on disposal of PPE (Non Current Assets Held for Sale) has been restated due to the creation of a debtor. 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 errors that was corrected to the amount of R194,637 which were discovered during the current financial year in respect of the reclassification of the erroneously captured finance lease transactions (increase in General Expenses)

The effect of the Correction of Error is as follows:

	Employee Related Costs	Depreciation and Amotisation	Loss on Disposal of PPE	General Expenses
Expenses as per AFS previously published for 2010/2011	364,339,736	38,592,691	-	212,983,878
Adjustment of prior period expenses	901,175	927,117	396,060	194,637
Expenses as per AFS currently disclosed for 2010/2011	<u>365,240,911</u>	<u>39,519,808</u>	<u>396,060</u>	<u>213,178,515</u>

39.10 Restatement of Current Assets

Included in the prior year's restated balance for Current Assets are restated balances for Trade Receivables from Non- and Exchange Transactions, Non-Current Assets Held for Sale, Cash and Cash Equivalents and Vat Receivable from Exchange Transactions. The effect on Accumalated Surplus and on Current Assets is reflected below.

The effect of the Correction of Error is as follows:

	Current Assets
Expenses as per AFS previously published for 2010/2011	367,050,711
Adjustment for prior period error	(25,286,656)
Expenses as per AFS currently disclosed for 2010/2011	<u>341,764,055</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012	2011
	R	R
40. CHANGE IN ACCOUNTING ESTIMATES		
No changes were made to existing accounting estimates during the current financial year that could potentially have a material impact on the Annual Financial Statements.		
41. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	159,944,838	26,873,248
Adjustment for:		
Adjusting non cash flow items prior errors	-	(28,663,568)
Depreciation and Amortisation	42,196,063	39,519,808
Contribution to Impairment Provision	106,663,513	105,223,655
Bad Debts Recovered	3,309,933	1,729,391
Bad Debts Written-off	(56,387,926)	(246,368,291)
Investment Income	(38,950,774)	(34,801,924)
Finance Costs	17,095,166	10,551,753
Operating surplus before working capital changes	233,870,812	(125,935,927)
(Increase)/Decrease in Inventories	(2,315,124)	(2,612,200)
(Increase)/Decrease in Consumer Debtors	(108,278,591)	168,230,711
(Increase)/Decrease in Other Debtors	(25,547,112)	(2,720,855)
(Increase)/Decrease in VAT Receivable	1,989,064	(6,058,837)
(Increase)/Decrease in Operating Lease Assets	(7,675)	(5,738)
Increase/(Decrease) in Consumer Deposits	2,241,016	1,631,909
Increase/(Decrease) in Creditors	12,428,787	8,984,221
Increase/(Decrease) in Conditional Grants and Receipts	(2,018,545)	5,802,245
(increase)/Decrease in provisions	28,836,157	23,732,932
Increase/(Decrease) in VAT Payable	1,532,795	(19,240,777)
Cash generated by / (utilised in) Operations	142,731,585	51,807,684
Income for the year	1,353,639,575	1,055,193,058
Adjustment for:-		
Investment income	(38,950,774)	(34,801,924)
(Increase)/decrease in Consumer Debtors	(108,278,591)	168,230,711
Bad Debts Recovered	3,309,933	1,729,391
Bad Debts Written-off	(56,387,926)	(246,368,291)
(Increase)/Decrease in Operating Lease Assets	(7,675)	(5,738)
Increase/(Decrease) in Consumer Deposits	2,241,016	1,631,909
(Increase)/decrease in other debtors	(25,547,112)	(2,720,855)
(Decrease)/increase in conditional grants and receipts	(2,018,545)	5,802,245
Cash receipts from ratepayers, government and other	1,127,999,900	948,690,505
Expenditure for the year	1,193,694,736	1,028,319,810
Adjustment for:-		
Depreciation	42,196,063	39,519,808
Contribution to bad debt provision	106,663,513	105,223,655
Adjusting non cash flow items prior errors	-	(28,663,568)
Interest paid	17,095,166	10,551,753
Operating expenditure before working capital changes:	1,027,739,995	901,688,161
(Increase)/Decrease in inventories	(2,315,124)	(2,612,200)
(Decrease)/Increase in creditors	12,428,787	8,984,221
(increase)/Decrease in provisions	28,836,157	23,732,932
(decrease)/Increase in VAT	3,521,859	(25,299,614)
Cash paid to suppliers and employees	985,268,315	896,882,821
Cash generated by/(utilized in) operations	142,731,585	51,807,684
42. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the financial year under review.		
43. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility payable at call:		
- Amount used	-	-
- Amount unused	-	-

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012	2011
	R	R
44. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities (See Note 18)	174,911,622	108,394,331
Used to finance Property, Plant and Equipment - at cost	<u>(174,911,622)</u>	<u>(108,394,331)</u>
	<u>-</u>	<u>-</u>
Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act.		

45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

To management's best of knowledge the following Unauthorised Expenditure was incurred during the year under review.

	2012	2011	2010
	R	R	R
Reconciliation of Unauthorised Expenditure:			
Opening balance	1,855,979	1,778,280	1,778,280
Unauthorised Expenditure current year	358,340	1,592,925	-
Approved by Council or condoned	<u>(2,214,319)</u>	<u>(1,515,226)</u>	<u>-</u>
Unauthorised Expenditure awaiting authorisation	<u>0</u>	<u>1,855,979</u>	<u>1,778,280</u>

Incident	Amount	Causes
Budget overspending as per the financial statements 2011	1,855,979	Implementation of Full time MAYCO and provision for health incurring an actuarial loss.
Budget overspending as per the financial statements 2012	5,163,757	Over-expenditure on maintenance and depreciation due to non-allocation of costs to various maintenance votes and correction of error in the asset registers.

45.2 Fruitless and Wasteful Expenditure

	2012	2011
	R	R
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	582,678	727,289
Fruitless and Wasteful Expenditure current year	555,625	582,678
Condoned or written off by Council	<u>-</u>	<u>(727,289)</u>
Fruitless and Wasteful Expenditure awaiting condonement	<u>1,138,303</u>	<u>582,678</u>

Incident	Amount	Causes
Ex-gratia payments	998,938	Ex-gratia payments were made to officials who do not qualify for these payments.
Penalty fee - SARS late payment	139,364	Cheque drawn was not accepted by SARS in terms of their policy, an EFT has to be arranged and the payment was late as such.

