

SOL PLAATJE LOCAL MUNICIPALITY



CITY OF KIMBERLEY

SOL PLAATJE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2016

SOL PLAATJE LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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**SOL PLAATJE LOCAL MUNICIPALITY
GENERAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2016**

**EXECUTIVE MAYOR
SPEAKER**

Alderman KD Molusi
Councillor OM Matika

GRADING OF THE LOCAL AUTHORITY:

Grade 4 NC091

AUDITORS:

Auditor-General of South Africa
Block 1 Montrio Corporate Park
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Telephone 053-8311016
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BANKERS:

Standard Bank
Old Main Road
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P.O. Box 626
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REGISTERED OFFICE:

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Kimberley
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Telephone 053-8306911
Fax 053-8331005

Private Bag X5030
Kimberley
8300

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 Chinkuli DS	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 Lekoma MD	21 Ndlazi SP
2 Beylefeld MJ	12 Leven MM	22 Ngobeza WN
3 Bishop PD	13 Liebenberg R	23 Ntlhangula A
4 Boqo AN	14 Ludick RA	24 Patmore CTP
5 Dawids RM	15 Mazabane J	25 Setlhabi EK
6 Diraditsile MV	16 Mogorosi SR	26 Strauss PAS
7 Frans T	17 Mohapanele KC	27 Vilakazi PM
8 Jacobs M	18 Morris RT	28 Voster PJ
9 Johnson E	19 Morudi GD	29 Wyngaard FA
10 Khunkhube FT	20 Mthukwane KG	

SOL PLAATJE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2016

I am accountable for the preparation of these annual financial statements, which are set out on pages 4 to 80, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

GH Akharwaray
Municipal Manager
31 August 2016

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 June 2016

	Note	2016 R	2015 R	2016 Budget R
ASSETS				
Current Assets		1,166,357,395	989,353,602	870,616,971
Inventory	2	32,656,079	32,887,325	25,279,673
Trade Receivables from Exchange Transactions	4	332,456,474	262,184,091	274,021,037
Trade Receivables from Non-Exchange Transactions	5	531,596,179	412,780,155	317,620,716
Cash and Cash Equivalents	6	259,275,698	275,457,274	240,000,000
Operating Lease Assets	7	34,999	72,186	95,752
Vat Receivable from Exchange Transactions	8	10,337,965	5,972,571	13,599,793
Non-Current Assets		1,704,112,487	1,588,243,930	1,687,042,064
Property, Plant and Equipment	9	1,491,144,032	1,380,003,075	1,477,512,090
Heritage Assets	9	8,648,295	6,801,944	6,801,943
Intangible Assets	10	6,299,418	4,698,938	1,153,220
Investment Property	11	196,371,707	194,623,613	200,746,949
Trade Receivables from Exchange Transactions	4	1,491,884	1,701,033	700,677
Trade Receivables from Non-Exchange Transactions	5	157,151	415,327	127,185
Total Assets		2,870,469,882	2,577,597,531	2,557,659,035
LIABILITIES				
Current Liabilities		240,760,755	248,389,232	271,762,311
Consumer Deposits	13	28,820,246	21,848,411	18,352,548
Provisions	14	8,695,501	7,448,000	8,398,125
Payables from Exchange Transactions	15	159,291,016	156,244,721	195,015,007
Unspent Conditional Grants and Receipts	16	11,012,029	31,651,158	-
Vat Payable from Exchange Transactions	17	24,740,958	20,314,935	22,477,853
Bank Overdraft	6	-	-	16,640,332
Current Portion of Long-term Liabilities	18	8,201,006	10,882,007	10,878,446
Non-Current Liabilities		480,530,891	440,256,329	501,697,003
Long-term Liabilities	18	218,675,316	226,818,398	226,841,014
Retirement Benefit Liabilities	19	218,448,583	169,481,000	221,483,250
Non-current Provisions	20	43,406,992	43,956,931	53,372,739
Total Liabilities		721,291,646	688,645,561	773,459,314
Total Assets and Liabilities		2,149,178,236	1,888,951,970	1,784,199,720
NET ASSETS		2,149,178,236	1,888,951,970	1,784,199,720
Accumulated Surplus	21	2,149,178,236	1,888,951,970	1,784,199,720
Total Net Assets		2,149,178,236	1,888,951,970	1,784,199,720

SOL PLAATJE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2016

Budget 2015 R	Budget 2016 R		Note	Actual 2016 R	Actual 2015 R
REVENUE					
Revenue from Non-exchange Transactions					
397,946,459	443,808,235	Property Rates	22	484,397,277	398,920,589
21,144,300	21,679,300	Fines and Penalties		17,406,849	19,351,832
2,672,000	2,965,000	Licences and Permits		2,850,726	2,955,091
4,900,000	5,800,000	Income for Agency Services		6,181,888	5,037,994
300,252,651	290,850,992	Government Grants and Subsidies Received	26	275,943,005	282,036,220
-	-	Public Contributions and Donations	27	260,514	3,812,828
Revenue from Exchange Transactions					
907,895,397	1,012,665,821	Service Charges	24	1,004,894,715	888,147,879
17,606,040	10,305,500	Rental of Facilities and Equipment	25	9,839,067	16,373,950
16,000,000	19,000,000	Interest Earned - External Investments	23	20,995,888	21,164,955
65,000,000	80,000,000	Interest Earned - Outstanding Debtors	23	101,386,838	73,076,752
72,889,622	27,758,913	Other Income	28	23,659,662	26,997,742
-	-	Gains on Disposal of Property, Plant and Equipment		1,785,600	657,947
1,806,306,469	1,914,833,761	Total Revenue		1,949,602,029	1,738,533,780
EXPENDITURE					
551,623,564	601,580,484	Employee Related Costs	29	600,873,547	463,015,266
19,967,560	21,365,290	Remuneration of Councillors	30	20,948,087	19,841,066
1,800,000	1,800,000	Collection Costs		455,223	1,061,059
52,550,000	53,600,000	Depreciation and Amortisation	31	57,792,050	48,657,012
145,000,000	161,000,000	Impairment Losses	32	159,613,107	143,165,133
138,744,477	136,563,184	Repairs and Maintenance		120,274,041	147,485,771
34,559,195	29,689,565	Finance Costs	33	29,018,431	30,458,023
425,000,000	462,400,000	Bulk Purchases	34	454,009,890	404,460,624
24,749,390	32,394,701	Contracted Services	35	30,876,978	24,182,755
55,370,000	61,871,500	Grants and Subsidies Paid	36	39,321,064	58,193,634
247,742,205	191,395,873	General Expenses	37	175,681,639	162,477,035
-	155,000	Loss on Inventory		102,234	-
-	-	Foreign Exchange Loss		409,474	-
-	-	Impairment of Property, Plant and Equipment		-	7,653,334
1,697,106,391	1,753,815,597	Total Expenditure		1,689,375,763	1,510,650,713
109,200,078	161,018,164	SURPLUS FOR THE YEAR		260,226,265	227,883,068
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 2016

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
2015							
Balance at 30 June 2014		88,679,848	22,876,960	9,489,671	1,548,543,700	1,669,590,179	1,669,590,179
Correction of Error	39				(8,521,277)	(8,521,277)	(8,521,277)
Restated Balance		88,679,848	22,876,960	9,489,671	1,540,022,424	1,661,068,903	1,661,068,903
Surplus for the year					227,883,068	227,883,068	227,883,068
Transfer to Capital Replacement Reserve		75,000,000			(75,000,000)	-	-
Property, Plant and Equipment purchased		(90,369,209)			90,369,209	-	-
Contribution to Insurance Reserve			329,200	705,919	(1,035,119)	-	-
Balance at 30 June 2015		73,310,638	23,206,160	10,195,590	1,782,239,582	1,888,951,970	1,888,951,970
2016							
Restated Balance		73,310,638	23,206,160	10,195,590	1,782,239,582	1,888,951,970	1,888,951,970
Surplus for the year					260,226,265	260,226,265	260,226,265
Transfer to Capital Replacement Reserve		68,000,000			(68,000,000)	-	-
Property, Plant and Equipment purchased		(71,251,874)			71,251,874	-	-
Contribution to Insurance Reserve			342,130	414,845	(756,975)	-	-
Balance at 30 June 2016		70,058,765	23,548,290	10,610,435	2,044,960,745	2,149,178,236	2,149,178,236

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 2016

	Note	Actual 2016 R	Actual 2015 R	Budget 2016 R
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from Ratepayers, Government and Other	41	1,463,811,704	1,448,180,718	1,563,435,000
Cash paid to Suppliers and Employees	41	1,387,991,159	1,330,052,778	1,459,527,000
Cash generated from Operations	41	75,820,545	118,127,940	103,908,000
Interest received	23	122,382,726	94,241,707	99,000,000
Interest paid	33	(29,018,431)	(30,458,023)	(29,690,000)
NET CASH FLOWS FROM OPERATING ACTIVITIES		169,184,841	181,911,624	173,218,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Property, Plant and Equipment	9	(168,395,024)	(192,917,724)	(201,018,000)
Purchase of Intangible Assets	10	(3,766,933)	(4,988,839)	
Purchase of Investment Property	11	(2,380,376)	-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(174,542,332)	(197,906,563)	(201,018,000)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans repaid		(10,824,084)	(13,746,898)	(10,878,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(10,824,084)	(13,746,898)	(10,878,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	6	(16,181,575)	(29,741,836)	(38,678,000)
Cash and Cash Equivalents at the beginning of the year		275,457,274	305,199,110	275,457,000
Cash and Cash Equivalents at the end of the year		259,275,698	275,457,274	236,779,000

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act 2003 (Act Number 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

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

For the years ended 30 June 2015 and 30 June 2016 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 municipality's financial position, financial performance or cash flow.

1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the application of the municipality's accounting policies, which are described below, management is 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.

These 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 the Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.1 on *Revenue from Exchange Transactions* and Accounting Policy 10.2 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 2016**

1. BASIS OF PRESENTATION (continued)

1. 2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY(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 GRAP 23: Revenue, as far as Revenue from Non-Exchange Transactions is concerned. In particular, whether the municipality, (i) when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and (ii) when services are 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 and prior year is appropriate.

1. 2. 2 Water Inventory

The estimation of water inventory in the reservoirs are based on the measurement of water via the electronic level sensors where the level indicates the depth of water in the reservoir which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account during determining the volume of water on hand at year end. Refer to Note 4 in the annual financial statements.

1. 2. 3 Budget information

Deviations between the budget and actual amounts are regarded as material if they exceed a 10% deviation. all material differences are explained in the notes/appendices to the annual financial statements.

1. 2. 4 Impairment of property, plant and equipment, intangible assets, investment property, heritage assets and inventories

The accounting Policy on "PPE - Impairment of assets and accounting policy" on "Intangible assets - subsequent measurement, amortisation and impairment "and accounting policy 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 26: "Impairment of cash generating assets" and GRAP 21: "Impairment of Non - Cash generating Assets". In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involve significant judgment by management.

1. 2. 5 Impairment of financial assets and financial liabilities

The accounting policy on Impairment of financial assets and financial liabilities describes the process followed to determine the value by which financial assets and financial liabilities 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 GRAP104: 'Financial Instruments' 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 and financial liabilities recorded during the current and prior year is appropriate.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

1. BASIS OF PRESENTATION (continued)

1. 2. 6 Impairment of trade receivables

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1. 2. 7 Provisions and contingent liabilities

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

1. 2. 8 Useful lives of property, plant and equipment

As described in the accounting policy; 'Property, Plant and Equipment', the municipality depreciates its property, plant and equipment, investment property and amortise 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 estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time.

1. 2. 9 Defined benefit plan liabilities

As described in the accounting policy 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 and Long service Awards and Ex-gratia awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 20 to the Annual Financial Statements.

1. 2. 10 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The accounting policy on Financial Assets Classification and accounting policy on Financial Liabilities Classification describe the factors and criteria considered by management of the municipality in the classification of financial assets and liabilities. In making the above-mentioned judgements, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 "Financial Instruments".

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 2016**

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 32 Service Concession arrangements: Grantor
- GRAP 108 Statutory receivables
- GRAP 109 Accounting by Principals and Agents

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

The following GRAP standards became effective during the financial year ended 30 June 2015:

- GRAP 105 Transfers between entities under common control - Issued November 2010
- GRAP 106 Transfers between entities not under common control - Issued November 2010
- GRAP 107 Mergers - Issued November 2010

The impact of above standards becoming effective has been considered by management. The impact (if any) of these new effective standards has been disclosed in Note 39 of the Annual Financial Statements.

The ASB Directive 5 paragraph 29 allows for the Municipality to select to apply the principles established in a Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

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 municipality.
- 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.

**SOL PLAATJE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

2. STATUTORY FUNDS AND RESERVES (Continued)

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 account as per budgeted amounts. Reinsurance premiums paid to external reinsurers and other expenditure are regarded as an expense, and are debited against the operating accounts shown in the Statement of Financial Performance. 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 Municipality 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 Municipality deposits cash and/or securities with the Commissioner. Premiums are charged to the respective services and credited to the operating account as per budgeted amounts. 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.

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current 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 when:

- 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 is initially measured at cost on its acquisition date.

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 management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the 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 asset(s) surrendered.

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.

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 2016**

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 part of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequently, all property plant and equipment 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 surrendered is included in the surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an indefinite useful life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost amounts 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.

The useful lives of items of property, plant and equipment have been assessed as follows:

<i>Item</i>	<i>Years</i>
Buildings	30
Furniture and fixtures	5 - 15
Motor vehicles	5 - 15
Computer equipment	5 - 10
Infrastructure	
- Roads and paving	1 - 80
- Electricity	1 - 80
- Water	1 - 100
- Sewerage	1 - 60
- Landfill sites	25 - 55
- Storm water	1 - 60
- Streetlights	1 - 40
Community Buildings	
- Recreational facilities	30
- Security	3 - 15
Machinery and equipment	5 - 15
Water network	15
Land	Indefinite

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for in accordance with GRAP 3, either prospectively as a change in the accounting policy, or retrospectively as a prior period error depending on the specific circumstances.

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.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in the surplus or deficit unless it is included in the carrying amount of another asset.

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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 Leased Assets

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 according to GRAP 103 should be shown at cost and are not depreciated owing to uncertainty regarding their estimated useful lives.

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

An item of Property, Plant and Equipment of the municipality is 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 from the derecognition of an item of property, plant and equipment is included in the surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end or the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Gains from the sale of assets are not classified as revenue. Gains or losses from the sale of assets are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds. This 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.

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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 the 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 the 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 the surplus or deficit.

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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 the 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 GRAP 21/ 26.

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4. INTANGIBLE ASSETS (continued)

4. 1 Initial Recognition (continued)

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 surrendered.

4. 2 Subsequent Measurement, Amortisation and Impairment

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

In terms of GRAP 31 expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at the later date. 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.

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

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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5. INVESTMENT PROPERTY

5. 1 Initial Recognition

Investment property includes property e.g. (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. e.g. (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 or Inventory, 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
- 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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5. INVESTMENT PROPERTY (continued)

5. 2 Subsequent Measurement - Cost Model

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-Line Method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The gain or loss arising on the disposal of an Investments 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

6. 1 Financial Assets - Classification

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

In accordance with GRAP 104 the financial assets of the municipality are classified as follows into the categories allowed by this standard.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that are quoted in an active market. They are included in current assets except for maturity greater than 12 months which are classified as non current assets. Financial assets at amortised cost are initially recognised at fair value plus transaction cost 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 the provision for impairment.

