

# **SOL PLAATJE MUNICIPALITY**



CITY OF KIMBERLEY

## **SOL PLAATJE MUNICIPALITY ANNUAL FINANCIAL STATEMENTS**

for the year ended

**30 June 2011**

# SOL PLAATJE MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### INDEX

#### Page

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

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

**EXECUTIVE MAYOR  
SPEAKER**

Alderman A Ntlhangula  
Councillor MV Diraditsile

**GRADING OF THE LOCAL AUTHORITY:**

Grade 4

**AUDITORS:**

Office of the Auditor-General  
31 Mc Dougallstreet  
Kimberley  
8301  
Telephone 053-8311016  
Fax 053-8326277  
Email [kmbag@agsa.co.za](mailto:kmbag@agsa.co.za)

Private Bag X5013  
Kimberley  
8300

**BANKERS:**

Standard Bank  
Old Main Road  
Kimberley  
8301  
Telephone 053-8078215  
Fax 053-8078173

P.O. Box 626  
Kimberley  
8300

**REGISTERED OFFICE:**

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

Private Bag X5030  
Kimberley  
8300

**MUNICIPAL MANAGER:**

Mr G Akharwaray

**CHIEF FINANCIAL OFFICER:**

Me ZL Mahloko ( Acting)

**MEMBERS OF COUNCIL:**

**Councillor/Alderman**

**Ward**

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

**Councillor/Alderman**

**Proportional**

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

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

I am accountable for the preparation of these annual financial statements, which are set out on pages 4 to 78, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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

GH Akharwaray  
Municipal Manager  
31 August 2011

**SOL PLAATJE MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 June 2011**

	Note	2011 R	2010 R	2011 Budget R
<b>ASSETS</b>				
<b>Current Assets</b>		<b>380,924,101</b>	<b>341,059,065</b>	<b>374,226,897</b>
Inventory	2	18,941,978	15,733,318	16,205,317
Non-current Assets Held-for-Sale	3	643,888	596,460	-
Trade Receivables from Exchange Transactions	4	157,918,454	149,601,321	158,817,366
Trade Receivables from Non-Exchange Transactions	5	123,656,292	119,968,564	134,115,960
Cash and Cash Equivalents	6	70,002,668	51,238,735	65,000,000
Operating Lease Assets	7	90,342	84,604	88,254
Vat Receivable from Exchange Transactions	8	9,670,479	3,836,063	-
<b>Non-Current Assets</b>		<b>910,392,198</b>	<b>869,473,699</b>	<b>789,213,159</b>
Property, Plant and Equipment	9	792,556,915	749,931,361	731,409,358
Intangible Assets	10	2,485,582	3,425,872	3,597,165
Investment Property	11	115,349,700	116,116,467	54,206,635
<b>Total Assets</b>		<b><u>1,291,316,299</u></b>	<b><u>1,210,532,764</u></b>	<b><u>1,163,440,056</u></b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>		<b>199,065,562</b>	<b>202,788,711</b>	<b>210,913,215</b>
Consumer Deposits	13	11,857,366	10,225,457	10,838,987
Provisions	14	4,767,854	5,299,684	5,617,665
Creditors	15	115,621,516	106,757,467	113,564,041
Unspent Conditional Grants and Receipts	16	9,238,545	3,436,299	-
Vat Payable from Exchange Transactions	17	30,264,667	41,664,918	46,664,708
Bank Overdraft	6	9,418,186	25,067,445	25,819,468
Current Portion of Long-term Liabilities	18	17,897,429	10,337,441	8,408,346
<b>Non-Current Liabilities</b>		<b>264,669,861</b>	<b>210,258,820</b>	<b>253,596,595</b>
Long-term Liabilities	18	96,758,275	66,611,996	92,891,958
Retirement Benefit Liabilities	19	135,684,739	114,140,484	123,842,425
Non-current Provisions	20	32,226,847	29,506,340	36,862,212
<b>Total Liabilities</b>		<b><u>463,735,423</u></b>	<b><u>413,047,532</u></b>	<b><u>464,509,810</u></b>
<b>Total Assets and Liabilities</b>		<b><u>827,580,876</u></b>	<b><u>797,485,232</u></b>	<b><u>698,930,246</u></b>
<b>NET ASSETS</b>		<b>827,580,876</b>	<b>797,485,233</b>	<b>698,930,246</b>
Accumulated Surplus	21	827,580,876	797,485,233	698,930,246
<b>Total Net Assets</b>		<b><u>827,580,876</u></b>	<b><u>797,485,233</u></b>	<b><u>698,930,246</u></b>