45.3 Irregular Expenditure

	2012	2011	2010
	R	R	R
Reconciliation of Irregular Expenditure:			
Opening balance	40,480,889	102,005,664	66,538,092
Irregular Expenditure current year	28,842,658	9,930,194	35,467,573
Condoned or written off by Council or ratified by Accounting Officer	<u>(62,537,875)</u>	<u>(71,454,969)</u>	<u>-</u>
Irregular Expenditure awaiting condonement	<u>6,785,672</u>	<u>40,480,889</u>	<u>102,005,664</u>

Incident	Amount	Causes
Overpayment of councillors	542,299	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.	8,974,137	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.

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 Contributions to organised local government - SALGA

	2012	2011
	R	R
Opening Balance	-	-
Council Subscriptions	2,948,722	1,804,735
Amount Paid - current year	<u>(2,948,722)</u>	<u>(1,804,735)</u>
Amount Paid - previous years	<u>-</u>	<u>-</u>
Balance Unpaid (Included in Creditors)	<u>-</u>	<u>-</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012 R	2011 R	
46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)			
46.2 Audit Fees			
Opening Balance	-	-	
Current year Audit Fee	4,047,921	3,731,873	
Amount Paid - current year	(4,047,921)	(3,731,873)	
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.			
46.4 PAYE and UIF			
Opening Balance	-	-	
Current year Payroll Deductions	46,796,112	39,314,918	
Amount Paid - current year	(46,796,112)	(39,314,918)	
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	93,048,039	87,948,701	
Amount Paid - current year	(93,048,039)	(87,948,701)	
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:			
30 June 2012	Total	Outstanding up to 90 days	Outstanding more than 90 days
Boqo AN	1,627	1,347	281
Mfulo A	1,896	1,611	286
Thabana MP	4,155	3,737	418
Tsimakwane E	1,510	926	584
Hale EK	15,500	1,096	14,405
Modise GN	16,174	584	15,590
Bishop PD	2,140	730	1,410
Mokogosi R	2,262	636	1,626
Mathe EM	3,420	1,398	2,023
Kruger LE	10,998	3,476	7,522
Vilakazi PM	11,775	192	11,583
Davids RM	44,183	1,875	42,308
Morwe (Dispute account)	38,242	4,257	33,986
Total Councillor Arrear Consumer Accounts	153,884	21,863	132,021

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

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

30 June 2011	Total	Outstanding up to 90 days	Outstanding more than 90 days
Hale EM	25,664	2,747	22,918
Dawids RM	35,072	3,875	31,197
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
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
Nlhangula A	2,280	1,245	1,035
Pietersen J	746	173	573
Beyliefeld, MJ	602	84	518
Chwarisang, M	628	-	628
de Kock, KJ	774	37	737
Mashodi, SC	1,896	430	1,467
Matsekete, LT	57,535	4,959	52,576
Mbasa W	1,091	-	1,091
Mohulatsi, KB	259	13	246
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
Swanepoel, F	10,793	833	9,960
Williams, LE	210	-	210
Thole, MK	1,572	207	1,365
Total Councillor Arrear Consumer Accounts	327,180	35,196	291,984

46.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act
No known matters existed at the reporting date.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

2012 2011
R R

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

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 14.26% (2011: 17.54%) is disclosed to the amount of:

2,892,898 3,682,491

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding electricity losses as a result of various factors are 13.22% (2011: 12.48%) is disclosed to the amount of:

35,669,358 26,630,278

47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

50,065,058 60,077,528

50,065,058	60,077,528
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- Approved but Not Yet Contracted for:-

Infrastructure

Community

Other

442,350,599 428,547,320

386,272,599	337,983,475
20,800,000	14,768,000
35,278,000	75,795,845

Total Capital Commitments

492,415,657 488,624,848

492,415,657	488,624,848
-------------	-------------

This expenditure will be financed from:

External Loans

Government Grants

Other Grants

Own Resources

124,900,000 226,000,000

279,089,153 225,624,848

54,450,067 -

33,976,437 37,000,000

492,415,657 488,624,848

492,415,657	488,624,848
-------------	-------------

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

-	9,972,829
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SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012	2011
	R	R
48. FINANCIAL INSTRUMENTS		
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	33,808,816
Refuse	Loans and receivables	9,379,633
Sewerage	Loans and receivables	10,889,998
Water	Loans and receivables	35,905,372
Miscellaneous	Loans and receivables	79,860,553
Market	Loans and receivables	270,273
Housing Debtors	Loans and receivables	5,364,282
Other Debtors		
Assessment Rates	Loans and receivables	89,773,209
Government Subsidy Claims	Loans and receivables	55,349,475
Miscellaneous debtors	Loans and receivables	4,389,727
Bank, Cash and Cash Equivalents		
Call Deposits	Available for sale	140,941,917
Notice Deposits	Held to maturity	30,973,203
Cash Floats and Advances	Available for sale	15,470
Operating Lease Assets		
Operating Lease Assets / Receivables	Loans and receivables	98,017
		90,342
SUMMARY OF FINANCIAL ASSETS		
Held to maturity:		
Short-term Investment Deposits	Notice Deposits	30,973,203
		2,297,808
		<u>30,973,203</u>
		<u>2,297,808</u>
Loans and Receivables		
Consumer Debtors	Assessment Rates	89,773,209
Consumer Debtors	Electricity	33,808,816
Consumer Debtors	Refuse	9,379,633
Consumer Debtors	Sewerage	10,889,998
Consumer Debtors	Water	35,905,372
Consumer Debtors	Miscellaneous	79,860,553
Consumer Debtors	Market	270,273
Consumer Debtors	Housing Debtors	5,364,282
Other Debtors	Government Subsidy Claims	55,349,475
Other Debtors	Miscellaneous debtors	4,389,727
Operating Lease Assets	Operating Lease Assets / Receivables	98,017
		90,342
		<u>325,089,354</u>
		<u>242,972,724</u>
Available for Sale:		
Bank Balances and Cash	Cash Floats and Advances	15,470
Short-term Investment Deposits	Call Deposits	140,941,917
		67,673,203
		<u>140,957,387</u>
		<u>67,691,807</u>
Total Financial Assets		<u>497,019,944</u>
		<u>312,962,339</u>