Financial assets at cost are investments in residual interests that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

derivatives;

combined instruments that are designated at fair value;

instruments held for trading. A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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6. FINANCIAL INSTRUMENTS (continued)

The municipality has the following types of financial assets of the face of the State of Financial Position:

Class	Category
Non - current Investments	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Bank, cash and cash equivalents	Financial asset measured at amortised cost
Current Portion of Non-current Investments	Financial asset measured at amortised cost
Current Portion of Long-term receivables	Financial asset measured at amortised cost

Cash includes cash on hand (including petty cash) and cash at bank (including call deposits). Cash equivalents are short term and highly liquid investments, readily convertible into known amounts of cash, that are held with registered institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of 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 at amortised cost.

6. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of financial liabilities. The classification determines how they are measured

Class	Category
Long-term Liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non- exchange transactions	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost
Short-term Loans	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost

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6. FINANCIAL INSTRUMENTS (continued)

6. 3 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:

- credit risk
- liquidity risk
- market 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 is disclosed.

A sensitivity analysis for each of the market risks is done.

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 municipality 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.

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. A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48 to the annual financial statements.

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.

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7. LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

7. 1 Finance leases - Municipality as lessee

- Effective interest rate method
- Derecognition
- Finance cost expensed when incurred

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

7. 2 Operating leases - Municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

7. 3 Operating leases - Municipality as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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8. INVENTORY

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs is deemed to be equal to its fair value at the date of acquisition. Where inventory is manufactured, constructed or produced, the cost includes, the cost of labour, materials and overheads used during the manufacturing.

8. 1 Subsequent measurement

Included in inventory are consumable stores, raw materials, Work in progress, water inventory, unsold properties and other arrangements.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventory comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects are assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

9. NON-CURRENT ASSETS HELD-FOR-SALE

The disclosure requirements per the Standard of GRAP on Presentation of Financial Statements require entities to disclose information about significant assets and groups of assets and liabilities, or components (as defined in GRAP 100), that will be disposed of in future reporting periods. These disclosures are provided once management has made a decision to dispose of certain assets, groups of assets and liabilities or components, instead of specific presentation on the face of the statement of financial position.

Specific measurement requirements for assets held for sale over and above those already required in existing Standards, are therefore not necessary.

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10 REVENUE RECOGNITION

Revenue in general is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

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 municipality's 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.

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.

10 1. Revenue from Exchange Transactions

10 1. 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.

10.1 2 Prepaid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and payment is made in the month before year end, it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

10.1 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.

10.1. 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.

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10. REVENUE RECOGNITION (continued)

10.1.5 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.

10.1.6 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.

10.1.7 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. Revenue from non -exchange transactions

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

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.

10.2.1 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.

10.2.2 Fines

Fines are defined as revenue from non-exchange transactions. It is revenue that arises from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange. Fines will be accounted on an accrual basis based on IGRAP 1.

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

Fines are economic benefits or service potential received or receivable by entities as determined by a court or other law enforcement body as a consequence of breach of laws and regulations. Where a defendant reaches an agreement with a prosecutor that includes a payment of a penalty, instead of being tried in court, that penalty is recognised as a fine.

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FOR THE YEAR ENDED 30 JUNE 2016**

10. REVENUE RECOGNITION (continued)

10.2.2 Fines (continued)

Initial recognition

Revenue from fines shall be recognised when an inflow of resources from non-exchange transaction is probable. The probability of inflow shall be determined when an allegation that an offence has been committed and that the offender must appear in court or before other law enforcement body. Normally, fines require an entity/offender to transfer a fixed amount of cash to the municipality and do not impose the obligation to the municipality to recognise a liability, as such fines shall be recognised as revenue when receivables meets the definition of an asset and satisfies the criteria for recognition as an asset.

Measurement

At initial and subsequent recognition, fines shall be measured based on fair value of the asset.

Impairment

Fines shall be assessed for indicators of impairment at the end of each reporting period. Fines not collected or fines where no warrant of arrests or summonses have been issued shall be impaired at measurement date.

10.2.3 Debt forgiveness

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners. Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

10.2.4 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.

10.2.5 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 and is recognised when the recovery thereof from the responsible councillor or officials is virtually certain. 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.

10.2.6 Conditional grants and receipts

Equitable share allocations are recognised revenue at the start of the financial year if no time-based restrictions exist.

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:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.
- best estimate of expenditure

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.

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FOR THE YEAR ENDED 30 JUNE 2016**

11. PROVISIONS AND CONTINGENCIES (continued)

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- 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.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement.

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

11.1. Environmental rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality'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.

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12. EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

12.1 Short-term employee benefits

The cost of all short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) is recognised during the period in which the employee renders the related service and are not discounted. 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. The Municipality provides long-term incentives to eligible employees, payable on completion of years of employment. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the obligation. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

12.2 Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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12. EMPLOYEE BENEFITS (continued)

Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

The Municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds with which the Municipality is associated, a member on retirement, is entitled to remain a continued member of such medical aid fund and the Municipality will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract and the Municipality decision on protected rights. Post-retirement medical contributions paid by the Municipality and depending on the employee's contract could either be 70%, 60% or a subsidy indicated on a sliding-scale basis. The employee is responsible for the balance of post-retirement medical contribution in each case. External appointments do not qualify for a post-retirement medical aid subsidy. These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation, together with adjustments for the unrecognised actuarial gains and losses, and past service costs.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date. Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on the straight line basis over the average period until the amended benefits become vested. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs. Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

**SOL PLAATJE LOCAL MUNICIPALITY
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13. BORROWING COST

Borrowing costs are recognised as an expense in the period in which they are incurred.

14. IMPAIRMENT

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

The municipality has looked at the definition of cash generating assets which determine that an asset can be identified as cash generating asset if there is a commercial return. The municipality do not operate in a profit-oriented manner and the main focus is to provide a service therefor all the assets will be classified as non-cash-generating assets.

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14. IMPAIRMENT(continued)

14.1 Impairment of Cash generated 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.

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. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm length transaction, adjusted for the incremental cost that would be directly attributed to the disposal of the assets.

A value in use of a cash generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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.

14.2 Impairment of Non-Cash generated 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 in the statement of financial performance.

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.

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15. HERITAGE ASSETS

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

15.1. Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefit 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.

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

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

The cost of an item of heritage assets acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its measured at the carrying amount of the asset given up.

15.2. Subsequent measurement

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

Subsequently all the heritage assets are measured at cost less accumulated impairment losses. Heritage assets are not depreciated, owing to uncertainty regarding to their estimated useful lives.

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 in accordance with section 15(2)(a) of the Value Added Tax Act (Act No 89 of 1991)

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18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including

- (a) MFMA number 56 of 2003
- (b) Public Office Bearers Act (Act No. 20 of 1998)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the disclosure note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, must be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure are expenditure described as per the Municipal Finance Management Act.

21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support are transferred to the various services and departments to who resources are made available.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

22. 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 notes 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 the notes to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

23. 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.

24. TRANSLATION TO 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 retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

25. COMPARATIVE FIGURES

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.

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.

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27. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. 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. A distinction is made between capital and current commitments.

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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

2016
R

2015
R

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	23,721,734	23,973,031
Inventory Land	6,637,302	6,914,802
Water - at cost	2,297,043	1,999,491
Total Inventory	32,656,079	32,887,325

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:

102,234 130,845

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

42,530,925 47,046,149

3. ASSETS HELD-FOR-SALE

Included in the property, plant and equipment figure on the balance sheet, are the following amounts relating to non current assets that is intended for sale within the next 12 months:

Other Assets Held-for-Sale	141,858	141,858
Net Assets classified as Held-for-Sale	141,858	141,858

The municipality intends to dispose some of its Property, Plant and Equipment through public auction within the next twelve months.

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2016			
Service Debtors:	1,081,906,567	757,824,059	324,082,508
Electricity	146,226,816	102,424,925	43,801,891
Refuse	66,537,548	46,606,386	19,931,162
Sewerage	83,151,479	58,243,653	24,907,825
Water	299,942,067	210,095,143	89,846,924
Miscellaneous	486,048,657	340,453,952	145,594,705
Market	1,016,680	712,136	304,544
Housing Debtors	31,919,155	22,357,849	9,561,306
Total Consumer Debtors	1,114,842,402	780,894,044	333,948,358
Non current portion	(1,491,884)		(1,491,884)
Total Consumer Debtors	1,113,350,518	780,894,044	332,456,474

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

	Gross Balances	Provision for Impairment	Net Balances
As at 30 June 2015			
Service Debtors:	875,843,111	620,293,069	255,550,042
Electricity	119,183,264	84,408,442	34,774,822
Refuse	56,107,457	39,736,645	16,370,812
Sewerage	69,849,990	49,469,436	20,380,554
Water	254,855,747	180,494,945	74,360,803
Miscellaneous	375,846,653	266,183,602	109,663,051
Market	1,024,855	725,827	299,028
Housing Debtors	27,541,856	19,505,802	8,036,054
Total Consumer Debtors	904,409,822	640,524,698	263,885,124
Non current portion	(1,701,033)		(1,701,033)
Total Consumer Debtors	902,708,789	640,524,698	262,184,091

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.

	2016 R	2015 R
4.1 Ageing of Consumer Debtors		
Electricity: Ageing		
<u>Current:</u>		
0 - 30 days	44,482,933	43,823,966
<u>Past Due:</u>		
31 - 60 Days	10,772,722	6,735,450
61 - 90 Days	6,729,244	4,222,090
+ 90 Days	84,241,917	64,401,758
Total	146,226,816	119,183,264
Refuse: Ageing		
<u>Current:</u>		
0 - 30 days	3,076,271	3,100,024
<u>Past Due:</u>		
31 - 60 Days	1,944,857	1,839,427
61 - 90 Days	1,753,113	1,716,942
+ 90 Days	59,763,308	49,451,064
Total	66,537,548	56,107,457
Sewerage: Ageing		
<u>Current:</u>		
0 - 30 days	3,870,807	3,844,598
<u>Past Due:</u>		
31 - 60 Days	2,601,184	2,401,357
61 - 90 Days	2,341,250	2,266,944
+ 90 Days	74,338,238	61,337,090
Total	83,151,479	69,849,990

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016 R	2015 R
4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
Water: Ageing		
<i>Current:</i>		
0 - 30 days	23,658,950	41,677,430
<i>Past Due:</i>		
31 - 60 Days	10,323,460	13,343,033
61 - 90 Days	9,452,509	9,612,442
+ 90 Days	256,507,149	190,222,842
Total	<u>299,942,067</u>	<u>254,855,747</u>
Miscellaneous: Ageing		
<i>Current:</i>		
0 - 30 days	23,361,441	18,293,983
<i>Past Due:</i>		
31 - 60 Days	16,499,835	11,240,620
61 - 90 Days	14,390,590	9,759,189
+ 90 Days	432,813,471	337,577,716
Total	<u>487,065,337</u>	<u>376,871,508</u>
Housing Rentals: Ageing		
<i>Current:</i>		
0 - 30 days	508,105	525,910
<i>Past Due:</i>		
31 - 60 Days	466,946	459,371
61 - 90 Days	462,173	452,014
+ 90 Days	30,481,931	26,104,561
Total	<u>31,919,155</u>	<u>27,541,856</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 2016				
<i>Current:</i>				
0 - 30 days	76,030,180	33,520,069	11,375,774	120,926,023
<i>Past Due:</i>				
31 - 60 Days	29,842,001	10,603,408	31,772,008	72,217,417
61 - 90 Days	28,701,610	8,265,053	5,145,808	42,112,471
+ 90 Days	772,656,236	159,661,371	419,922,437	1,352,240,044
Sub-total	907,230,027	212,049,901	468,216,027	1,587,495,955
Less: Provision for Impairment	450,902,073	105,390,846	232,707,881	789,000,801
Total Debtors by Customer Classification	<u>456,327,954</u>	<u>106,659,055</u>	<u>235,508,146</u>	<u>798,495,154</u>
As at 30 June 2015				
<i>Current:</i>				
0 - 30 days	71,237,583	40,153,210	15,925,234	127,316,027
<i>Past Due:</i>				
31 - 60 Days	24,418,449	14,165,956	4,133,994	42,718,399
61 - 90 Days	21,238,622	7,841,840	4,637,029	33,717,491
+ 90 Days	575,941,837	145,232,690	312,062,342	1,033,236,869
Sub-total	692,836,491	207,393,696	336,758,599	1,236,988,785
Less: Provision for Impairment	363,271,836	108,741,802	176,571,119	648,584,757
Total Debtors by Customer Classification	<u>329,564,655</u>	<u>98,651,894</u>	<u>160,187,480</u>	<u>588,404,029</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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016	2015
	R	R
4.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	648,584,757	550,821,928
Impairment Loss recognised	161,570,809	149,009,888
Amounts written off as uncollectable	(21,154,765)	(56,467,179)
Amounts reversed	-	5,220,119
Balance at end of year	<u>789,000,801</u>	<u>648,584,757</u>

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

4.4 Ageing of impaired Consumer Debtors

0 - 30 Days	3,838,699	3,155,537
31 - 60 Days	2,928,096	2,406,992
61 - 90 Days	2,559,173	2,103,724
+ 90 Days	779,674,834	640,918,503
Total	<u>789,000,801</u>	<u>648,584,757</u>

5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Assessment Rates	472,653,553	332,578,964
Government Subsidy Claims	47,423,409	63,038,099
Miscellaneous debtors	6,839,552	11,173,898
Traffic Fines	12,943,572	14,464,580
	<u>539,860,086</u>	<u>421,255,541</u>
Less: Provision for Impairment	(8,106,756)	(8,060,058)
Total Other Debtors	<u>531,753,330</u>	<u>413,195,482</u>
Non current portion	(157,151)	(415,327)
Total Other Debtors	<u>531,596,179</u>	<u>412,780,155</u>

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

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

5.1 Ageing of Consumer Debtors

Rates: Ageing

Current:

0 - 30 days	21,967,517	18,358,067
<u>Past Due:</u>		
31 - 60 Days	29,608,414	6,643,830
61 - 90 Days	6,983,591	5,680,350
+ 90 Days	414,094,030	301,896,717
Total	<u>472,653,553</u>	<u>332,578,964</u>

6. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents	224,932,658	257,897,305
Bank	34,343,040	17,559,969
Total Cash and Cash Equivalents	<u>259,275,698</u>	<u>275,457,274</u>

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

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016	2015
	R	R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.1 Current Investment Deposits		
Call Deposits	90,950,000	79,420,316
Notice Deposits	133,965,838	178,460,169
Total Current Investment Deposits	<u>224,915,838</u>	<u>257,880,485</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.3% to 7.75% per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rate varying from 7.5% to 8.65% per annum.