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	156,471,805	92,616,727
Finance Lease Liabilities	Financial liabilities at amortised cost	8,968,050	8,589,960
Consumer Deposits			
Electricity and Water	Financial liabilities at amortised cost	14,098,382	11,857,366
Creditors			
Trade Creditors	Financial liabilities at amortised cost	86,669,641	77,820,838
Other Creditors	Financial liabilities at amortised cost	53,127	2,498,157
Payments received in Advance	Financial liabilities at amortised cost	13,269,311	10,464,892
Staff Bonuses	Financial liabilities at amortised cost	7,375,533	6,770,637
Accrued leave	Financial liabilities at amortised cost	20,310,899	17,695,200
Finance Lease Liabilities	Financial liabilities at amortised cost	8,878,132	7,252,157

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

	2012 R	2011 R
48. FINANCIAL INSTRUMENTS (Continued)		
<u>Financial Liabilities</u>	<u>Classification</u>	
Unspent Conditional Grants and Receipts		
Conditional Grants from Government	7,220,000	9,238,545
Bank Overdraft		
Bank Overdraft	11,645,158	9,418,186
Current Portion of Long-term Liabilities		
Annuity Loans	9,471,767	7,187,644
 SUMMARY OF FINANCIAL LIABILITIES		
Financial Liabilities at Amortised Cost:		
Long-term Liabilities	156,471,805	92,616,727
Long-term Liabilities	8,968,050	8,589,960
Consumer Deposits	14,098,382	11,857,366
Creditors	86,669,641	77,820,838
Creditors	53,127	2,498,157
Unspent Conditional Grants and Receipts	7,220,000	9,238,545
Bank Overdraft	11,645,158	9,418,186
Current Portion of Long-term Liabilities	9,471,767	7,187,644
Creditors	13,269,311	10,464,892
Creditors	7,375,533	6,770,637
Creditors	20,310,899	17,695,200
Creditors	8,878,132	7,252,157
	<u>344,431,804</u>	<u>261,410,307</u>
Total Financial Liabilities	344,431,804	261,410,307

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 value. 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 2012		30 June 2011	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Held to maturity:	171,915,120	171,915,120	69,971,011	69,971,011
Call Deposits	140,941,917	140,941,917	67,673,203	67,673,203
Notice Deposits	30,973,203	30,973,203	2,297,808	2,297,808
Loans and Receivables	325,089,354	325,089,354	242,972,724	242,972,724
Consumer Debtors	265,252,136	265,252,136	227,997,490	227,997,490
Other Debtors	59,739,202	59,739,202	14,884,891	14,884,891
Operating Lease Assets	98,017	98,017	90,342	90,342
Available for Sale	15,470	15,470	18,604	18,604
Bank Balances and Cash	15,470	15,470	18,604	18,604
Total Financial Assets	<u>497,019,944</u>	<u>497,019,944</u>	<u>312,962,339</u>	<u>312,962,339</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

48. FINANCIAL INSTRUMENTS (Continued)

	30 June 2012		30 June 2011	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL LIABILITIES				
Designated as FVTPL:	326,585,622	326,585,622	245,568,190	245,568,190
Unsecured Bank Facilities:	168,116,963	168,116,963	102,034,913	102,034,913
- Annuity Loans	156,471,805	156,471,805	92,616,727	92,616,727
- Bank Overdraft	11,645,158	11,645,158	9,418,186	9,418,186
Trade and Other Payables:	158,468,659	158,468,659	143,533,277	143,533,277
- Consumer Deposits	14,098,382	14,098,382	11,857,366	11,857,366
- Creditors	127,678,510	127,678,510	115,249,723	115,249,723
- Unspent Conditional Grants	7,220,000	7,220,000	9,238,545	9,238,545
- Current Portion of Long-term Liabilities	9,471,767	9,471,767	7,187,644	7,187,644
Total Financial Liabilities	326,585,622	326,585,622	245,568,190	245,568,190
	(17,846,181.71)		(15,842,117.43)	
Total Financial Instruments	170,434,322	170,434,322	67,394,149	67,394,149
Unrecognised Gain / (Loss)		-		-

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:

	2012 R	2011 R
Net Debt	326,585,622	245,568,190
Equity	1,025,861,279	865,916,441

Net debt to equity ratio

31.84% **28.36%**

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 expose it to the financial risks of foreign currency.

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 LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012**

2012 2011
R 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	140,941,917	67,673,203
Notice Deposits	Held to maturity	30,973,203	2,297,808
Bank Balances	Available for Sale	15,470	18,604
		<u>171,930,590</u>	<u>69,989,615</u>

Interest received

Interest Earned - External Investments	8,564,973	4,801,581
Interest rate	5%	7%

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

Effect of change in interest rate	%	4%	6%
Effect of change in interest rate	Rand value	6,845,667	4,101,685
Effect of change in interest rate	%	6%	8%
Effect of change in interest rate	Rand value	10,284,279	5,501,477

Outstanding debtors:

Consumer Debtors	Loans and receivables	265,252,136	227,997,490
Other Debtors	Loans and receivables	59,739,202	14,884,891
Current portion - Long-term Receivables	Loans and receivables	<u>324,991,338</u>	<u>242,882,382</u>

Interest received

Interest Earned - Outstanding Debtors	30,385,801	30,000,343
Interest rate	9%	12%

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

Effect of change in interest rate	%	8%	11%
Effect of change in interest rate	Rand value	27,135,888	27,571,520
Effect of change in interest rate	%	10%	13%
Effect of change in interest rate	Rand value	33,635,714	32,429,167

Financial Liabilities

<u>Long-term Liabilities</u>	<u>Classification</u>		
Annuity Loans	Not valued at FVTPL	156,471,805	92,616,727
Annuity Loans - current portion	Not valued at FVTPL	9,471,767	7,187,644
		<u>165,943,572</u>	<u>99,804,371</u>

Interest paid

Long-term Liabilities	17,095,166	10,551,753
Interest rate %	10%	11%

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

Effect of change in interest rate	%	9%	10%
Effect of change in interest rate	Rand value	15,435,730	9,553,710
Effect of change in interest rate	%	11%	12%
Effect of change in interest rate	Rand value	18,754,602	11,549,797

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

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 2012

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		165,943,572	-	-	-	26,617,526	139,326,046
Loan No 10112 : DBSA	10.00%	7,829,390				7,829,390	
Loan No 10113 : DBSA	12.00%	7,986,465				7,986,465	
Loan No 10616 : DBSA	12.00%	3,469,244				3,469,244	
Loan No 101452 : DBSA	10.91%	9,932,125					9,932,125
Loan No 102855/1 : DBSA	12.61%	17,210,067					17,210,067
Loan No 102855/2 : DBSA	13.12%	4,123,930				4,123,930	
Loan No 102855/3 : DBSA	6.75%	4,059,723					4,059,723
Loan No 102855/4 : DBSA	6.75%	3,208,497				3,208,497	
Loan No 103958/2 : DBSA	12.445%	108,124,130					108,124,130
Total Fixed Rate Instruments		165,943,572	-	-	-	26,617,526	139,326,046
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		171,915,120	171,915,120				
Bank Balances and Cash		15,470	15,470				
Housing guarantees		13,800					13,800
Total Variable Rate Instruments		171,944,390	171,930,590	-	-	-	13,800

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		18,604	18,604				
Housing guarantees		27,900					27,900
Total Variable Rate Instruments		70,017,515	18,604	69,971,011	-	-	27,900

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

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 2012

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		14,098,382					14,098,382
- Creditors		127,678,510	127,678,510				
- Unspent Conditional Grants		7,220,000		7,220,000			
Variable Interest Rate Instruments							
- Bank Overdraft		11,645,158	11,645,158				
Fixed Interest Rate Instruments							
Loan No 10112 : DBSA	10.00%	9,258,039	1,543,007	1,543,007	3,086,013	3,086,013	
Loan No 10113 : DBSA	12.00%	10,292,722	1,286,590	1,286,590	2,573,180	5,146,361	
Loan No 10616 : DBSA	12.00%	4,715,740	471,574	471,574	943,148	2,829,444	
Loan No 101452 : DBSA	10.91%	14,805,747	987,050	987,050	1,974,100	5,922,299	4,935,249
Loan No 102855/1 : DBSA	12.61%	41,330,710	1,252,446	1,252,446	2,504,892	7,514,675	28,806,252
Loan No 102855/2 : DBSA	13.12%	5,276,786	753,827	753,827	1,507,653	2,261,480	
Loan No 102855/3 : DBSA	6.75%	5,904,386	256,712	256,712	513,425	1,540,275	3,337,262
Loan No 102855/4 : DBSA	6.75%	3,656,798	522,400	522,400	1,044,800	1,567,199	
Loan No 103958/2 : DBSA	12.45%	284,433,496	7,485,092	7,485,092	14,970,184	44,910,552	209,582,576
Finance Lease Liabilities		9,610,604		9,074,999		535,605	
Total		549,927,080	153,882,366	30,853,696	29,117,395	75,313,903	260,759,721

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		115,249,723	115,249,723				
- 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		9,605,773		7,814,551		1,791,222	
Total		360,746,610	133,964,838	26,334,321	18,981,960	54,325,283	127,140,208

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

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 2012 Carrying Amount R	30 June 2011 Carrying Amount R
Call Investment Deposits	171,915,120	69,971,011
Department of Public Works	53,568,648	25,995,362
Department of Housing and Local Government	17,766,989	16,629,564
Department of Transport	8,374,127	7,606,307
Escom MM	4,269,717	3,949,840
National Road Agency	3,891,657	11,483,809

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:	2012 R	2011 R
Fixed Deposit Investments	171,915,120	69,971,011
Finance Lease Receivables	1,581,829	926,636
Consumer Debtors	175,478,927	120,785,855
Other Debtors	149,512,411	122,096,526
Bank, Cash and Cash Equivalents	15,470	18,604
Operating Lease Assets	98,017	90,342
Housing Guarantees	13,800	27,900
Maximum Credit and Interest Risk Exposure	498,615,573	313,916,875

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

2012	2011
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:

34,853,376	32,157,708
------------	------------

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 2011 revealed that the fund had a surplus of R0 (30 June 2010: R0), with a funding level of 98.1% (30 June 2010: 100%). The recommended total contribution rate of 32.40% 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 2011.

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 2010 - 100.3%). 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 2011 the SALA pension fund was 98% (1 July 2010: 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 28 February 2009 the Municipal Employees Pension Fund was 102.2% (29 February 2008: 108.2%) 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 LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

50. RELATED PARTY TRANSACTIONS

50.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses.

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 2012				
Councillors	116,660	539,459	-	153,884
Municipal Manager and Section 57 Personnel	74,269	141,730	-	35,023
Total Services	190,929	681,189	-	188,907
For the Year ended 30 June 2011				
Councillors	134,338	442,680	-	327,180
Municipal Manager and Section 57 Personnel	57,064	450,160	-	8,924
Total Services	191,402	892,840	-	336,104

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.

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.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

50. RELATED PARTY TRANSACTIONS (Continued)

2012
R

2011
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	7,053,006	3,727,521
S&R Enterprises	S Barnes	Nursing Sister	2,046,137	1,303,556
Irrigation Equipment	B Julius	Demand Manager	285,709	550,700
Land Irrigation Suppliers	B Julius	Demand Manager	380,808	615,761
Benlin Computers	V Gous	I T	20,530	122,794
Qongo TG Trading	Mother	Nursing Sister	1,784,043	728,120
Naledi Chemicals	D De Haast	Department of Education	-	579,597
Mr I's A1 Auto	C Jenneke	Financial Manager	-	2,780
Linri Enterprises	MM Leven	Councillor	112,875	169,467
Total Purchases			11,683,108	7,800,297

51. CONTINGENT LIABILITIES

51.1 Guarantees:

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

13,800 27,900

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	55,942,488	56,767,790
Various claims and litigation is in process.		
51.2.2 Litigation and claims in process	2,942,269	17,025,627
Various claims and litigation is in process.		
51.2.3 Labour matters (SALGBC)	63,580,000	620,000
A case of unfair promotion is referred to the Labour Court.		
51.2.4 Magistrate court matters	178,380	158,380
Various cases involving Council.		
	<u>122,643,137</u>	<u>74,571,798</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 Other 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 LOCAL MUNICIPALITY
NOTES TO THE AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012

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 an engineer by the DBSA.

54. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance against that budget, 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 2011/12 financial year.

56. EVENTS AFTER THE REPORTING DATE

An non adjusting incident occurred where a transformer exploded that could influence the operations of the municipality in future. The preliminary cost of the damages are estimated at between R20 to R30 million. An insurance claim has been processed.