A fixed deposit of R2,992,635 (2015: R2,460,169) 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 (2015: 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	17,559,969	(12,595,368)
Cash book balance at end of year	<u>34,343,040</u>	<u>17,559,969</u>

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)	51,073,577	24,430,080
Bank statement balance at end of year / (overdrawn)	78,334,651	51,073,577

Sub account -Resort 040039072

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

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

Sub account -Salary 040065391

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

Sub account -Market 040065383

Bank statement balance at beginning of year / (overdrawn)	-	(200)
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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016	2015
	R	R
6. CASH AND CASH EQUIVALENTS (Continued)		
6.3 Cash and Cash equivalents		
Cash Floats and Advances	16,820	16,820
Cash on hand in Cash Floats, Advances and Equivalents	16,820	16,820

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	72,186	92,070
Operating Lease expenses recorded	619,803	475,810
Operating Lease payments effected	(656,990)	(495,694)
Total Operating Lease Assets	34,999	72,186

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	418,498	166,349
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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	588,506	481,169
2 to 5 years	1,113,889	779,750
More than 5 years	56,000	19,250
Total Operating Lease Arrangements	1,758,396	1,280,169

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease for the year has been an increase:

	37,186	19,884
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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	10,337,965	5,972,571
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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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2016

Reconciliation of Carrying Value

Description	Infra- structure	Community	Heritage	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2015	1,002,447,917	308,146,116	6,801,944	69,409,041	1,386,805,019
Cost	1,409,127,594	357,632,877	6,801,944	133,775,273	1,907,337,688
- Completed Assets	1,106,255,128	325,899,302	6,801,944	133,775,273	1,572,731,648
- Under Construction	302,872,465	31,733,575	-	-	334,606,041
Accumulated Depreciation:	(406,679,677)	(49,486,761)	-	(64,366,232)	(520,532,669)
- Cost	(406,679,677)	(49,486,761)	-	(64,366,232)	(520,532,669)
Acquisitions	29,663,121	5,055,178	-	10,033,128	44,751,427
Capital under Construction - Additions	119,901,296	1,895,950	1,846,350	-	123,643,596
- Cost	119,901,296	1,895,950	1,846,350	-	123,643,596
Depreciation:	(31,450,145)	(7,391,659)	-	(16,565,912)	(55,407,716)
- Based on Cost	(31,450,145)	(7,391,659)	-	(16,565,912)	(55,407,716)
Adjustment of Carrying values:	(68,642)	-	-	-	(68,642)
- Cost	(68,642)	-	-	-	(68,642)
Adjustment of Depreciation	68,642	-	-	-	68,642
Capital under Construction - Completed	(51,604,039)	(8,180,438)	(1,846,350)	-	(61,630,827)
Other Movements	51,604,039	8,180,438	1,846,350	-	61,630,827
- Cost	51,604,039	8,180,438	1,846,350	-	61,630,827
Carrying values at 30 June 2016	1,120,562,189	307,705,586	8,648,295	62,876,258	1,499,792,327
Cost	1,558,623,368	364,584,006	8,648,295	143,808,401	2,075,664,070
- Completed Assets	1,187,453,646	339,134,919	8,648,295	143,808,401	1,679,045,260
- Under Construction	371,169,722	25,449,087	-	-	396,618,810
Accumulated Depreciation:	(438,061,180)	(56,878,420)	-	(80,932,143)	(575,871,743)
- Cost	(438,061,180)	(56,878,420)	-	(80,932,143)	(575,871,743)

30 June 2015

Reconciliation of Carrying Value

Description	Infra- structure	Community	Heritage	Other	Total
	R	R	R	R	R
Carrying values at 01 July 2014	876,826,690	298,532,841	6,801,944	59,788,587	1,241,950,062
Cost	1,253,234,595	340,556,676	6,801,944	120,408,221	1,721,001,437
- Completed Assets	799,793,562	326,236,008	6,801,944	120,408,221	1,253,239,736
- Under Construction	453,441,032	14,320,668	-	-	467,761,701
Accumulated Depreciation:	(376,407,905)	(42,023,836)	-	(60,619,634)	(479,051,375)
- Cost	(376,407,905)	(42,023,836)	-	(60,619,634)	(479,051,375)
Correction of error (Note 39)					
- Accumulated Depreciation	2,636,873	-	-	10,586,660	13,223,533
Restated carrying values at 01 July 2014	879,463,563	298,532,841	6,801,944	70,375,247	1,255,173,595
Acquisitions	65,313,335	-	-	13,367,052	78,680,387
Capital under Construction - Additions	96,824,430	17,412,907	-	-	114,237,337
- Cost	96,824,430	17,412,907	-	-	114,237,337
Depreciation:	(25,255,311)	(7,462,925)	-	(14,333,258)	(47,051,493)
- Based on Cost	(25,255,311)	(7,462,925)	-	(14,333,258)	(47,051,493)
Adjustment of Carrying values:	(6,244,766)	(336,706)	-	-	(6,581,472)
- Cost	(6,244,766)	(336,706)	-	-	(6,581,472)
Impairment Losses	(7,653,334)	-	-	-	(7,653,334)
Capital under Construction - Completed	(247,392,997)	-	-	-	(247,392,997)
Other Movements	247,392,997	-	-	-	247,392,997
- Cost	247,392,997	-	-	-	247,392,997
Carrying values at 30 June 2015	1,002,447,917	308,146,116	6,801,944	69,409,041	1,386,805,019
Cost	1,409,127,594	357,632,877	6,801,944	133,775,273	1,907,337,688
- Completed Assets	1,106,255,128	325,899,302	6,801,944	133,775,273	1,572,731,648
- Under Construction	302,872,465	31,733,575	-	-	334,606,041
Accumulated Impairment Losses					
Accumulated Depreciation:	(406,679,677)	(49,486,761)	-	(64,366,232)	(520,532,669)
- Cost	(406,679,677)	(49,486,761)	-	(64,366,232)	(520,532,669)

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

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016 R	2015 R
9. PROPERTY, PLANT AND EQUIPMENT (Continued)		
9.1 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:	<u>79,217</u>	<u>326,547</u>
9.2 Heritage Assets		
The municipality identified certain categories of assets that can be classified as Heritage Assets. Due to the recognition criteria as set out in GRAP 103, these assets do not qualify to be recognised as the cost or fair value thereof cannot be measured reliably. Furthermore, the municipality cannot with certainty say that future economic benefits or service potential attributable to the heritage asset will flow to the municipality. These categories are: <i>Municipal Jewellery, Antique Paintings, Areas of land of historic or specific significance and Monuments.</i>		
Heritage assets disclosed in the financial statements consist of the following:		
Land	6,765,789	6,765,789
Antiques	36,156	36,156
Monuments	1,846,350	-
Total	<u>8,648,295</u>	<u>6,801,944</u>
10. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Loss	<u>6,299,418</u>	<u>4,698,938</u>
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2015	4,698,938	4,698,938
Cost	17,203,992	17,203,992
Accumulated Amortisation	(12,505,054)	(12,505,054)
Acquisitions during the Year:	3,766,933	3,766,933
Purchased	3,766,933	3,766,933
Amortisation during the Year:	(2,166,453)	(2,166,453)
Purchased	(2,166,453)	(2,166,453)
Carrying values at 30 June 2016	6,299,418	6,299,418
Cost	20,970,925	20,970,925
Accumulated Amortisation	(14,671,507)	(14,671,507)
	Computer Software	Total
Carrying values at 01 July 2014	1,098,305	1,098,305
Cost	12,215,153	12,215,153
Accumulated Amortisation	(11,116,848)	(11,116,848)
Acquisitions during the Year:	4,988,839	4,988,839
Purchased	4,988,839	4,988,839
Amortisation during the Year:	(1,388,206)	(1,388,206)
Purchased	(1,388,206)	(1,388,206)
Carrying values at 30 June 2015	4,698,938	4,698,938
Cost	17,203,992	17,203,992
Accumulated Amortisation	(12,505,054)	(12,505,054)

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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016	2015
	R	R
11. INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	<u>196,371,707</u>	<u>194,623,613</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	194,623,613	201,755,728
Cost	196,050,193	202,964,995
Accumulated Depreciation	(1,426,580)	(1,209,267)
Acquisitions during the Year	2,380,376	-
Depreciation during the Year	(217,882)	(217,312)
Disposals during the Year:	(414,400)	-
At Cost	(414,400)	-
Transfers during the Year:	-	(6,914,802)
At Cost	-	(6,914,802)
Carrying values at 30 June	196,371,707	194,623,613
Cost	198,016,169	196,050,193
Accumulated Depreciation	(1,644,461)	(1,426,580)
Estimated Fair Value of Investment Property at 30 June	<u>198,016,169</u>	<u>196,050,193</u>
Revenue and Expenditure disclosed in the Statement of Financial Performance include: Rental		
Revenue earned from Investment Property	418,498	166,349

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	28,820,246	21,848,411
Total Consumer Deposits	<u>28,820,246</u>	<u>21,848,411</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>3,457,988</u>	<u>3,507,853</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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016 R	2015 R
14. PROVISIONS		
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 19 below)	6,298,572	4,928,000
Current Portion of Non-Current Provisions (See Note 20 below):	<u>2,396,929</u>	<u>2,520,000</u>
Total Provisions	<u>8,695,501</u>	<u>7,448,000</u>

15. CREDITORS

Trade Creditors	100,544,429	102,979,602
Payments received in Advance	16,392,940	12,684,720
Staff Bonuses	9,911,283	9,969,519
Other Creditors	-	53,127
Accrued Leave	32,442,363	30,557,754
Total Creditors	<u>159,291,016</u>	<u>156,244,721</u>

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 2015.

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.

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.

16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

16.1 Conditional Grants from Government

	11,012,029	31,651,158
Grants	<u>11,012,029</u>	<u>31,651,158</u>
Total Conditional Grants and Receipts	<u>11,012,029</u>	<u>31,651,158</u>

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.

17. VAT PAYABLE FROM EXCHANGE TRANSACTIONS

Vat Payable from Exchange Transactions	<u>24,740,958</u>	<u>20,314,935</u>
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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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016 R	2015 R
18. LONG TERM LIABILITIES		
Annuity Loans	226,876,321	237,700,405
Less: Current Portion transferred to Current Liabilities:- Annuity Loans	8,201,006 <u>8,201,006</u>	10,882,007 <u>10,882,007</u>
Total Long-term Liabilities	<u>218,675,316</u>	<u>226,818,398</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.

19. RETIREMENT BENEFIT LIABILITIES

19.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	174,409,000	202,404,000
Contributions to Provision	(4,928,000)	(4,418,000)
Expenditure incurred	23,917,000	27,540,000
Actuarial loss/(gain)	31,349,155	(51,117,000)
Wholly unfunded balance at year end	<u>224,747,155</u>	<u>174,409,000</u>
Transfer to Current Provisions	(6,298,572)	(4,928,000)
Total Post-retirement Health Care Benefits Liability	<u>218,448,583</u>	<u>169,481,000</u>

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 2016 by C Weiss, Fellow member 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	1,263	1,257
In-service (employee) non-members	428	-
Continuation Members (retirees and widowers)	211	174
Total Members	<u>1,902</u>	<u>1,431</u>

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

In-service Members	142,123,728	123,756,000
In-service Non-members	8,404,137	-
Continuation Members	74,219,290	50,653,000
Total Liability	<u>224,747,155</u>	<u>174,409,000</u>

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

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

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

2016
R

2015
R

19. RETIREMENT BENEFIT LIABILITIES (Continued)

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

Discount Rate	9.03%	Yield Curve
Health Care Cost Inflation Rate	8.14%	ESRI + 1%
Net Effective Discount Rate	0.83%	Yield Curve based Difference between Nominal and Yield Curves
Expected Rate of Salary Increase (ERSI)	50% of 7.64%	
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

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

Balance at the beginning of the year	174,409,000	202,404,000
Current service costs	7,813,000	9,274,000
Interest cost	16,104,000	18,266,000
Benefits paid	(4,928,000)	(4,418,000)
Actuarial loss/(gain)	31,349,155	(51,117,000)
Present Value of Fund Obligation at the end of the Year	224,747,155	174,409,000
Total Recognised Benefit Liability	224,747,155	174,409,000

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

Present value of fund obligations	224,747,155	174,409,000
Total Benefit Liability	224,747,155	174,409,000

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

Current service cost	7,813,000	9,274,000
Interest cost	16,104,000	18,266,000
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	23,917,000	27,540,000

The history of experienced adjustments is as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Present Value of Defined Benefit Obligation	224,747,155	174,409,000	202,404,000	190,117,066	162,403,503
Deficit	224,747,155	174,409,000	202,404,000	190,117,066	162,403,503

2016
R

2015
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	24,694,000	24,694,000
Effect on the defined benefit obligation	232,794,000	180,051,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	22,824,000	22,784,000
Effect on the defined benefit obligation	213,189,000	166,502,000

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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016 R	2015 R
20. NON-CURRENT PROVISIONS		
Provision for Ex-Gratia Arrangements	-	907,000
Provision for Long Service Awards	15,782,694	15,713,000
Provision for Rehabilitation of Land-fill Sites	27,624,298	27,336,931
Total Non-current Provisions	<u><u>43,406,992</u></u>	<u><u>43,956,931</u></u>

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

	Ex-Gratia Arrangements R	Long Service Awards R	Land-fill Sites R
30 June 2016			
Balance at beginning of year	907,000	18,233,000	27,336,931
Current service cost	-	1,968,000	-
Interest cost	-	1,510,000	-
Expenditure incurred / Contribution	(907,000)	(2,520,000)	287,367
Actuarial Gain	-	(1,011,377)	-
	<u>-</u>	<u>18,179,623</u>	<u>27,624,298</u>
Transfer to current provisions	-	(2,396,929)	-
Balance at end of year	<u><u>-</u></u>	<u><u>15,782,694</u></u>	<u><u>27,624,298</u></u>
30 June 2015			
Balance at beginning of year	835,000	16,904,000	31,638,435
Current service cost	-	1,904,000	-
Interest cost	66,000	1,358,000	-
Expenditure incurred / Contribution	-	(1,778,000)	1,943,262
Actuarial Loss / (Gain)	6,000	(155,000)	(6,244,766)
	<u>907,000</u>	<u>18,233,000</u>	<u>27,336,931</u>
Transfer to current provisions	-	(2,520,000)	-
Balance at end of year	<u><u>907,000</u></u>	<u><u>15,713,000</u></u>	<u><u>27,336,931</u></u>

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 2015 by N Fourie and J van der Spuy, Fellow members 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 there were no remaining employees eligible for Ex-gratia arrangement awards.

The interest costs for the year is estimated to be: - 66,000

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

Discount Rate	N/A	7.89%
Cost Inflation Rate	N/A	6.59%
Net Effective Discount Rate	N/A	0.24%
Expected Rate of Salary Increase	N/A	7.63%
Expected Retirement Age - Females	N/A	63
Expected Retirement Age - Males	N/A	63

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

Balance at the beginning of the year	907,000	835,000
Interest cost	-	66,000
Expenditure incurred / Contribution	(907,000)	-
Actuarial loss	-	6,000
Present Value of Fund Obligation at the end of the Year	<u>-</u>	<u>907,000</u>
Total Recognised Benefit Liability	<u><u>-</u></u>	<u><u>907,000</u></u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016	2015
	R	R
20. NON-CURRENT PROVISIONS (Continued)		
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	-	66,000
Actuarial loss	-	6,000
Total Post-retirement Benefit included in Employee Related Costs	-	72,000

The history of experienced adjustments is as follows:

	2016	2015	2014	2013	2012
	R	R	R	R	R
Present Value of Defined Benefit Obligation	-	907,000	835,000	624,207	551,734
Deficit	-	907,000	835,000	624,207	551,734

	2016	2015
	R	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	-	49,000
Effect on the defined benefit obligation	-	913,000

Decrease:

Effect on the aggregate of the interest cost	-	43,000
Effect on the defined benefit obligation	-	869,000

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 2016 by C Weiss, Fellow member 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 1,691 employees were eligible for Long-service Awards.