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 20 Related Party Disclosures (Revised)
- 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 27 Agriculture (replace GRAP 101)
- GRAP 31 Intangible Assets (replace GRAP 102)
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - issued October 2009
- GRAP 105 Transfer of functions between entities under common control
- GRAP 106 Transfer of functions between entities not under common control
- GRAP 107 Mergers

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

Management has considered all the GRAP standards issued but not yet effective and in preliminary indications management 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 LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Loan Number	Redeemable Date	Balance at 30/06/11	Received during the period	Redeemed written off during the period	Balance at 30/06/12	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG TERM LIABILITIES								
ANNUITY LOANS							122,693,985	
DBSA Loan @ 10%	10112	30-06-2015	9,966,739		2,137,348	7,829,390		
DBSA Loan @ 12%	10113	30-06-2016	9,462,593		1,476,127	7,986,465		
DBSA Loan @ 12%	10616	30-06-2017	3,950,534		481,290	3,469,244		
DBSA Loan @ 10.91%	101452	31-12-2019	10,750,821		818,696	9,932,125		
DBSA Loan @ 12.61%	102855/1	31-12-2028	17,508,642		298,575	17,210,067		
DBSA Loan @ 13.12%	102855/2	31-12-2015	5,000,641		876,711	4,123,930		
DBSA Loan @ 6.75%	102855/3	31-12-2023	4,286,609		226,886	4,059,723		
DBSA Loan @ 6.75%	102855/4	31-12-2015	3,995,596		787,099	3,208,497		
DBSA Loan @ 12.445%	103958/2	30-06-2031	34,808,419	73,315,711		108,124,130		
Sub total DBSA			99,730,594	73,315,711	7,102,733	165,943,572		
DBCM Loan @ 11.25%	6	30-09-2011	14,865		14,865	0		
DBCM Loan @ 11.25%	7	31-03-2012	17,291		17,291	0		
DBCM Loan @ 11.25%	8	30-09-2012	32,630		32,630	0		
DBCM Loan @ 11.25%	9	31-03-2013	4,875		4,875	0		
DBCM Loan @ 11.25%	10	30-09-2013	4,115		4,115	0		
Sub total DBCM			73,777	-	73,777	0		
Total Annuity loans			99,804,371	73,315,711	7,176,509	165,943,572	122,693,985	0
LEASE LIABILITY								
Various Finance Leases			8,589,960		(378,089)	8,968,050	2,717,251	
TOTAL EXTERNAL LOANS			108,394,331	73,315,711	6,798,420	174,911,622	125,411,236	0

APPENDIX B
SOL PLAATJE LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	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	170,715,607	841,606	11,016,042		23,310,311	3,138,235	31,188,118	182,573,256	70,418,569	3,276,533		73,695,102	108,878,154
Roads	260,486,094	52,838			4,865,902	3,928,195	937,706	260,538,931	68,587,277	7,646,350		76,233,627	184,305,304
Sewerage	151,738,054	8,269,472	68,643,793		70,681,978	63,527,870	75,797,901	228,651,320	41,927,455	3,231,293		45,158,748	183,492,572
Street Lights	18,997,852		1,322,682			0	1,322,682	20,320,533	5,689,910	380,262		6,070,172	14,250,362
Storm Water	51,645,144	0	0		93,621	0	93,621	51,645,144	38,082,466	422,608		38,505,074	13,140,070
Landfill Site	23,540,936	1,647,306	0			0	0	25,188,242	2,958,545	1,470,171		4,428,716	20,759,526
Water	186,020,893	5,213,241	11,408,357		8,019,095	1,492,752	17,934,700	202,642,491	76,823,095	2,330,901		79,153,997	123,488,494
	863,144,579	16,024,463	92,390,874	-	106,970,906	72,087,052	127,274,729	971,559,916	304,487,317	18,758,118	-	323,245,435	648,314,481
Community Assets													
Community Buildings	226,018,585	0	5,125,747		4,989,423	1,624,733	8,490,437	231,144,332	27,615,558	6,690,296		34,305,854	196,838,477
Parks and Gardens	4,268,291	1,117,321	0		2,700,767	905,922	1,794,844	5,385,613	79,957	33,808		113,765	5,271,848
Recreational Facilities	43,814,769	0	4,314,653		1,106,208		5,420,861	48,129,422	11,604,949	2,615,429		14,220,377	33,909,045
	274,101,645	1,117,321	9,440,399	-	8,796,398	2,530,655	15,706,142	284,659,366	39,300,464	9,339,533	-	48,639,997	236,019,369
Heritage Assets													
Heritage Assets	-							-				-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased Assets													
Various	8,850,021							8,850,021	4,724,656	1,408,114		6,132,770	2,717,251
	8,850,021	-	-	-	-	-	-	8,850,021	4,724,656	1,408,114	-	6,132,770	2,717,251
Other Assets													
Bins and Containers	20,526							20,526	7,879	4,523		12,402	8,124
Other Buildings	635,552	253,328						888,880	158,243	61,572		219,815	669,065
Emergency Equipment	29,788							29,788	6,711	2,861		9,572	20,216
Furniture & Fittings	11,223,490	1,063,360						12,286,850	3,438,436	1,973,613		5,412,049	6,874,801
Office Equipment	10,500,667	4,636,503						15,137,171	4,103,215	1,587,795		5,691,009	9,446,161
Kitchen Equipment	1,238,089							1,238,089	405,286	14,156		419,441	818,647
Laundry Equipment	77,108							77,108	14,291	4,633		18,924	58,184
Medical Equipment	396,110							396,110	73,459	1,866		75,326	320,784
Maintenance Equipment	2,017,466	104,920						2,122,386	1,038,031	373,957		1,411,987	710,399
Motor Vehicles	42,388,457	1,499,361	1,056,446	(585,948)			1,056,446	44,358,316	22,609,951	5,355,035	(367,938)	27,597,048	16,761,268
Office Equipment	748,162	310,295						1,058,457	733,416	11,420		744,836	313,621
Plant and Equipment	43,703							43,703	10,976	5,102		16,078	27,625
Water Craft	40,849							40,849	4,540	1,431		5,971	34,878
	69,359,967	7,867,767	1,056,446	(585,948)	-	-	1,056,446	77,698,232	32,604,433	9,397,963	(367,938)	41,634,458	36,063,774
Total	1,215,456,212	25,009,551	102,887,720	(585,948)	115,767,304	74,617,707	144,037,317	1,342,767,535	381,116,870	38,903,728	(367,938)	419,652,659	923,114,875

APPENDIX C
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
AS AT 30 JUNE 2012