	2016	2015
	R	R

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

Discount Rate	8.33%	8.24%
Cost Inflation Rate	6.00%	6.59%
Net Effective Discount Rate	1.24%	0.60%
Expected Rate of Salary Increase	7.00%	7.59%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63

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

Balance at the beginning of the year	18,233,000	16,904,000
Current service costs	1,968,000	1,904,000
Interest cost	1,510,000	1,358,000
Benefits paid	(2,520,000)	(1,778,000)
Actuarial loss / (gains)	(1,011,377)	(155,000)
Present Value of Fund Obligation at the end of the Year	18,179,623	18,233,000
Total Recognised Benefit Liability	18,179,623	18,233,000

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016 R	2015 R
20. NON-CURRENT PROVISIONS (Continued)		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	18,179,623	18,233,000
Total Benefit Liability	<u><u>18,179,623</u></u>	<u><u>18,233,000</u></u>

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

Current service cost	1,968,000	1,904,000
Interest cost	1,510,000	1,358,000
Benefits paid	(2,520,000)	(1,778,000)
Actuarial loss / (gains)	(1,011,377)	(155,000)
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	<u><u>(53,377)</u></u>	<u><u>1,329,000</u></u>

The history of experienced adjustments is as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Obligation	18,179,623	18,233,000	16,904,000	14,323,824	13,372,118
Deficit	<u><u>18,179,623</u></u>	<u><u>18,233,000</u></u>	<u><u>16,904,000</u></u>	<u><u>14,323,824</u></u>	<u><u>13,372,118</u></u>

	2016 R	2015 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	3,748,000	3,707,000
Effect on the defined benefit obligation	19,015,000	19,317,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	3,375,400	3,270,000
Effect on the defined benefit obligation	17,400,000	17,235,000

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):

	2016	2015
	R	R
	27,624,298	27,336,931

An independent valuer performed the valuation. The valuer based his calculations on the rehabilitation costs incurred on a similar site in the Eastern Cape area.

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

Inflation Rate	5.00%	6.30%
Size of landfill site in hectares	16	16
Annual tonnage of waste deposited	72,000	72,000

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)	70,058,765	73,310,638
Self-insurance Reserve	23,548,290	23,206,160
C.O.I.D. Reserve	10,610,435	10,195,590
Accumulated Surplus due to the results of Operations	2,044,960,745	1,782,239,582
Total Accumulated Surplus	<u><u>2,149,178,236</u></u>	<u><u>1,888,951,970</u></u>

The **Capital Replacement Reserve (CRR)** 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 Compensation Commissioner for Occupational Injuries and Diseases (**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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	Property Valuations		2016 R	2015 R
22. PROPERTY RATES	July 2015 R000's	July 2014 R000's	Actual Levies	
Residential	16,124,603	11,134,402	134,083,243	120,200,388
Business	4,385,479	2,747,328	113,367,185	95,555,378
Residential Business	312,065	170,657	5,380,547	3,667,920
Rural	2,400,710	1,050,731	5,392,190	1,971,946
Industrial	486,833	231,140	14,871,730	10,970,132
PSI	63,255	32,914	-	-
State	3,109,744	1,904,686	196,476,528	165,464,849
Mining Areas	75,792	5,686	14,825,854	1,089,976
Exempt	<u>2,255,118</u>	<u>1,114,703</u>		
Total Assessment Rates	<u>29,213,599</u>	<u>18,392,246</u>	<u>484,397,277</u>	<u>398,920,589</u>

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% (2015: 50%) was allowed on residential properties for pensioners based on the annual income of the ratepayer's household.

23. INTEREST EARNED	2016 R	2015 R
External Investments:		
Interest	20,995,888	21,164,955
Outstanding Debtors:		
Outstanding Debtors	<u>101,386,838</u>	<u>73,076,752</u>
Total Interest Earned	<u>122,382,726</u>	<u>94,241,707</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Financial instruments at amortised cost	<u>122,382,726</u>	<u>94,241,707</u>

24. SERVICE CHARGES		
Sale of Electricity	645,803,948	561,177,966
Sale of Water	233,270,363	211,649,583
Refuse Removal	53,975,455	47,364,050
Sewerage and Sanitation Charges	71,844,949	67,956,279
Total Service Charges	<u>1,004,894,715</u>	<u>888,147,879</u>

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		
Rental Revenue from Facilities and Equipment	<u>9,839,067</u>	<u>16,373,950</u>
Total Rental of Facilities and Equipment	<u>9,839,067</u>	<u>16,373,950</u>

Rental revenue earned on Facilities and Equipment is in respect of residential buildings rented out.

26. GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	143,335,000	145,440,000
Provincial Health Subsidies	-	2,809,000
Other Subsidies	<u>7,980,501</u>	<u>4,563,000</u>
Operational Grants	<u>151,315,501</u>	<u>152,812,000</u>
Conditional Grants	<u>124,627,503</u>	<u>129,224,220</u>
National: Financial Management Grant (FMG)	1,600,000	1,600,000
National: Municipal Infrastructure Grant (MIG)	48,329,000	47,211,000
National: Grants	50,574,956	19,063,732
National: Expanded Public Works Programme (EPWP)	4,984,000	5,330,000
Provincial: Grants	12,121,635	47,262,775
Local Government: Local Municipalities Grant	<u>7,017,911</u>	<u>8,756,713</u>
Total Government Grants and Subsidies	<u>275,943,005</u>	<u>282,036,220</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016	2015
	R	R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Operational Grants:		
26.1 National: Equitable Share	<u>143,335,000</u>	<u>145,440,000</u>
This unconditional grant is partly used to subsidise the provision of basic services to registered and verified indigent community members.		
26.2 Provincial: Health Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts - included in Public Health vote	-	2,809,000
- Primary Health	-	2,809,000
Conditions met - transferred to Revenue	-	(2,809,000)
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:	7,980,501	4,563,000
- Library	6,609,000	4,563,000
- Miscellaneous	1,371,501	-
Conditions met - transferred to Revenue	<u>(7,980,501)</u>	<u>(4,563,000)</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 library expenditure (included in Appendix F). The conditions of the grant have been met.		
Conditional Grants:		
26.4 National: FMG		
Balance unspent at beginning of year	-	-
Current year receipts	1,600,000	1,600,000
Conditions met - transferred to Revenue: Operating Expenses	<u>(1,600,000)</u>	<u>(1,600,000)</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		
Balance unspent at beginning of year	-	-
Current year receipts	48,329,000	47,211,000
Conditions met - transferred to Revenue: Operating Expenses	-	(1,544,389)
Conditions met - transferred to Revenue: Capital Expenses	<u>(48,329,000)</u>	<u>(45,666,611)</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: Grants		
Balance unspent at beginning of year	31,651,158	2,593,813
Current year receipts	19,430,000	48,121,077
Conditions met - transferred to Revenue: Operating Expenses	(4,715,903)	(4,233,619)
Conditions met - transferred to Revenue: Capital Expenses	<u>(45,859,054)</u>	<u>(14,830,112)</u>
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>506,201</u>	<u>31,651,158</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	4,984,000	5,330,000
Conditions met - transferred to Revenue: Operating Expenses	<u>(4,984,000)</u>	<u>(5,330,000)</u>
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	-	-
Current year receipts	22,627,463	47,262,775
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	<u>(12,121,635)</u>	<u>(47,262,775)</u>
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>10,505,828</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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016	2015
	R	R
26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
26.9 Local Government - Local Municipalities		
Balance unspent at beginning of year	-	-
Current year receipts	7,017,911	8,756,713
Conditions met - transferred to Revenue: Operating Expenses	(1,599,294)	(2,760,640)
Conditions met - transferred to Revenue: Capital Expenses	(5,418,617)	(5,996,073)
Conditions still to be met - transferred to Liabilities (see Note 16)	-	-
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 Changes in levels of Government Grants		
Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2008), government grant funding is expected to increase over the forthcoming three financial years.		
27. PUBLIC CONTRIBUTIONS AND DONATIONS		
Donations Received	260,514	3,812,828
Total Public Contributions and Donations	260,514	3,812,828
Donations received comprise of various connection/cables that was paid for by a third party.		
28. OTHER INCOME		
Premiums received and claims recovered	4,406,042	4,367,738
Admission, Academic and transaction fees	5,645,566	1,350,891
Burial fees	1,819,712	1,565,385
Building Plan Approvals	1,722,700	2,025,210
Market Fees	3,541,156	3,193,806
Miscellaneous revenue		9,330,340
Draining Fees	996,328	841,990
Unclaimed fines, deposits and stale cheques	1,869,036	1,700,098
Other Income	3,659,123	2,622,283
Total Other Income	23,659,662	26,997,742
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	325,933,535	274,089,374
Employee Related Costs - Contributions for UIF and Medical Aids	36,718,228	36,501,517
Employee Related Costs - Contributions for Pensions	44,069,507	34,949,970
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	97,706,204	101,570,755
Housing Benefits and Allowances	2,501,884	1,859,318
Overtime Payments	27,574,133	24,635,024
Long-service Awards	9,544,278	9,807,308
Defined Benefit Plan Expense:	56,825,778	(20,398,000)
Current Service Cost	9,781,000	11,178,000
Interest Cost	17,614,000	19,690,000
Net Actuarial loss/(gain) recognised	29,430,778	(51,266,000)
Total Employee Related Costs	600,873,547	463,015,266
Remuneration of the Municipal Manager		
Annual Remuneration	1,529,204	1,472,036
Car Allowance	150,000	150,000
Company Contributions to UIF, Medical and Pension Funds	304,789	290,361
Total	1,983,993	1,912,396
Remuneration of the Director: Finance		
Annual Remuneration	853,936	719,714
Car Allowance	318,420	311,712
Company Contributions to UIF, Medical and Pension Funds	176,005	146,401
Total	1,348,361	1,177,827

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016 R	2015 R
29. EMPLOYEE RELATED COSTS (Continued)		
<i>Remuneration of the Director: Corporate Services</i>		
Annual Remuneration	856,011	754,964
Car Allowance	318,420	320,702
Company Contributions to UIF, Medical and Pension Funds	180,502	253,482
Total	<u>1,354,933</u>	<u>1,329,148</u>
<i>Remuneration of the Director: Strategy, Economic Development and Planning</i>		
Annual Remuneration	843,169	716,354
Car Allowance	318,420	309,780
Company Contributions to UIF, Medical and Pension Funds	177,853	161,355
Total	<u>1,339,442</u>	<u>1,187,489</u>
<i>Remuneration of the Director: Community Services</i>		
Annual Remuneration	852,681	722,378
Car Allowance	318,420	304,884
Company Contributions to UIF, Medical and Pension Funds	149,552	121,394
Total	<u>1,320,653</u>	<u>1,148,656</u>
<i>Remuneration of the Director: Technical Services</i>		
Annual Remuneration	659,509	771,736
Car Allowance	285,479	304,884
Company Contributions to UIF, Medical and Pension Funds	170,742	146,766
Total	<u>1,115,730</u>	<u>1,223,386</u>
The post was vacant for a portion of the year.		
The following compensation was payable to key management personnel in terms of GRAP as at 30 June:		
Staff Leave Benefits:-		
Municipal Manager	114,944	52,708
Chief Financial Officer	172,293	80,104
Director Community	110,832	116,515
Director Corporate	145,578	122,870
Director SED	113,063	52,796
Director Technical	-	83,800
Total	<u>656,710</u>	<u>508,792</u>
30. REMUNERATION OF COUNCILLORS		
Executive Mayor	818,699	786,211
Speaker	659,301	621,290
Councillors	13,434,881	12,149,911
Contributions to UIF, Medical and Pension Funds and other allowances	6,035,206	6,283,655
Total Councillors' Remuneration	<u>20,948,087</u>	<u>19,841,066</u>
<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	55,407,716	47,051,493
Amortisation: Intangible Assets	2,166,453	1,388,206
Depreciation: Investment Property	217,882	217,312
Total Depreciation and Amortisation	<u>57,792,050</u>	<u>48,657,012</u>
32. IMPAIRMENT LOSS		
32.1 Impairment Loss on Financial Assets		
Impairment Losses Recognised:		
	159,613,107	143,165,133
Trade Receivables from exchange transactions	159,566,409	135,105,074
Trade Receivables from non-exchange transactions	46,698	8,060,058
	<u>159,613,107</u>	<u>143,165,133</u>
Total Impairment Loss	<u>159,613,107</u>	<u>143,165,133</u>
33. FINANCE COSTS		
Loans and Payables at amortised cost	29,018,431	30,458,023
Total Interest Paid on External Borrowings	<u>29,018,431</u>	<u>30,458,023</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

34. BULK PURCHASES	2016	2015
	R	R
Electricity	387,543,591	338,262,126
Water	66,466,299	66,198,499
Total Bulk Purchases	<u>454,009,890</u>	<u>404,460,624</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. CONTRACTED SERVICES		
Audit committee	483,626	304,635
Legal expenses	4,383,177	2,492,590
Maintenance of Equipment and Security	3,918,452	-
Project Management	1,969,920	2,058,205
Prepaid Vendor	18,333,313	18,227,079
Other Contracted Services	1,788,490	1,100,246
Total Grants and Subsidies	<u>30,876,978</u>	<u>24,182,755</u>

36. GRANTS AND SUBSIDIES PAID		
Diamonds and Dorings Festival	2,124,035	1,560,015
Gariiep Festival	1,300,000	1,300,000
Indigent subsidy	32,695,833	53,123,619
Other Grants	1,501,196	1,360,000
Subsidy paid to Society for Prevention of Cruelty against Animals (SPCA)	1,700,000	850,000
Total Grants and Subsidies	<u>39,321,064</u>	<u>58,193,634</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.

37. GENERAL EXPENSES		
Audit fees	3,911,274	3,619,608
Bank charges	2,853,288	2,867,498
Claims paid	687,393	793,133
Clarification/Purification Chemicals	6,132,095	6,751,235
Cleaning material	1,300,853	2,313,630
Conferences and seminars	8,986,436	8,447,526
Course fees/Skills development levy	5,058,869	4,880,432
Discount on early payment	25,667,386	23,224,189
Electricity	50,327,342	42,147,922
Fuel	10,233,945	10,320,088
Interns and learner ships	2,063,203	860,729
Insurance	4,499,878	4,189,799
Membership fees	6,015,855	4,785,865
Postage	2,183,780	2,025,479
Printing and stationary	6,726,040	5,654,650
Refuse removals	826,621	894,547
Sanitation	1,847,107	1,515,884
Software licences and Computer services	4,429,994	973,361
Sport/Transport events	1,065,548	999,318
Telephone expenditure	4,269,577	4,567,002
Uniforms and Protective clothing	3,831,362	2,890,551
Water	9,990,733	7,949,416
Water resource management fee	2,061,442	1,728,270
Ward committee activities	3,262,080	3,331,940
Workmen's compensation insurance	1,346,553	1,360,860
Other General Expenses	6,102,985	13,384,103
Total General Expenses	<u>175,681,639</u>	<u>162,477,035</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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

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R

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	(637,000)
Corrections to Creditors	(19,738,441)
Corrections to Expenditure	12,093,534
Corrections to Income	<u>(239,370)</u>
Increase / (Decrease) in Unappropriated Surplus Account	<u>(8,521,277)</u>
Increase / (Decrease) in Accumulated Surplus Account	<u>(8,521,277)</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:

	2015 Revenue	2015 Correction	Restated Amount
Other Income	33,704,935	(6,707,193)	26,997,742
	<u>33,704,935</u>	<u>(6,707,193)</u>	<u>26,997,742</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:

	2015 Expenditure	2015 Correction	Restated Amount
Employee Related Costs	463,300,811	(285,545)	463,015,266
Depreciation and Amortisation	46,080,952	2,576,060	48,657,012
Contracted Services	-	24,182,755	24,182,755
General Expenses	250,650,967	(88,173,932)	162,477,035
Repairs and Maintenance	<u>82,513,405</u>	<u>64,972,365</u>	<u>147,485,771</u>
	<u>842,546,136</u>	<u>3,271,703</u>	<u>845,817,839</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:

	2015 Fin Position	2015 Correction	Restated Amount
Accumulated Surplus	1,900,111,738	(11,159,768)	1,888,951,970
Payables from Exchange Transactions	139,017,787	17,226,934	156,244,721
Property, Plant and Equipment	1,370,809,915	9,193,159	1,380,003,075
Trade Receivables from Non-Exchange Transactions	413,417,155	(637,000)	412,780,155
Vat Receivable from Exchange Transactions	9,915,879	(3,943,308)	5,972,571

39.4 Restatement of Non-current Liabilities:

No restatements for the financial year.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

39. CORRECTION OF ERROR (Continued)

39.5 Restatement of Current Liabilities:

Included in the prior year's restated payables from exchange balance is an amount of R19,876,957 in respect of a salary creditor correction retrospectively.

The effect of the Correction of Error is as follows:

	Payables from Exchange Transactions
Balances as per AFS previously published for 2014/2015	139,017,787
Restatement of Current Liabilities	<u>17,226,934</u>
Balances as per current AFS published for 2014/2015	<u>156,244,721</u>

39.6 Restatement of Non-Current Assets

The Municipality reviewed the useful lives stated in the Asset Register during the financial year. Certain errors pertaining to the useful lives of assets were discovered on the Asset Register during the current financial year. As a result, Property, Plant and Equipment (refer to note 9) have been restated to reflect these changes, while the adjustment to Accumulated Surplus is as indicated.

The effect of the Correction of Error is as follows:

	Intangible Assets	Property, Plant and Equipment
Balances as per AFS previously published for 2014/2015	3,244,624	1,370,809,915
Restatement of non-current assets	<u>1,454,314</u>	<u>9,193,159</u>
Balances as per current AFS published for 2014/2015	<u>4,698,938</u>	<u>1,380,003,075</u>

39.7 Restatement of Depreciation:

The Municipality reviewed the useful lives stated in the Asset Register during the financial year. Certain errors pertaining to the useful lives of assets were discovered on the Asset Register during the current financial year. As a result, Property, Plant and Equipment (refer to note 9) have been restated to reflect these changes, while the adjustment to Accumulated Surplus is as indicated.

The effect of the Correction of Error is as follows:

	Depreciation on PPE
Balances as per AFS previously published for 2014/2015	531,180,142
Restatement of Depreciation	<u>(10,647,473)</u>
Balances as per current AFS published for 2014/2015	<u>520,532,669</u>

39.8 Adjustment of Revenue:

Included in the restated prior year figures for Other Income (refer to Note 28) is various unknown deposits which has now been classified as revenue. Included in Fines are various items reclassified due to Municipal Standard Chart of Accounts (mSCOA) requirements.

The effect of the Correction of Error is as follows:

	Fines and Penalties	Other Income
Balances as per AFS previously published for 2014/2015	12,011,428	33,704,935
Adjustment of prior period revenue	<u>7,340,404</u>	<u>(6,707,193)</u>
Balances as per current AFS published for 2014/2015	<u>19,351,832</u>	<u>26,997,742</u>

39.9 Adjustment of Expenses:

The prior year figure for Depreciation and Amortisation has been restated due to corrections made to the Asset Register. This oversight has been rectified and the restated figure is reflected below. General Expense adjustments were due to mSCOA requirements.

The effect of the Correction of Error is as follows:

	Employee Related Costs	Depreciation and Amortisation	General Expenses
Balances as per AFS previously published for 2014/2015	463,300,811	46,080,952	250,650,967
Adjustment of prior period expenses	<u>(285,545)</u>	<u>2,576,060</u>	<u>(88,173,932)</u>
Balances as per current AFS published for 2014/2015	<u>463,015,266</u>	<u>48,657,012</u>	<u>162,477,035</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 Exchange Transactions. The effect on Accumulated Surplus and on Current Assets is reflected below.

The effect of the Correction of Error is as follows:

	Current Assets
Balances as per AFS previously published for 2014/2015	993,933,909
Adjustment for prior period error	<u>(4,580,308)</u>
Balances as per current AFS published for 2014/2015	<u>989,353,602</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

	2016	2015
	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	260,226,265	227,883,068
Adjustment for:		
Adjusting non cash flow items prior errors	0	(595,202)
Depreciation and Amortisation	57,792,050	48,657,012
Contribution to Impairment Provision	161,570,809	149,009,888
Bad Debts Recovered	-	5,220,119
Bad Debts Written-off	(21,154,765)	(56,467,179)
Investment Income	(122,382,726)	(94,241,707)
Finance Costs	29,018,431	30,458,023
Operating surplus before working capital changes	365,070,064	309,924,023
(Increase)/Decrease in Inventories	231,245	(9,480,220)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(210,432,580)	(88,307,889)
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	(118,190,146)	(90,797,912)
(Increase)/Decrease in VAT Receivable	(4,365,393)	6,858,036
(Increase)/Decrease in Operating Lease Assets	37,186	19,884
Increase/(Decrease) in Consumer Deposits	6,971,835	5,164,277
Increase/(Decrease) in Creditors	3,046,295	(12,819,403)
Increase/(Decrease) in Conditional Grants and Receipts	(20,639,129)	29,057,345
(Increase)/Decrease in provisions	49,665,145	(30,895,504)
Increase/(Decrease) in VAT Payable	4,426,023	(594,696)
Cash generated by / (utilised in) Operations	75,820,545	118,127,940
Income for the year	1,949,602,029	1,738,533,780
Adjustment for:-		
Investment income	(122,382,726)	(94,241,707)
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(210,432,580)	(88,307,889)
Bad Debts Recovered	-	5,220,119
Bad Debts Written-off	(21,154,765)	(56,467,179)
(Increase)/Decrease in Operating Lease Assets	37,186	19,884
Increase/(Decrease) in Consumer Deposits	6,971,835	5,164,277
(Increase)/Decrease in Trade Receivables from Non-Exchange Transactions	(118,190,146)	(90,797,912)
(Decrease)/increase in conditional grants and receipts	(20,639,129)	29,057,345
Cash receipts from ratepayers, government and other	1,463,811,704	1,448,180,718
Expenditure for the year	1,689,375,763	1,510,650,713
Adjustment for:-		
Depreciation	57,792,050	48,657,012
Contribution to bad debt provision	161,570,809	149,009,888
Adjusting non cash flow items prior errors	0	(595,202)
Interest paid	29,018,431	30,458,023
Operating expenditure before working capital changes:	1,440,994,474	1,283,120,991
(Increase)/Decrease in inventories	231,245	(9,480,220)
(Decrease)/Increase in creditors	3,046,295	-12,819,403
(increase)/Decrease in provisions	49,665,145	-30,895,504
(decrease)/Increase in VAT	60,630	6,263,340
Cash paid to suppliers and employees	1,387,991,159	1,330,052,778
Cash generated by/(utilized in) operations	75,820,545	118,127,940
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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

2016
R

2015
R

44. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 18)	226,876,321	237,700,405
Long-term Liabilities have been utilised in accordance with section 46 of 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.

	2016 R	2015 R	2014 R
Reconciliation of Unauthorised Expenditure:			
Opening balance	-	-	-
Unauthorised Expenditure current year	10,329,679	2,823,634	-
Approved by Council	(10,329,679)	(2,823,634)	-
Unauthorised Expenditure awaiting authorisation	-	-	-

45.2 Fruitless and Wasteful Expenditure

	2016 R	2015 R
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	119,692	1,124,334
Fruitless and Wasteful Expenditure current year	1,574,360	119,692
Fruitless and Wasteful Expenditure reversed	-	(416,261)
Written off by Council	(151,345)	(708,073)
Fruitless and Wasteful Expenditure awaiting condonement	1,542,707	119,692

Incident	Amount	Causes
Kazia Consulting Engineers	150,000	Payment for services not op standard.
SARS penalty fees	1,392,707	Interest and penalties paid to SARS.

45.3 Irregular Expenditure

	2016 R	2015 R	2014 R
Reconciliation of Irregular Expenditure:			
Opening balance	212,719,245	10,097,201	14,143,467
Irregular Expenditure current year	40,404,352	210,916,140	4,407,379
Irregular Expenditure correction	27,114,548	1,773,413	787,597
Written off by Council or ratified by Accounting Officer	(266,789,188)	(10,067,510)	(9,241,242)
Irregular Expenditure awaiting condonement	13,448,957	212,719,245	10,097,201

Incident	Amount	Causes
Suppliers in service of the state	7,869,369	Awards were made to suppliers in service of the state, in contravention of the Supply Chain Management Regulations. The suppliers failed to declare the fact.
Non compliance with SCM regulations	5,579,588	Awards were made to suppliers in contravention of the Supply Chain Management Regulations Section 32 and MFMA circular 62.

46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE

2016
R

2015
R

46.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	6,000,431	4,785,865
Amount Paid - current year	(6,000,431)	(4,785,865)
Balance Unpaid (included in Creditors)	-	-

**SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016**

	2016 R	2015 R
46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
46.2 Audit Fees		
Opening Balance	-	-
Current year Audit Fee	3,911,274	3,619,608
Amount Paid - current year	<u>(3,911,274)</u>	<u>(3,619,608)</u>
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

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	75,638,755	68,056,437
Amount Paid - current year	<u>(75,638,755)</u>	<u>(68,056,437)</u>
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

46.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	128,821,276	122,674,146
Amount Paid - current year	<u>(128,821,276)</u>	<u>(122,674,146)</u>
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

46.6 Councillor's arrear Consumer Accounts

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

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2016			
Askin LA	467	-	467
Bishop MJ	35	-	35
Boqo SG	148	-	148
Doman WP/SE	2,110	1,578	532
Hale GP	1,900	1,543	357
Jabetla AK	22	-	22
Likua A & Frans T	216	209	8
Ludick HP	261	-	261
Matsio FF	39	19	20
Matsio J	103	-	103
Modise OD & E	17	-	17
Morudi GD	538	400	138
Mpampi EZ	1,303	1,026	276
Ntshangula A	1,169	-	1,169
O'Neill-Coutts PA	12,483	7,935	4,547
Pitt RA	30,051	1,606	28,445
Louw PJF	453	340	113
Rosen MS	302	-	302
Strauss PAS	3,723	2,252	1,471
Thabane MP	2,426	1,820	606
Tsimakwane SK	99	-	99
Van der Merwe GS	731	-	731
Vilakazi PM	3,702	861	2,840
Visagie GE	64	-	64
Visser MB	811	663	148
Wyngaard H (Settley)	1,286	710	576
Total Councillor Arrear Consumer Accounts	<u><u>65,402</u></u>	<u><u>21,905</u></u>	<u><u>43,497</u></u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

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

30 June 2015	Total	Outstanding up to 90 days	Outstanding more than 90 days
Louw PJF	157	-	157
Rosen MS	1,793	1,388	405
Wyngaard H (Settley)	41	-	41
Mthukwana NP	116	66	50
Bishop MJ	381	320	61
Thabane MP	2,952	1,524	1,428
Tsimakwane SK	161	-	161
Boqo SG	71	-	71
Nhlapo MG	197	105	92
Mpampi EZ	6,047	-	6,047
Tong KM & TH	377	-	377
Doman WP & SE	122	-	122
Total Councillor Arrear Consumer Accounts	15,841	6,829	9,012

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

No known matters existed at the reporting date.

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

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council. The Municipality has deviated from the procurement policy, the details of which were reported to council (refer to appendix G).

46.9 Material losses

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding water losses as a result of various factors for example burst pipes and stand pipes not metered is 56.39%, 18 752 511 kl (2015: 55.17%, 18 940 545 kl) is disclosed to the amount of:

2016 R	2015 R
37,478,402	36,519,978

In terms of section 125(d)(i) of the Municipal Finance Management Act disclosure regarding electricity losses as a result of various factors are 19.3%, 96 336 526 kWh (2015: 22.19%, 108 816 979 kWh) is disclosed to the amount of:

74,809,523	75,045,838
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47. COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- **Approved and Contracted for:-**
 Infrastructure