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	533,528	72,951						606,479	122,141	19,626		141,767	464,711
Municipal General	1,293,677	394,311						1,687,988	318,667	69,830		388,497	1,299,491
Municipal Manager	1,623,250	76,594						1,699,844	529,663	9,076		538,739	1,161,105
Corporate Services	27,766,421	1,225,613						28,992,034	8,717,529	1,405,523		10,123,052	18,868,982
Community Services	141,428,317	984,298			8,796,397	2,530,655	6,265,742	142,412,615	35,674,103	9,671,160		45,345,263	97,067,352
Financial Services	19,892,555	685,302						20,577,857	6,084,492	1,431,339		7,515,831	13,062,026
Strategic and Economic Development	35,586,032	1,252,206	9,440,400		-		9,440,400	46,278,638	10,671,945	602,577		11,274,522	35,004,117
Infrastructure and Services	987,332,431	20,318,276	93,447,320	(585,948)	106,970,907	93,643,204	106,775,022	1,100,512,079	318,998,330	25,694,597	(367,938)	344,324,989	756,187,091
TOTAL	1,215,456,212	25,009,551	102,887,720	(585,948)	115,767,304	96,173,859	122,481,165	1,342,767,535	381,116,870	38,903,728	(367,938)	419,652,659	923,114,875

APPENDIX D
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2012

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
34,633	29,261,925	(29,227,292)	Executive and Council	31,263	35,259,340	(35,228,077)
221,435,561	209,894,865	11,540,696	Municipal General	287,357,902	232,561,283	54,796,618
1,559,154	9,966,785	(8,407,630)	Municipal Manager	1,832,026	11,082,742	(9,250,716)
2,552,879	35,355,014	(32,802,135)	Corporate Services	3,413,703	43,685,655	(40,271,952)
21,323,848	109,099,860	(87,776,011)	Community Services	23,540,191	124,729,323	(101,189,132)
219,718,417	63,598,095	156,120,322	Financial Services	279,711,845	68,167,315	211,544,529
6,178,654	25,698,816	(19,520,162)	Strategic and Economic Development	5,343,163	26,893,216	(21,550,053)
582,389,911	592,474,728	(10,084,817)	Infrastructure and Services	752,409,482	701,928,611	50,480,871
<u>1,055,193,056</u>	<u>1,075,350,086</u>	<u>-20,157,030</u>	Sub Total	<u>1,353,639,575</u>	<u>1,244,307,486</u>	<u>109,332,088</u>
	(47,030,276)	47,030,276	Less Inter-Departmental Charges		(50,612,750)	50,612,750
<u>1,055,193,056</u>	<u>1,028,319,810</u>	<u>26,873,246</u>	Total	<u>1,353,639,575</u>	<u>1,193,694,736</u>	<u>159,944,838</u>

APPENDIX E(1)

SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual R	2012 Budget R	2012 Adjustment R	2012 Final Budget R	2012 Variance R	2012 Variance R	Explanation of Significant Variances greater than 10% versus Budget
REVENUE							
Property Rates	271,038,205	233,301,000	32,500,000	265,800,543	5,237,662	2%	
Service Charges	740,699,217	703,986,000	14,500,000	718,485,988	22,213,229	3%	
Rental of Facilities and Equipment	12,416,061	14,207,000	-	14,207,489	(1,791,428)	-13%	Due to rentals and hire income not realizing.
Interest Earned - External Investments	8,564,973	4,000,000	1,500,000	5,500,000	3,064,973	56%	Due to increase in investments.
Interest Earned - Outstanding Debtors	30,385,801	35,000,000	(3,000,000)	32,000,000	(1,614,199)	-5%	
Fines	5,423,647	6,432,000	(400,000)	6,031,800	(608,153)	-10%	Due to fines not realizing.
Licenses and Permits	3,797,228	5,730,000	-	2,530,000	1,267,228	50%	Increased tariffs and transactions.
Income for Agency Services	3,602,984	-	-	3,200,000	402,984	13%	Due to increase in transactions.
Government Grants and Subsidies	252,559,853	164,026,000	94,369,743	258,396,127	(5,836,274)	-2%	
Other Income	25,151,605	32,172,000	29,020,000	61,191,846	(36,040,241)	-59%	
Total Revenue	1,353,639,575	1,198,854,000	168,489,743	1,367,343,793	(13,704,218)	-1%	
EXPENDITURE							
Employee Related Costs	402,354,443	387,948,000	28,000,000	415,947,832	(13,593,389)	-3%	
Remuneration of Councillors	16,415,015	15,866,000	700,000	16,566,089	(151,074)	-1%	
Impairment Losses	103,687,991	106,000,000	-	106,000,000	(2,312,009)	-2%	
Collection Costs	58,766	1,200,000	-	1,200,000	(1,141,234)	-95%	Due to savings.
Depreciation	42,196,063	36,900,000	4,600,000	41,500,000	696,063	2%	Due to error corrections on asset register.
Repairs and Maintenance	65,322,981	48,755,000	12,100,000	60,855,287	4,467,694	7%	Due to credit for work done not realizing.
Finance Costs	17,095,166	44,725,000	(14,000,000)	30,725,187	(13,630,021)	-44%	Due to savings (loan phased in over 3 years).
Bulk Purchases	290,022,102	308,000,000	-	308,000,000	(17,977,898)	-6%	
Grants and Subsidies Paid	2,907,000	3,550,000	-	3,550,000	(643,000)	-18%	Due to savings.
General Expenses - Other	253,635,209	245,910,000	45,028,200	290,937,855	(37,302,646)	-13%	
Total Expenditure	1,193,694,736	1,198,854,000	76,428,200	1,275,282,250	(81,587,514)	-6%	
NET SURPLUS FOR THE YEAR	159,944,838	-	92,061,543	92,061,543	67,883,295	74%	Due to the savings in bulk purchases and employee related cost and an over recovery on income.