45,788,773	54,230,135
45,788,773	54,230,135

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

48. FINANCIAL INSTRUMENTS		2016 R	2015 R
48.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>		<u>Classification</u>
Trade receivables from exchange transactions			
Electricity	Amortised cost	43,801,891	34,774,822
Refuse	Amortised cost	19,931,162	16,370,812
Sewerage	Amortised cost	24,907,825	20,380,554
Water	Amortised cost	89,846,924	74,360,803
Miscellaneous	Amortised cost	145,594,705	109,663,051
Market	Amortised cost	304,544	299,028
Housing Debtors	Amortised cost	9,561,306	8,036,054
Trade receivables from non exchange transactions			
Assessment Rates	Amortised cost	472,653,553	332,578,964
Government Subsidy Claims	Amortised cost	47,423,409	63,038,099
Miscellaneous debtors	Amortised cost	6,839,552	11,173,898
Traffic Fines	Amortised cost	4,836,816	6,404,521
Bank, Cash and Cash Equivalents			
Bank	Amortised cost	34,343,040	17,559,969
Call Deposits	Amortised cost	90,950,000	79,420,316
Notice Deposits	Amortised cost	133,965,838	178,460,169
Cash Floats and Advances	Amortised cost	16,820	16,820
Operating Lease Assets			
Operating Lease Assets / Receivables	Amortised cost	34,999	72,186
		<u>1,125,012,385</u>	<u>952,610,065</u>
SUMMARY OF FINANCIAL ASSETS			
Amortised cost			
Short-term Investment Deposits	Notice Deposits	133,965,838	178,460,169
Trade receivables from non-exchange transactions	Assessment Rates	472,653,553	332,578,964
Trade receivables from exchange transactions	Electricity	43,801,891	34,774,822
Trade receivables from exchange transactions	Refuse	19,931,162	16,370,812
Trade receivables from exchange transactions	Sewerage	24,907,825	20,380,554
Trade receivables from exchange transactions	Water	89,846,924	74,360,803
Trade receivables from exchange transactions	Miscellaneous	145,594,705	109,663,051
Trade receivables from exchange transactions	Market	304,544	299,028
Trade receivables from exchange transactions	Housing Debtors	9,561,306	8,036,054
Trade receivables from non-exchange transactions	Government Subsidy Claims	47,423,409	63,038,099
Trade receivables from non-exchange transactions	Miscellaneous debtors	6,839,552	11,173,898
Trade receivables from non-exchange transactions	Traffic Fines	4,836,816	6,404,521
Operating Lease Assets	Operating Lease Assets / Receivables	34,999	72,186
Bank Balances and Cash	Cash Floats and Advances	34,359,860	17,576,789
Short-term Investment Deposits	Call Deposits	90,950,000	79,420,316
Total Financial Assets		<u>1,125,012,385</u>	<u>952,610,065</u>
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
	<u>Financial Liabilities</u>		<u>Classification</u>
Long-term Liabilities			
Annuity Loans	Amortised cost	218,675,316	226,818,398
Consumer Deposits			
Electricity and Water	Amortised cost	28,820,246	21,848,411
Creditors			
Trade Creditors	Amortised cost	100,544,429	102,979,602
Other Creditors	Amortised cost	-	53,127
Payments received in Advance	Amortised cost	16,392,940	12,684,720
Staff Bonuses	Amortised cost	9,911,283	9,969,519
Accrued leave	Amortised cost	32,442,363	30,557,754
Unspent Conditional Grants and Receipts			
Conditional Grants from Government	Amortised cost	11,012,029	31,651,158
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	8,201,006	10,882,007
		<u>425,999,612</u>	<u>447,444,695</u>
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	218,675,316	226,818,398
Consumer Deposits	Electricity and Water	28,820,246	21,848,411
Payables from exchange transactions	Trade Creditors	100,544,429	102,979,602
Payables from exchange transactions	Other Creditors	-	53,127
Unspent Conditional Grants and Receipts	Conditional Grants from Government	11,012,029	31,651,158
Current Portion of Long-term Liabilities	Annuity Loans	8,201,006	10,882,007
Payables from exchange transactions	Payments received in Advance	16,392,940	12,684,720
Payables from exchange transactions	Staff Bonuses	9,911,283	9,969,519
Payables from exchange transactions	Accrued leave	32,442,363	30,557,754
Total Financial Liabilities		<u>425,999,612</u>	<u>447,444,695</u>

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

48. FINANCIAL INSTRUMENTS (Continued)

48.2 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:

	2016	2015
	R	R
Net Debt	425,999,612	447,444,695
Equity	2,149,178,236	1,888,951,970
Net debt to equity ratio	19.82%	23.69%

Debt is defined as Long 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 Position.

48.3 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

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.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

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. Further quantitative disclosures are included throughout these financial statements.

48.4 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 and Financial Liability are disclosed in the Accounting Policies to the Annual Financial Statements.

48.5 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.

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.

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 has very limited exposure 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 variable rate deposit investments, trade receivables, cash and cash equivalents, and loan payables.

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.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

2016
R

2015
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	Amortised cost	90,950,000	79,420,316
Notice Deposits	Amortised cost	133,965,838	178,460,169
		<u>224,915,838</u>	<u>257,880,485</u>
<u>Interest received</u>			
Interest Earned - External Investments		20,995,888	21,164,955
Interest rate		9%	8%

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

Effect of change in interest rate	%	8%	7%
Effect of change in interest rate	Rand value	18,746,730	18,586,150
Effect of change in interest rate	%	10%	9%
Effect of change in interest rate	Rand value	23,245,046	23,743,760

Outstanding debtors:

Trade receivables from exchange transactions	Amortised cost	333,948,358	263,885,124
Trade receivables from non-exchange transactions	Amortised cost	526,951,513	406,863,146
		<u>860,899,871</u>	<u>670,748,270</u>

Interest received

Interest Earned - Outstanding Debtors		101,386,838	73,076,752
Interest rate		12%	11%

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

Effect of change in interest rate	%	11%	10%
Effect of change in interest rate	Rand value	92,777,839	66,369,269
Effect of change in interest rate	%	13%	12%
Effect of change in interest rate	Rand value	109,995,837	79,784,234

Financial Liabilities

<u>Long-term Liabilities</u>	<u>Classification</u>		
Annuity Loans	Amortised cost	218,675,316	226,818,398
Annuity Loans - current portion	Amortised cost	8,201,006	10,882,007
		<u>226,876,321</u>	<u>237,700,405</u>

Interest paid

Long-term Liabilities		29,018,431	30,458,023
Interest rate %		13%	13%

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

Effect of change in interest rate	%	12%	12%
Effect of change in interest rate	Rand value	26,749,668	28,081,019
Effect of change in interest rate	%	14%	14%
Effect of change in interest rate	Rand value	31,287,194	32,835,027

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

48. FINANCIAL INSTRUMENTS (Continued)

48.7 Effective Interest Rates and Repricing Analysis

In accordance with GRAP 104.116 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 2016

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		226,876,321	-	864,007	-	5,615,367	220,396,947
Loan No 10616 : DBSA	12.00%	864,007		864,007			
Loan No 101452 : DBSA	10.91%	5,615,367				5,615,367	
Loan No 102855/1 : DBSA	12.61%	15,545,480					15,545,480
Loan No 102855/3 : DBSA	6.75%	2,982,086					2,982,086
Loan No 103958/2 : DBSA	12.445%	201,869,382					201,869,382
Total Fixed Rate Instruments		226,876,321	-	864,007	-	5,615,367	220,396,947
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		224,915,838	90,950,000	133,965,838			
Bank Balances and Cash		16,820	16,820				
Housing guarantees		13,994					13,994
Total Variable Rate Instruments		224,946,652	90,966,820	133,965,838	-	-	13,994

30 June 2015

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		237,700,405	1,212,316	2,357,999	1,633,015	6,871,004	225,626,071
Loan No 10112 : DBSA	12.00%	2,357,999		2,357,999			
Loan No 10113 : DBSA	12.00%	1,633,015			1,633,015		
Loan No 10616 : DBSA	10.91%	6,871,004				6,871,004	
Loan No 101452 : DBSA	12.61%	16,037,281					16,037,281
Loan No 102855/1 : DBSA	13.12%	707,096	707,096				
Loan No 102855/2 : DBSA	6.75%	3,278,503					3,278,503
Loan No 102855/3 : DBSA	6.75%	505,220	505,220				
Loan No 102855/4 : DBSA	12.445%	206,310,287					206,310,287
Total Fixed Rate Instruments		237,700,405	1,212,316	2,357,999	1,633,015	6,871,004	225,626,071
VARIABLE RATE INSTRUMENTS							
Short-term Investment Deposits		257,880,485	79,420,316	178,460,169			
Bank Balances and Cash		16,820	16,820				
Housing guarantees		13,994					13,994
Total Variable Rate Instruments		257,911,299	79,437,136	178,460,169	-	-	13,994

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

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 municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. 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 2016

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		28,820,246					28,820,246
- Creditors		159,291,016	159,291,016				
- Unspent Conditional Grants		11,012,029		11,012,029			
Fixed Interest Rate Instruments							
Loan No 10616 : DBSA	12.00%	943,148	471,574	471,574			
Loan No 101452 : DBSA	10.91%	6,909,352	987,050	987,050	1,974,100	2,961,152	
Loan No 102855/1 : DBSA	12.61%	31,311,144	1,252,446	1,252,446	2,504,892	7,514,675	18,786,687
Loan No 102855/3 : DBSA	6.75%	5,134,249	256,712	256,712	513,425	1,540,275	2,567,125
Loan No 103958/2 : DBSA	12.45%	450,438,210	15,014,607	15,014,607	30,029,214	90,087,642	300,292,140
Total		693,859,394	177,273,405	28,994,418	35,021,630	102,103,743	350,466,198

30 June 2015

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		21,848,411					21,848,411
- Creditors		156,244,721	156,244,721				
- Unspent Conditional Grants		31,651,158		31,651,158			
Fixed Interest Rate Instruments							
Loan No 10113 : DBSA	12.00%	2,573,180	1,286,590	1,286,590			
Loan No 10616 : DBSA	12.00%	1,886,296	471,574	471,574	943,148		
Loan No 101452 : DBSA	10.91%	8,883,450	987,050	987,050	1,974,100	4,935,250	
Loan No 102855/1 : DBSA	12.61%	33,816,036	1,252,446	1,252,446	2,504,892	7,514,675	21,291,578
Loan No 102855/2 : DBSA	13.12%	753,827	753,827				
Loan No 102855/3 : DBSA	6.75%	6,161,099	256,712	256,712	513,425	1,540,275	3,593,975
Loan No 102855/4 : DBSA	6.75%	522,400	522,400				
Loan No 103958/2 : DBSA	12.45%	480,467,424	15,014,607	15,014,607	30,029,214	90,087,642	330,321,354
Total		744,808,001	176,789,927	50,920,137	35,964,778	104,077,841	377,055,318

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

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. On going 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.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

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 2016 Gross Amount R	30 June 2015 Gross Amount R
Department of Public Works	266,537,997	173,057,836
Kimberley Cold Storage PTY	10,652,495	
GW Rugby Union	7,887,099	6,527,300
WDC WDC Business Trust		5,589,171
Department of Roads	9,431,809	6,817,314
De Beers Consolidated Mines	32,253,914	22,968,672

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:	2016 R	2015 R
Fixed Deposit Investments	224,915,838	257,880,485
Finance Lease Receivables	1,758,396	1,280,169
Consumer Debtors	333,948,358	263,885,124
Other Debtors	531,753,330	413,195,482
Bank, Cash and Cash Equivalents	16,820	16,820
Operating Lease Assets	34,999	72,186
Housing Guarantees	13,994	13,994
Maximum Credit and Interest Risk Exposure	1,092,441,735	936,344,260

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

48. FINANCIAL INSTRUMENTS (Continued)

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

The maximum credit and interest risk exposure in respect of the relevant customer classification is as follows:	2016 R	2015 R
Households	456,327,954	329,564,655
Industrial/commercial	106,659,055	98,651,894
National and provincial government	235,508,146	160,187,480
Maximum Consumer Risk Exposure	798,495,154	588,404,029

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:

	44,069,507	34,949,970
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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 has a funding level of 99.5% as at 30 June 2012 and is therefor technically not financially sound. They regard the deficit of R6.4m as relatively insignificant in the context of the Fund and there a possible reverse of SARS penalties of R10.3m that will result in the Fund being fully funded.

Cape Joint Pension Fund:

The statutory valuation performed as at 30 June 2015 revealed a funding level of 101.4% for the Pensioner Account, the Defined Contribution Section was 100% and the Defined Benefits Section 153.1% funded. The current contribution rate for the 29 DB active members translates into a shortfall of about R0.262 million per year. The Local Authority required contribution rate is 32.11% for the 29 DB members. (current rate is 26.77%)

Cape Retirement Fund:

The valuator stated that Cape Retirement Fund is in a sound financial condition as at 30 June 2015.

The Cape Retirement Fund operates as a defined contribution scheme. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund has a funding level of 100% for the Preservation Pensions account and 112.1% for the Pension Account. 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 2012 the SALA pension fund was 100% (1 July 2011: 98%) funded. The valuator indicated that funding level improved to 100% funded at the valuation date. The valuator recommended that the employers continue to contribute at the current rate.

SOL PLAATJE LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION (Continued)

Municipal Employees Pension Fund:

At the valuation date of 28 February 2011 the Municipal Employees Pension Fund was 107.9% (29 February 2009: 102.2%) funded. The valuator stated that the fund was in a sound position as at 29 February 2011, having sufficient assets to cover its obligations.

National Fund for Municipal Workers:

At the valuation date of 30 June 2014 the National Fund for Municipal Workers the nett assets available for benefits equals the actuarial value of the assets. 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 2014 the Fund was 111.7% funded. The valuator recommended that to retain a sound financial position, the members and employer continue to contribute at the current rate.

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 2016				
Councillors	164,994	618,827	-	65,402
Municipal Manager and Section 57 Personnel	156,389	391,296	-	16,212
Total Services	321,383	1,010,123	-	81,614
For the Year ended 30 June 2015				
Councillors	110,867	432,584	-	15,841
Municipal Manager and Section 57 Personnel	86,549	326,039	-	43,022
Total Services	197,416	758,623	-	58,863

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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

50. RELATED PARTY TRANSACTIONS (Continued)

2016
R

2015
R

50.5 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties: all these were declared in the Municipal Bidding Documents.

Name Supplier	Related Person	Municipal Capacity	Purchases for the year	Purchases for the year
N B Mechanical Sales	S Barnes	Nursing Sister	-	16,453,033
S&R Enterprises	S Barnes	Nursing Sister	-	8,574,047
MCD Painters	K Mcdonalds	Admin assistant	29,375	77,188
Qongo TG Trading	Mother	Nursing Sister	42,033	1,739,575
Naledi Chemicals	D De Haast	Department of Education	238,201	293,316
ASAP 1179 Trd as Meago Services	S Paulse	Librarian	60,649	83,422
Moedi Consulting Engineers	C Abrams	Dr Kenneth Kaunda D Municipality	6,942,273	4,420,150
J&B Communication	A Abbott	Working at IT	199,203	341,777
JS Medical & Surgical Suppliers	H Williams	Kimberley Hospital	150,746	144,808
Moribe creations Co Ltd	M.A. Scheepers	Agriculture/ Home Affairs	-	22,070
Panprop CC T/A Valudata	AJ De Klerk	Principal Clerk Properties	35,100	68,314
AURECON South Africa	PM Vilakazi	Councillor	6,393,895	2,318,468
Senzonhle Trading	DNA Holele	Communications Officer	-	52,750
SMEC South Africa	MN Phosa	Spouse is MEC in Mpumalanga	1,196,775	977,872
Elektro Vroomen	J Modise	NERSA	688,315	753,658
Total Purchases			15,976,566	36,320,448

It should be noted that new Councillors were not included in this note as they were elected after year end.

51. CONTINGENT LIABILITIES

51.1 Guarantees:

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

13,994 13,994

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	83,646,475	83,079,911
Various claims and litigation is in process.		
51.2.2 Litigation and claims in process	5,470,372	4,053,157
Various claims and litigation is in process.		
51.2.3 Labour matters (SALGBC)	370,000	294,000
Various cases involving Council.		
51.2.4 Magistrate court matters	107,457	227,714
Various cases involving Council.		
	<u>89,594,304</u>	<u>87,654,781</u>

All the above cases are being defended. The timing of any cash outflow is uncertain.

51.3 Other liabilities:

51.3.1 Various cases: The municipality has implemented task grading system as a system of remuneration for all employees. However, as at 30 June 2016, the salary scales of Executive Directors were not finalised as yet as well as the implementation of task outcomes on employees reevaluated. Management is certain that this will result in a cash outflow which is unknown at the time of submitting the financials.

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 ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016

53. IN-KIND DONATIONS AND ASSISTANCE

The municipality received no in-kind donations and assistance during the year under review.

54. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance against that budget, is set out in Appendices "E(1), E(2) and E(3)".

55. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the 2015/16 financial year.

56. EVENTS AFTER THE REPORTING DATE

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

57. COMPARATIVE FIGURES

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

58. DISCONTINUED OPERATIONS

No operations have been discontinued.

59. STANDARDS AND INTERPRETATIONS APPROVED NOT YET EFFECTIVE

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

GRAP 32 Service Concession arrangements: Grantor

GRAP 108 Statutory receivables

GRAP 109 Accounting by Principals and Agents

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

Management has considered all the GRAP standards issued but not yet effective and 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 2016

EXTERNAL LOANS	Loan Number	Redeemable Date	Balance at 30/06/14	Received during the period	Redeemed written off during the period	Balance at 30/06/15	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG TERM LIABILITIES								
ANNUITY LOANS								
DBSA Loan @ 12%	10113	30-06-2016	2,357,999		2,357,999	0	222,125,514	
DBSA Loan @ 12%	10616	30-06-2017	1,633,015		769,008	864,007		
DBSA Loan @ 10.91%	101452	31-12-2019	6,871,004		1,255,637	5,615,367		
DBSA Loan @ 12.61%	102855/1	31-12-2028	16,037,281		491,801	15,545,480		
DBSA Loan @ 13.12%	102855/2	31-12-2015	707,096		707,096	0		
DBSA Loan @ 6.75%	102855/3	31-12-2023	3,278,503		296,417	2,982,086		
DBSA Loan @ 6.75%	102855/4	31-12-2015	505,220		505,220	0		
DBSA Loan @ 12.445%	103958/2	30-06-2031	206,310,287		4,440,905	201,869,382		
Sub total DBSA			237,700,405	-	10,824,084	226,876,321		
Total Annuity loans			237,700,405	-	10,824,084	226,876,321		
TOTAL EXTERNAL LOANS			237,700,405	-	10,824,084	226,876,321	222,125,514	-

APPENDIX B
SOL PLAATJE LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2016

	Cost/Revaluation							Accumulated Depreciation				Carrying Value	
	Opening Balance	Additions	Work in Progress Additions	Disposals/ Impairment	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals/ Impairment		Closing Balance
					Opening Balance	Commissioned	Closing Balance						
Infrastructure													
Electricity	272,704,236	15,589,497	9,686,356	(28,093)	19,331,269		29,017,625	297,951,996	89,181,746	5,780,428	(28,093)	94,934,080	203,017,915
Roads, Pavements and Storm water	459,540,979	5,780,647	10,835,127		45,071,027	33,417,910	22,488,244	476,156,753	132,487,454	12,764,078		145,251,532	330,905,221
Sewerage	372,019,194	4,789,274	48,296,842	(40,549)	144,068,940	17,312,989	175,052,793	425,064,761	55,307,412	6,657,046	(40,549)	61,923,910	363,140,852
Street Lights	20,320,529		1,483,919				1,483,919	21,804,448	9,223,269	509,700		9,732,969	12,071,480
Landfill Site	27,336,931	287,367						27,624,298	10,133,809	1,720,312		11,854,121	15,770,177
Landfill Site Improvements			9,906,458				9,906,458	9,906,458				0	9,906,458
Water	257,205,725	3,216,336	39,692,594		31,749,047	873,140	70,568,501	300,114,655	110,345,988	4,018,581		114,364,569	185,750,086
	1,409,127,595	29,663,121	119,901,296	(68,642)	240,220,283	51,604,039	308,517,540	1,558,623,369	406,679,678	31,450,145	(68,642)	438,061,181	1,120,562,189
Community Assets													
Owned Buildings	302,702,437	5,055,178	1,895,950		32,638,650	8,180,438	26,354,162	309,653,566	49,486,759	7,391,659		56,878,418	252,775,148
Land	54,930,438						0	54,930,438				0	54,930,438
	357,632,875	5,055,178	1,895,950	-	32,638,650	8,180,438	26,354,162	364,584,004	49,486,759	7,391,659	-	56,878,417.78	307,705,586
Heritage Assets													
Heritage Assets	6,801,944		1,846,350				1,846,350	8,648,295				-	8,648,295
	6,801,944	-	1,846,350	-	-	-	1,846,350	8,648,295	-	-	-	-	8,648,295
Other Assets													
Computer Equipment	14,170,056	1,902,281						16,072,337	6,354,424	2,561,406		8,915,830	7,156,507
Furniture and Equipment	20,151,903	894,314						21,046,217	12,566,949	2,376,815		14,943,764	6,102,453
Other Machinery and Equipment	12,013,599	1,283,198						13,296,797	6,416,522	1,853,264		8,269,786	5,027,011
Motor Vehicles	87,297,858	5,953,336						93,251,193	39,028,337	9,774,427		48,802,764	44,448,429
Assets Held for Sale	141,858							141,858				-	141,858
	133,775,274	10,033,128	-	-	-	-	-	143,808,402	64,366,232	16,565,912	-	80,932,144	62,876,258
Total	1,907,337,688	44,751,427	123,643,596	(68,642)	272,858,933	59,784,477	336,718,052	2,075,664,070	520,532,669	55,407,716	(68,642)	575,871,743	1,499,792,327

APPENDIX C
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2016

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	1,642,355	14,928						1,657,282	62,606	339,500		402,106	1,255,177
Municipal General	2,625,571	375,948						3,001,519	100,085	550,325		650,410	2,351,109
Municipal Manager	1,941,065	61,969						2,003,034	73,992	375,800		449,792	1,553,242
Corporate Services	32,091,833	552,016						32,643,849	1,203,323	3,720,321		4,923,644	27,720,205
Community Services	307,961,162	6,151,088	13,648,758		28,171,281	41,820,039		327,761,008	57,014,124	8,991,660		66,005,783	261,755,225
Financial Services	15,871,253	1,530,976						17,402,228	659,679	2,950,190		3,609,869	13,792,360
Strategic and Economic Development	37,116,924	228,718						37,345,642	1,414,876	4,729,776		6,144,652	31,200,989
Infrastructure and Services	1,508,087,526	35,835,785	109,994,838	(68,642)	244,687,651	59,784,477	294,898,013	1,653,849,507	460,003,985	33,750,144	(68,642)	493,685,486	1,160,164,021
TOTAL	1,907,337,688	44,751,427	123,643,596	(68,642)	272,858,933	59,784,477	336,718,052	2,075,664,070	520,532,669	55,407,716	(68,642)	575,871,743	1,499,792,327

APPENDIX D
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
30 JUNE 2016

	2016 Original Budget	2016 Adjustment	2016 Final Budget	2016 Variance Original vs Final Budget %	2016 Explanation of variances greater than 10% Original versus Final Budget	2016 Actual Income & Expenditure R	2016 Variance Actual vs Final Budget R	2016 Variance Actual vs Final Budget %	2016 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	%		R	R	%	
Income per directorate									
Executive and Council	-	-	-			-	-	0%	
Municipal General	282,293,504	93,292,452	375,585,956	33%	Increases on: grant funding for capital and interest received.	390,800,525	15,214,569	4%	
Municipal Manager	1,703,493	-	1,703,493	0%		0	(1,703,493)	-100%	Due to mSCOA it was transferred to Municipal General.
Corporate Services	7,381,858	-	7,381,858	0%		2,706,462	(4,675,396)	-63%	Grant income not realising.
Community Services	40,380,995	53,424,149	93,805,144	132%	Reallocation of refuse service.	86,399,710	(7,405,434)	-8%	
Financial Services	439,006,235	19,450,000	458,456,235	4%	Increase in rates income.	496,684,359	38,228,124	8%	
Strategic and Economic Development	8,325,400	-	8,325,400	0%		7,185,201	(1,140,199)	-14%	
Infrastructure and Services	1,034,404,823	(64,829,148)	969,575,675	-6%	Reallocation of refuse service and decrease in projected electricity, sewerage and water income.	961,695,120	(7,880,555)	-1%	
Total	1,813,496,308	101,337,453	1,914,833,761	6%		1,945,471,378	30,637,617	2%	
Expenditure per directorate									
Executive and Council	39,892,926	189,998	40,082,924	0%		40,167,060	84,136	0%	
Municipal General	317,130,552	780,000	317,910,552	0%		299,385,905	(18,524,647)	-6%	
Municipal Manager	16,773,845	3,840,163	20,614,008	23%	Reallocations as result of SCOA implementation.	17,284,430	(3,329,578)	-16%	Saving on expenditure.
Corporate Services	60,716,946	(2,360,157)	58,356,789	-4%	Reallocations as result of SCOA implementation.	56,225,687	(2,131,102)	-4%	
Community Services	180,556,213	50,432,152	230,988,365	28%	Reallocation of refuse service.	222,404,047	(8,584,318)	-4%	
Financial Services	112,556,525	999,998	113,556,523	1%	Increase on bank charges and GIS project.	103,287,084	(10,269,439)	-9%	Saving on vacancies not filled.
Strategic and Economic Development	42,197,923	8,087,624	50,285,547	19%	Increase on projects and SCOA reallocations.	48,536,509	(1,749,038)	-3%	
Infrastructure and Services	968,517,426	(46,496,387)	922,021,039	-5%	Reallocation of refuse service and increases on various projects, maintenance and bulk water.	902,085,042	(19,935,997)	-2%	
Total	1,738,342,356	15,473,391	1,753,815,747	1%		1,689,375,763	(64,439,984)	-4%	Due to the savings in general expenditure and repairs and maintenance cost.
Surplus/(Deficit)	75,153,952	85,864,062	161,018,014	114%	Increase on grant funding for capital.	256,095,614	95,077,600	59%	Due to the savings in expenditure .

APPENDIX E(1)
SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2016

	2016 Actual	2016 Original Budget	2016 Adjustment	2016 Final Budget	2016 Variance Original vs Final Budget %	2016 Explanation of variances greater than 10% Original versus Final Budget	2016 Variance Actual vs Final Budget R	2016 Variance Actual vs Final Budget %	2016 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R	%		R	%	
REVENUE									
Property Rates	484,397,277	423,808,235	20,000,000	443,808,235	4%		40,589,042	9%	Due to new developments.
Service Charges	1,004,894,715	1,019,892,820	(7,226,999)	1,012,665,821	-1%		(7,771,106)	-1%	
Rental of Facilities and Equipment	9,839,067	19,182,120	(8,876,620)	10,305,500	-90%	Reallocations as result of mSCOA implementation.	(466,433)	-5%	
Interest Earned - External Investments	20,995,888	16,000,000	3,000,000	19,000,000	14%	Due to increase in investments and interest rate.	1,995,888	11%	Due to increase in interest rates.
Interest Earned - Outstanding Debtors	101,386,838	50,000,000	30,000,000	80,000,000	30%	Due to increases in debtors and interest rate.	21,386,838	27%	Due to increases in debtors and interest rate.
Fines	17,406,849	10,419,300	11,260,000	21,679,300	65%	Due to GRAP implementation.	(4,272,451)	-20%	Due to IGRAP1 correction.
Licenses and Permits	2,850,726	2,995,000	(30,000)	2,965,000	-1%		(114,274)	-4%	
Income for Agency Services	6,181,888	5,800,000	-	5,800,000	0%		381,888	7%	
Government Grants and Subsidies	275,943,005	231,062,540	59,788,452	290,850,992	22%	Due to capital projects being rolled over.	(14,907,987)	-5%	Due to capital projects to be rolled over.
Public Contributions and Donations	260,514	-	-	-	0%		260,514	0%	Not budgeted.
Other Income	23,659,662	34,336,293	(6,577,380)	27,758,913	-28%	Reallocations as result of mSCOA implementation.	(4,099,251)	-15%	Reallocations as result of mSCOA implementation.
Gains on disposal of property, plant and equipment	1,785,600	-	-	-	0%		1,785,600	0%	Not budgeted.
Total Revenue	1,949,602,029	1,813,496,308	101,337,453	1,914,833,761	5%		34,768,268	2%	
EXPENDITURE									
Employee Related Costs	600,873,547	597,253,781	4,326,703	601,580,484	1%		(706,937)	0%	
Remuneration of Councillors	20,948,087	21,365,290	-	21,365,290	0%		(417,204)	-2%	
Impairment Losses	159,613,107	161,000,000	-	161,000,000	0%		(1,386,893)	-1%	
Collection Costs	455,223	1,800,000	-	1,800,000	0%		(1,344,777)	-75%	Due to savings.
Depreciation	57,792,050	53,600,000	-	53,600,000	0%		4,192,050	8%	
Repairs and Maintenance	120,274,041	81,503,337	55,059,847	136,563,184	46%	Reallocations as result of mSCOA implementation.	(16,289,143)	-12%	Due to savings after increase in adjustment budget.
Finance Costs	29,018,431	29,789,565	(100,000)	29,689,565	0%		(671,134)	-2%	
Bulk Purchases	454,009,890	461,000,000	1,400,000	462,400,000	0%		(8,390,110)	-2%	
Contracted services	30,876,978	-	32,394,701	32,394,701	105%	Reallocations as result of mSCOA implementation.	(1,517,723)	-5%	
Grants and Subsidies Paid	39,321,064	55,050,000	1,980,000	61,871,500	5%		(22,550,436)	-36%	Due to revision in policy and verification process of indigents.
General Expenses - Other	175,681,639	275,980,233	(79,742,860)	191,395,873	-45%	Reallocations as result of mSCOA implementation.	(15,714,234)	-8%	
Losses on Inventory	102,234	-	155,000	155,000	152%	Reallocations as result of mSCOA implementation.	(52,766)	-34%	Due to savings.
Foreign Exchange Loss	409,474	-	-	-	0%		409,474	0%	Due to devaluating of the Rand.
Total Expenditure	1,689,375,763	1,738,342,206	15,473,391	1,753,815,597	1%		(64,439,834)	-4%	Due to the savings in general expenditure, finance costs and repairs and maintenance cost.
NET SURPLUS FOR THE YEAR	260,226,265	75,154,102	85,864,062	161,018,164	33%		99,208,101	62%	Due to the savings in expenditure .

APPENDIX E(2)

SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2016

Directorate	2016 Actual Additions	2016 Work in Progress Additions	2016 Total Additions	2016 Original Budget	2016 Adjustment	2016 Final Budget	2016 Variance Original vs Final Budget %	2016 Explanation of variances greater than 10% Original versus Final Budget	2016 Variance Actual vs Final Budget R	2016 Variance Actual vs Final Budget %	2016 Explanation of significant variances greater than 10% Actual versus Final Budget
	R	R	R	R	R	R					
Executive and Council	14,928	-	14,928	-	-	-		Loose equipment budget	14,928		Loose equipment reallocation
Municipal General	375,948	-	375,948	3,000,000	-	3,000,000	0%	Loose equipment budget	(2,624,052)	-87%	Loose equipment reallocation
Municipal Manager	61,969	-	61,969	-	-	-		Loose equipment budget	61,969		Loose equipment reallocation
Corporate Services	552,016	-	552,016	-	-	-		Loose equipment budget	552,016		Loose equipment reallocation
Community Services	6,151,088	13,648,758	19,799,846	15,096,000	(1,014,000)	14,082,000	-7%		5,717,846	41%	Landfill project moved to Infrastructure.
Financial Services	1,530,976	-	1,530,976	4,500,000	-	4,500,000	0%		(2,969,024)	-66%	Intangible assets reallocated
Strategic and Economic Development	228,718	-	228,718	9,100,000	1,844,000	10,944,000	20%	Rolled over projects	(10,715,282)	-98%	Cemetery project moved to Infrastructure.
Infrastructure and Services	35,835,785	109,994,838	145,830,623	80,013,000	88,479,000	168,492,000	111%	Add additional projects and rolled over projects.	(22,661,377)	-13%	Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects not being completed.
TOTAL	44,751,427	123,643,596	168,395,024	111,709,000	89,309,000	201,018,000	80%	Add additional projects and rolled over projects.	(32,622,976)	-16%	Non qualifying assets expenditure and VAT income on grants transferred to operational budget. Projects not being completed.