APPENDIX E(2)

SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual	2012 Under Construction	2012 Total Additions	2012 Original Budget	2012 Adjustment	2012 Final Budget	2012 Variance	2012 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	R	R	%	
Executive and Council	72,951	-	72,951	-	75,000	75,000	(2,049)	-3%	
Municipal General	394,311	-	394,311	-	400,000	400,000	(5,689)	-1%	
Municipal Manager	76,594	-	76,594	-	80,000	80,000	(3,406)	0%	
Corporate Services	1,225,613	-	1,225,613	-	1,230,000	1,230,000	(4,387)	0%	
Community Services	984,298	-	984,298	3,800,000	(2,400,000)	1,400,000	(415,702)	-30%	Saving on project.
Financial Services	685,302	-	685,302	850,000	-	850,000	(164,698)	-19%	Saving on project.
Strategic and Economic Development	1,252,206	9,440,400	10,692,606	17,831,000	(4,736,000)	13,095,000	(2,402,394)	-18%	NDPG projects in the process of being rolled over.
Infrastructure and Services	20,318,276	93,447,320	113,765,596	223,938,000	(63,663,000)	160,275,000	(46,509,404)	-29%	Various loan projects in the process of construction being rolled over.
TOTAL	25,009,551	102,887,720	127,897,271	246,419,000	(69,014,000)	177,405,000	(49,507,729)	-28%	Non qualifying assets expenditure and VAT income transferred to operational budget.

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

Grants and Subsidies received for the year ended 30 June 2012

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	1,086,000	1,086,000	-	1,086,000	None	Yes	None
Primary Health	Provincial	999,001	2,435,000	1,435,999	2,435,000	Partial Payment. Revenue accrued.	Yes	None
Subsidy Resort	Provincial	-	612,000	637,000	612,000	Late Payment. Revenue accrued.	Yes	None
EPWP	Provincial	-	11,462,340	15,152,420	16,087,000	Receipts offset against 10/11 debtor. Revenue	Yes	None
Neighbourhood development	National	7,220,000	7,219,690	-	7,220,000	None	Yes	None
Equitable Share	National	131,806,000	N/A	-	132,176,000	None	Yes	None
Department Water Affairs	National	205,365	205,365	-	N/A	None	Yes	None
Financial Management Grant	National	1,450,000	1,450,000	-	1,450,000	None	Yes	None
MIG	National	45,363,000	45,363,000	-	45,363,000	None	Yes	None
MSIG	National	790,000	790,000	-	790,000	None	Yes	None
DOE/INEP	National	18,003,000	18,813,155	-	18,003,000	None.Rollover 10/11of R810 155 expended	Yes	None
Frances Baard Municipality	Municipality	1,009,000	2,217,696	-	N/A	None	N/A	None
GURP	Provincial	304,307	4,651,204	4,346,896	5,831,000	Receipts offset against 10/11 debtor. Revenue	Yes	None
Transnet	Transnet	-	24,448,399	24,448,399	N/A	No Payment. Revenue accrued.	Yes	None
NEP		-	-	-	1,000,000	None	N/A	None
Total		208,235,674	120,753,850	46,020,715	232,053,000			

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 PLAATJE LOCAL MUNICIPALITY: DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY
FOR THE YEAR ENDED 30 JUNE 2012

DocNo.	Service Provider	Service Rendered / Product Purchased	Financial Implications	Line Manager	Motivation
1/2011/12	Spilhouse	Repair of pipes burst and leaks	299.909	Mr. B Dhlwayo	Exceptional Cases
2/2011/12	IHS Global Insight	Upgrading of software	107.160	Mr. T Mloyeni	Sole Provider
3/2011/12	Gariep Motor Kimberley	Repair of automatic transmission gearbox-fire fighting vehicle	145.438	Mr. MW Pretorius	Sole Provider
4/2011/12	HV Test PTY LTD	Purchase new cable fault location equipment to test and locate distribution cable faults.	948.128	Ms. D Mooketsi	Sole Provider
5/2011/12	Troon Components	Repairs to refuse compactor	82.650	Mr. Arthur	Exceptional Cases
6/2011/12	Retlaikemela Trading CC	Repair of water pipes	37.500	Mr. B Dhlwayo	Exceptional Cases
7/2011/12	Tshireletso Trading CC	Repair of water pipes	52.389	Mr. B Dhlwayo	Exceptional Cases
8/2011/12	Nkqabise Constructions	Repairs of water pipes	10.374	Mr. B Dhlwayo	Exceptional
9/2011/12	Nkqabise Constructions	Repairs of water pipes	27.132	Mr. B Dhlwayo	Exceptional
10/2011/12	C- Pac & Pumps and Valves	Re-Commissioning of the 54ml water treatment works	2.988.000	Ms. P Mohalalelo	Exceptional Cases
11/2011/12	MC Suppliers	Repairing of potholes within Sol Plaatje Municipal Jurisdiction	1.875.000	Mr T Raseobi	Exceptional Cases
12/2011/12	Kgatelopele	Street name change event	99.960	Mr. D Chabalala	Exceptional Cases
13/2011/12	Shine the way	Street name change event	133.200	Mr. T Mafaro	Exceptional Cases
14/2011/12	Siyavana Catering	Street name change event	132.000	Mr. T Mafaro	Exceptional Cases
15/2011/12	Take note trading	Street name change event	55.500	Mr. D Chabalala	Exceptional Cases
16/2011/12	Silver Solution	Street name change event	65.800	Mr. T Mafaro	Exceptional Cases
16/2011/12	Silver Solution	Street name change event	65.800	Mr. T Mafaro	Exceptional Cases
17/2011/12	Party Organizers CC	Street name change event	48.472	Mr. D Chabalala \$ T Mafaro	Exceptional Cases
18/2011/12	G & D Guesthouse	Accommodation. 5 Employees have been nominated to attend the Gen Louw Traffic College in Brackenfell	69.734	Mr. MG Alfonse	Exceptional Cases
19/2011/12	Siyavana Catering	Catering on the launch of the ward committees	40.000	Mr. D Chabalala	Exceptional Cases
20/2011/12	Environmental Systems Reseach Instute SA	Providing Software is required as part of the GIS role -out in the Sol Plaatje Municipality	297.996	Mr. RJ Gibson	Exceptional Cases
21/2011/12	G.W.K Beperk / Limited Auction Kraals	Provision of a secured area which can be used for the safe keeping of impounded animals	19.800	Mr. MW Pretorius	Exceptional Cases
22/2012/12	Linsumi Investments	Hiring of Toilets for the community of ward 7 and 8 places at Thamelang and Masiza School	378.688	Mr. T Mafaro	Exceptional Cases
23/2011/12	Cancelled				
24/2011/12	Khu – The Distributors	Transportation of quests attending the street name change event held on Heritage Day.	82.400	Mr. D Chabalala \$ T Mafaro	Exceptional Cases
25/2011/12	Gariep Motors	Repairs on Fire Engine	50.025	Mr. MW Pretorius	Sole Provider
26/2011/12	Cummins South Africa (Pty) Ltd	Engine for Landfill Compactor	163.765	Mr. C Lamont	An Emergency/Sole Provider
27/2011/12	Kimco Photographic Studio's	Protocol photo's for the Speaker	60.465	Mr. D Chabalala	Sole Provider
28/2011/12	C-Pac Pumps & Valves	Refurbishment of Chlorinator	168.867	Mr. SH Coetzee	An Emergency
29/2011/12	Record Sales Engineering	Refurbishment of HL Pump No.5	97.936	Mr. SH Coetzee	An Emergency
30/2011/12	Shine the way 1302cc	Catering (breakfast and lunch) for the inauguration and induction of ward committees 12-14/12/2011	145.000	Mr. D Chabalala	Exceptional Cases
31/2011/12	Khu – The Distributors	Transportation for committee members and stake holders to attend the inauguration and induction of ward committees	96.000	Mr. D Chabalala	Exceptional Cases
32/2011/12	Moshupatsela Agency	PA Sound system for the inauguration and induction of ward committees 12-14/12/2011	81.225	Mr. D Chabalala	Exceptional Cases
33/2011/12	Birdking Trading Enterprise	Christmas Party for 1000 destitute children	170.000	Mr. T Mafaro	Exceptional Cases
34/2011/12	Moedi Consulting Engineers (PTY) LTD	Water Safety Plan (WSP) for Riverton and Ritchie	224.922	Mr. D Leeuw	Exceptional Cases
35/2011/12	Mockeys Maintenance	Repairs to Street Sweeper	42.516	Mr. C Lamont	Exceptional Cases
36/2011/12	Metsi Chem International	chemicals: Chlorine Gas 70kg & 925kg; Flocculants U3800	604.374	Mr. SH Coetzee	An Emergency/Exceptional Cases
37/2011/12	Big Sky Couches	Transportation to the SAIMSA Games	65.000	Mr. VR Mangena	Exceptional Cases
38/2011/12	Birdking Trading Enterprise	Food Parcels for destitute Family	344.000	Mr. T Mafaro	Exceptional Cases
39/2011/12	C-Squared Consumer Connectedness	Gala Dinner for APAC Conference	204.631	Mr. T Mafaro	Exceptional Cases
40/2011/12	C-Squared Consumer Connectedness	Corporate gifts for APAC Conference delegates	50.536	Mr. T Mafaro	Exceptional Cases
41/2011/12	Linsumi Investments	Editing, proof reading, design and lay-out of annual report 2011	33.402	Ms. ZL Mahloko	Sole Provider
42/2011/12	Moedi Consulting	Appointed to perform a non-revenue water minimization study	2.720.610	Ms. ZL Mahloko	Exceptional Cases
43/2011/12	Outemiqua Leadership Institute	Providing training	916.000	Ms. ZL Mahloko	Exceptional Cases
44/2011/12	Sita	Micro Enterprise License Agreement	592.776	Mr. WL Gouws	Sole Provider
45/2011/12	ESRI (SA)	GIS training on ESRI Software	166.620	Mr. RJ Gibson	Sole Provider
46/2011/12	Xepa Consulting	Renewal of anti - virus and spam software	51.315	Mr.WL Gouws	An Emergency/Exceptional Cases
47/2011/12	Cancelled				
48/2011/12	HV Test PTY LTD	Exchange Rate Variation	114.606	Ms.D Mooketsi	Sole Provider
49/2011/12	Barloworld Equipment	Specialised repairs on caterpillar	42.474	Mr. P Gray	Sole Provider
50/2011/12	Magnis Trucks Bloemfontein	Replacement of manual gearbox with automatic transmission gearbox	280.839	Mr. MW Pretorius	Sole Provider
51/2011/12	Magnis Trucks Bloemfontein	Purchase of 19m3 refuse compactor vehicle, fully automatic gearbox and heil compactor	1.699.871	Mr. KD Williams	Exceptional Cases
52/2011/12	Diskonto Books	Buying of books	37.915	Mr. FH Van Dyk	Sole Provider
53/2011/12	Metsi Chem International	Buying of Flocculent and Transport	435.941	Mr. S Coetzee	An Emergency
54/2011/12	Weird Industries CC	Earthworks and Related Items for the Artificial Turf Project in Galeshewe King George Stadium Sports Node	1.686.893	Mr. Z Mquza	Exceptional Cases
55/2011/12	Lexis Nexis	Amendment of Road Traffic / Transport Act 93 of 1996, amendment nr.33	44.933	MR. CFM Langford	Sole Provider
56/2011/12	Weird	Repair of leaking 600 and 900mm Rising mains	1.337.517	Mr. D Karsten	An Emergency/Exceptional Cases
57/2011/12	Siyavana Catering	Catering for councillors and their partners including Speaker and Mayors guest.	63.595	Mr. D Chabalala	Exceptional Cases
58/2011/12	Aqua Agri Solutions	Supply and deliver of a polyelectrolyte at Riverton Water Purification Plant	443.601	Mr. S Coetzee	An Emergency
59/2011/12	Entrepreneurs: Geco & Molehane	Refuse Removal for the 2012 financial year 2011/12	1.545.134	TJ Khweshiwe	Exceptional Cases
60/2011/12 (a)	Take Note Trading 682 CC T/A Marang	Catering (Business breakfast)	334.728	T Chabalala	Exceptional Cases
60/2011/12 (b)	Ntuthuko Women Catering Services- payee: JJ Bailey	Catering (Business breakfast)	37.500	T Chabalala	Exceptional Cases
61/2011/12	Cancelled				
62/2011/12	Esri (SA)	Providing Training	153.900	Mr. D Theron	Sole Provider
63/2011/12	Cancelled				
64/2011/12	Tri-Lectro	Repair of Mini Sub Station 11 KV ring main unit	58.140	Mr.F Aysen	An Emergency
65/2011/12	Auto Door	Installation of new engine bay door	92.411	Mr. MW Pretorius	Sole Provider
66/2011/12	Blue Lounge Trading 107 (PTY)LTD	The refurbishment of 6 houses at Homevale Extension	480.000	Mr. T Mfeya	An Emergency
67/2011/12	Neledi Medi Supplies	Cleaning of Municipal offices and city streets during the Samwu strike during May and June	185.000	Mr. S Matsie	An Emergency/Exceptional Cases
68/2011/12	Kim Thatchers	Construction of Thatched Roofs on Rondavels at Riverton Pleasure Resort	128.640	Mr. CJH Harmse	Sole Provider