APPENDIX E(3)

SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (CASH FLOW) FOR THE YEAR ENDED 30 JUNE 2016

	2016 Actual	2016 Original Budget	2016 Adjustment	2016 Final Budget	2016 Variance Original vs Final Budget %	2016 Explanation of variances greater than 10% Original versus Final Budget	2016 Variance Actual vs Final Budget R	2016 Variance Actual vs Final Budget %	2016 Explanation of variances greater than 10% Actual versus Final Budget
	R	R	R	R			R	%	
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash receipts from Ratepayers, Government and Other	1,463,811,704	1,580,222,000	(16,787,000)	1,563,435,000	-1%	Due to adjusting income, grants and service charges.	(99,623,296)	-6%	
Cash paid to Suppliers and Employees	1,387,991,159	1,443,953,000	15,574,000	1,459,527,000	1%	Due to adjusting bulk purchase of water and electricity and other expenditures.	(71,535,841)	-5%	
Cash generated from / (utilised in) Operations	75,820,545	136,269,000	(32,361,000)	103,908,000					
Interest received	122,382,726	26,000,000	73,000,000	99,000,000	74%	Due to increase in investments and interest on debtors.	23,382,726	24%	Investment income increased above expectations.
Interest paid	(29,018,431)	(29,790,000)	100,000	(29,690,000)	0%		671,569	-2%	
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	169,184,841	132,479,000	40,739,000	173,218,000					
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Property, Plant and Equipment	(168,395,024)	(111,709,000)	(89,309,000)	-201018000	44%	Projects not completed before year end and new projects added.	32,622,976	-16%	Projects not completed before year end.
Purchase of Intangible Assets	(3,766,933)			-			(3,766,933)		Project re-categorised.
Purchase of Investment Property	(2,380,376)			-					
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	(174,542,332)	(111,709,000)	(89,309,000)	(201,018,000)					
CASH FLOWS FROM FINANCING ACTIVITIES									
Loans repaid	(10,824,084)	(10,878,000)	-	(10,878,000)	0%		53,916	0%	
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	(10,824,084)	(10,878,000)	-	(10,878,000)					
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,181,575)	9,892,000	(48,570,000)	(38,678,000)					
Cash and Cash Equivalents at the beginning of the year	275,457,274	214,492,000	60,965,000	275,457,000					
Cash and Cash Equivalents at the end of the year	259,275,698	224,384,000	12,395,000	236,779,000					

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 2016

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	6,609,000	6,609,000	-	7,253,000	None	Yes	None
Primary Health	Provincial	-	-	-	-	No payment received. Debtor outstanding is R5 395 666.	Yes	None
EPWP	Provincial	4,984,000	4,984,000	-	4,984,000	None	Yes	None
Miscellaneous	Public	947,178	15,000	-	N/A	None	Yes	None
Equitable Share	National	143,335,000	N/A	-	143,335,000	None	Yes	None
ACIP	National	5,000,000	5,000,000	-	N/A	None	Yes	None
Financial Management Grant	National	1,600,000	1,600,000	-	1,600,000	None	Yes	None
MIG	National	48,329,000	48,329,000	-	48,329,000	None	Yes	None
MSIG	National	930,000	930,000	-	930,000	None	Yes	None
INEP	National	7,000,000	7,000,000	-	7,000,000	None	Yes	None
ISDG (Skills)	National	3,500,000	3,785,903	-	3,500,000	None	Yes	None
Frances Baard Municipality	Municipality	7,317,911	7,317,911	-	N/A	None. Debtor previous year of R6 425 667 paid.	N/A	None
Coghsta	Provincial	3,596,333	3,596,333	-	3,384,834	None. Debtor outstanding is R35 751 335.	Yes	None
Department of Economic Dev	Provincial	236,501	236,501	-	N/A	None	Yes	None
DSAC	Provincial	10,000,000	1,846,350	-	10,000,000	None	Yes	None
GURP	Provincial	4,762,736	6,678,952	1,916,216	6,024,750	Revenue accrued. Debtor increased to R6 276 408.	Yes	None
RBIG	National	3,000,000	33,859,054	-	5,550,000	None	Yes	None
Housing Accreditation	Provincial	800,000	-	-	N/A	None	Yes	None
NDPG	National	820,000	820,000	-	820,000	None	Yes	None
DSAC	Provincial	620,000	-	-	N/A	None	Yes	None
Total		253,387,660	132,608,005	1,916,216	242,710,584			

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 National Government.

APPENDIX G
SOL PLAATJE LOCAL MUNICIPALITY: DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY
FOR THE YEAR ENDED 30 JUNE 2016

DocNo.	Service Provider	Service Rendered / Product Purchased	Financial Implications	Line Manager	Motivation
01/2015/16	Bonisetso Media House	Redesign Customer Services forms to align them with MSCOA Requirements	110,000	ZL Mahloko	Exceptional Case
02/2015/16	Shine the Way 1302cc	Provision of breakfast of the CWP briefing session and Lunch for 1200 participants at the Sol Plaatje CWP Launch, 14 July 2015	192,000	V Kgokong	Exceptional Case
03/2015/16	Lethabile Coaches	Bus services required to transport people for the visit of Deputy Minister of COGHSTA	50,000	V Kgokong	Exceptional Case
04/2015/16	Linri Enterprises cc	To assist with creative work including ensuring factual narratives on the Annual Report 2013/14 financial year	145,124	ZL Mahloko	Exceptional Case
05/2015/16	Linri Enterprises cc	Compilation of Annual Report of the Municipality in the line with MFMA Circular 63	270,266	ZL Mahloko	Exceptional Case
06/2015/16	AMAMP	Refurbishment of filter 13,14 & 15	135,459	S Coetzee	Exceptional Case
07/2015/16	Wimpy North Cape Mall	Supply of Lunch and Supper to personnel working overtime during the major shutdown on the weekend 10-12 July 2015	58,188	HF Harding	Exceptional Case
08/2015/16	Magnis Trucks Bloemfontein	Emergency Repairs to Vehicle D810	164,109	R Jan van Vuuren	Sole Supplier
09/2015/16	Oranje Toyota Kimberley	Repairs to Transmission (Toyota Hilux – BYR 017 NC)	52,945	A Samson	Sole Supplier
10/2015/16	Sothembela Security Services	Security Services for the SAMSRA Games	240,100	O Mojanaga	Exceptional Case
11/2015/16	ABB South Africa (PTY) Ltd	The Supply, Delivery and Installation of 3 X11kV Single core Voltage Transformers complete with 2A VT Fuses, MV Tails and Explosion Vents	139,355	F Aysen	Sole Supplier
12/2015/16	Macronym 37	Branding material	377,692	N Poolo	Exceptional Case
13/2015/16	ICS (International Convention Solution) MittaH Seperepere Convention Centre	Translation booths & equipment to be utilized during (2015 Friendship week)	55,000	N Poolo	Exceptional Case
14/2015/16	Magnis Trucks	Remove and replace faulty computer on CGM135 NC (D222) Nissan UD80 (2013)	44,385	AC Samson	Sole Supplier
15/2015/16	APE Pumps	Riverton WTP High Lift Pump # 10 & 9 Refurbishment	2,311,280	HF Harding	An Emergency
16/2015/16	Bell Equipment	Replace Cleats (Foot) and cutting edges on Landfill Compactor	498,420	AC Samson	Sole Supplier
17/2015/16	Gariep Motors	Rosenbaur Fire Tender F501 Engine began losing power. The vehicle was sent to the Agents who conducted tests on the machine and notice that the engine's turbo blew. The turbo must be replaced	38,073	MW Pretorius	Sole Supplier
18/2015/16	Franti General Trading	300 wooden Corporate gifts for exchange between the Executive Mayor of Sol Plaatje Municipality and the Mayor of Chenzou Municipality from Hunan Province of China	90,000	N Poolo	Work of Art or Historical object
18/2014/15	MRB Property Valuation	Objections –General Valuation 2015 Agricultural Property	23,060	Adv A Klopper	Exceptional Case
19/2015/16	Arpco Kontrackteurs cc	Re-instatement of bulk sewage line, open trench method in Cape Town Road, Beaconsfield	109,228	ME Selesho	An Emergency
20/2015/16	Otis (Propriety) Limited	To maintain lifts in the Sol Plaatje Municipality Buildings	35,084	BM Janse Van Rensburg	Sole Supplier
21/2015/16	Lereko Motors (Imperial Isuzu Trucks)	Remove, Strip and Repair Allison Transmission Gearbox of refuse compactor D811	146,659	P Gray	Sole Supplier
21/2014/15 (A)	Nosa (PTY)Ltd	Implementation and Consultation of SHE Management system to address Operational Risk within Sol Plaatje Municipality to ensure legal compliance	136,800	Executive Management Team	Exceptional Case
21/2014/15 (B)	Nosa (PTY)Ltd	Consulting and implementation October 2015	136,800	Executive Management Team	Exceptional Case
21/2015/16 (C)	Nosa (PTY)Ltd	Consultation & implementation November 2015	136,800	Executive Management Team	Exceptional Case
22/2015/16	C-Pac Pumps and Valves	Pump station emergency repairs at Homevale WWTW as a legislative requirement in response to a prohibition noticed used by the Department of water and Sanitation for non- compliance	654,885	ME Selesho	Exceptional Case
23/2015/16	Lexis Nexis	Road Traffic /transport Act 93/1996 Subscription September 2015	31,347	CFM Langford	Sole Supplier
24/2015/16	Bell Equipment	Remove, Repair and Replace Hydraulic Pumps of the Bomag Thrash Compactor R801at the Landfill Site	103,519	P Gray	Sole Supplier
25/2015/16	Leroko Motors (Imperial Isuzu Trucks)	Remove, Strip and Repair Transmission	87,305	P Gray	Exceptional Case
26/2015/16	Bell Equipment	Additional cost (labour)to remove and replace steel cleats on landfill compactor (landfill site)	96,735	AC Samson	Sole Supplier
27/2015/16	Quartz Security	Security services for various access and services points –Sol Plaatje Municipality	66,120	J Anthony	An Emergency
28/2015/16	PV Engineering SA (PTY)Ltd	Refurbishment of DN 400 PN25WGV. Complete with DN 80 By pass DN 400 PN25 Single door reflux valves	92,753	HF Harding	An Emergency
29/2015/16	Otis (Propriety) Limited	To maintain lifts in the Sol Plaatje Building B07352	35,084	BM Janse Van Rensburg	Sole Supplier
30/2015/16	Arpco Kontrackteurs cc	Install Manhole with Sharp Sinking Method, Install Channel and Benching	71,706	ME Selesho	An Emergency
31/2015/16	Arpco Kontrackteurs cc	Supply and install new sewer line	312,505	H Harding	Exceptional Case
32/2015/16	C-Pac Pumps and Valves	Repairs to Gogga Pump Station due to electrical Failure – Flooding complete station	181,477	C Marsh	Exceptional Case
33/2015/16	Genssoft Technologies (PTY) Ltd	Development and Implementation of Indigent Management System	890,000	Adv A Klopper	Exceptional Case
34/2015/16	Marcé Projects	Service Pump and repair faults as per quotation 002348	64,117	MW Pretorius	Sole Supplier
35/2015/16	AAD Drivetrain Systems (PTY) Ltd	Repair/ re-assemble and refit Allison transmission of refuse compactor D925 of cleansing section	185,142	P Gray	Sole Supplier
36/2015/16	C- Pumps and Valves	Repair and Replacement of damaged pumping equipment & related electrical cables and control boxes that were vandalized	1,300,043	S Mkhize	Exceptional Case
37/2015/16	Woodrow Engineering Sales	Replacement of flow-meter signal cables	112,960	HF Harding	Exceptional Case
38/2015/16	Medi – Clinic	Payment for injury on duty for Mrs BU Smith	68,429	WL Wiese	Exceptional Case
39/2015/16	Arpco Kontrackteurs cc	Re-instatement of gravity sewer to Gogga Pump station from Malebe Street to effect repairs and installation of new chamber	124,500	HF Harding	Exceptional Case
41/2015/16	Arpco Kontrackteurs cc	Supply and installation of upsized sewer collection new sewer line and new top line Peace Street Galeshewe	1,178,190	HF Harding	Exceptional Case
42/2015/16	Human Communication (PTY) Ltd	Advertising of ED: Infrastructure and Services post in the newspaper under order from Municipal Manager	47,197	E Jacobs	Sole Supplier
43/2015/16	G4S Cash SolutionS SA (PTY) Ltd	Payment for the secured convey of cash for Sol Plaatje Municipality by G4S Cash Solution SA (PTY) Ltd	116,226	B Booth	Exceptional Case
44/2015/16	Super Armature Winding Africa (PTY) Ltd	Repair & refurbish 30KW Grundfos Pump 30kw	64,567	C Marsh	Sole Supplier
45/2015/16	Trek Scale Company (PTY) Ltd	To test and verify 80 Ton Toledo IND560 Road Weighbridge	84 360,00	CFM Langford	Sole Supplier
46/2015/16	Sharlyn General Suppliers cc	Excavation, Supply, Delivery and lay new 110mm Sewer line & House Connection on remainder of ptn 70 Roodepan	66,000	DH Leeuw	Exceptional Case
47/2015/16	Mettler Toledo	Supply and delivery of Mettler Toledo T7 Titration Equipment	351,338	S Mkhize	Sole Supplier
48/2015/16	CTE Water Tech cc	Supply and delivery Spectrophotometer DR 6000	195,434	S Mkhize	Sole Supplier
49/2015/16	AAD Drivetrain Systems (PTY) Ltd	Removed transmission & replace with exchange unit remanufactured unit (Allison factory)	98,633	P Gray	Sole Supplier
50/2015/16	C-Pac Pumps and Valves	Supply of one 400mm Butterfly Valve PN 25	65,755	CB Marsh, M Selesho	Exceptional Case
51/2015/16	Sharlyn General Suppliers cc	Bulletproof Vests for Security Officers	82,800	J Anthony	An Emergency
52/2015/16	AAD Drivetrain Systems (PTY) Ltd	Supply New Prop shaft (APQ)	43,890	P Gray	Sole Supplier
53/2015/16	Aqanang Consulting Engineers	Professional Services (Concept, detail designs and costing, tender document drafting) and Project Management	796,079	Z Mguza	Exceptional Case
54/2015/16	Metsi Chem International (PTY) Ltd	Repairs and Upgrading of Chlorination System in Riverton WTW and Homevale WWTW and Ritchie	427,985	S Mkhize	Exceptional Case