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

Budget 2010 R	Budget 2011 R		Note	Actual 2011 R	Actual 2010 R
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>					
190,313,244	212,388,706	Property Rates	22	209,126,408	189,423,946
5,280,000	5,778,000	Fines		3,634,590	3,776,691
2,491,100	2,891,100	Licences and Permits		3,125,280	3,089,183
2,322,800	2,600,000	Income for Agency Services		3,488,878	3,244,760
225,222,561	215,443,432	Government Grants and Subsidies Received	26	190,806,628	219,084,299
-	-	Public Contributions and Donations	27	-	3,877,500
<b>Revenue from Exchange Transactions</b>					
488,541,307	585,599,961	Service Charges	24	581,648,441	489,460,439
12,722,508	13,289,282	Rental of Facilities and Equipment	25	12,740,245	11,130,646
4,000,000	4,000,000	Interest Earned - External Investments	23	4,801,581	3,984,460
43,250,000	35,000,000	Interest Earned - Outstanding Debtors	23	31,282,531	39,476,418
45,229,766	29,914,837	Other Income	28	28,502,404	25,425,876
<b>1,019,373,286</b>	<b>1,106,905,318</b>	<b>Total Revenue</b>		<b>1,069,156,985</b>	<b>991,974,219</b>
<b>EXPENDITURE</b>					
300,269,021	361,242,530	Employee Related Costs	29	363,816,913	304,106,014
11,523,385	13,112,146	Remuneration of Councillors	30	13,578,485	11,469,985
1,095,000	1,145,000	Collection Costs		147,448	265,302
48,191,482	33,960,000	Depreciation and Amortisation	31	38,592,691	33,681,856
89,000,000	95,000,000	Impairment Losses	32	96,525,465	104,693,453
53,097,340	57,783,260	Repairs and Maintenance		51,065,386	53,826,249
12,221,964	16,685,829	Finance Costs	33	14,697,358	10,473,243
202,000,000	239,000,000	Bulk Purchases	34	234,314,846	196,224,388
1,350,000	3,191,000	Grants and Subsidies Paid	35	3,191,000	350,000
183,029,582	216,778,191	General Expenses	36	223,131,748	193,869,040
<b>901,777,774</b>	<b>1,037,897,956</b>	<b>Total Expenditure</b>		<b>1,039,061,342</b>	<b>908,959,530</b>
<b>117,595,512</b>	<b>69,007,362</b>	<b>SURPLUS FOR THE YEAR</b>		<b>30,095,643</b>	<b>83,014,688</b>

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

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

Description	Note	Accumulated Surplus Account				Total for Accumulated Surplus Account	Total
		Capital Replacement Reserve(CRR)	Self Insurance Reserve	COID Reserve	Accumulated Surplus		
		R	R		R	R	R
<b>2010</b>							
Balance at 30 June 2009		74,851	16,733,761	7,549,079	516,216,367	540,574,058	540,574,058
Correction of Error	39				173,896,486	173,896,486	173,896,486
<b>Restated Balance</b>		<b>74,851</b>	<b>16,733,761</b>	<b>7,549,079</b>	<b>690,112,853</b>	<b>714,470,544</b>	<b>714,470,544</b>
Surplus for the year					83,014,688	83,014,688	83,014,688
Transfer to Capital Replacement Reserve		11,000,000			(11,000,000)	-	-
Property, Plant and Equipment purchased		(9,483,124)			9,483,124	-	-
Contribution to Insurance Reserve			84,064	307,617	(391,681)	-	-
<b>Balance at 30 June 2010</b>		<b>1,591,726</b>	<b>16,817,826</b>	<b>7,856,696</b>	<b>771,218,985</b>	<b>797,485,233</b>	<b>797,485,233</b>
<b>2011</b>							
<b>Restated Balance</b>		<b>1,591,726</b>	<b>16,817,826</b>	<b>7,856,696</b>	<b>771,218,985</b>	<b>797,485,233</b>	<b>797,485,233</b>
Surplus for the year					30,095,643	30,095,643	30,095,643
Transfer to Capital Replacement Reserve		15,000,000			(15,000,000)	-	-
Property, Plant and Equipment purchased		(15,182,611)			15,182,611	-	-
Contribution to Insurance Reserve			1,743,584	869,855	(2,613,439)	-	-
<b>Balance at 30 June 2011</b>		<b>1,409,116</b>	<b>18,561,409</b>	<b>8,726,551</b>	<b>798,883,800</b>	<b>827,580,876</b>	<b>827,580,876</b>

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

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

	Note	Actual 2011 R	Actual 2010 R	Budget 2011 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from Ratepayers, Government and Other	41	931,970,963	810,110,921	977,477,000
Cash paid to Suppliers and Employees	41	877,092,173	723,970,599	877,252,000
<b>Cash generated from / (utilised in) Operations</b>	<b>41</b>	<b>54,878,791</b>	<b>86,140,322</b>	<b>100,225,000</b>
Interest received	23	36,084,112	43,460,878	14,440,000
Interest paid	33	(14,697,358)	(10,473,243)	(16,685,000)
<b>NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>		<b>76,265,544</b>	<b>119,127,958</b>	<b>97,980,000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Property, Plant and Equipment	9	(79,196,326)	(103,358,636)	(119,469,000)
Purchase of Intangible Assets	10	(362,292)	(128,453)	
Purchase of Investment Property	11	-	(3,877,500)	
(Increase) / decrease in Long-term Receivables	12	-	113,424	-
<b>NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>		<b>(79,558,618)</b>	<b>(107,251,164)</b>	<b>(119,469,000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
New Loans raised		39,818,246	10,463,371	36,630,000
Loans repaid		(2,111,980)	(10,557,701)	(7,746,000)
<b>NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>		<b>37,706,266</b>	<b>(94,330)</b>	<b>28,884,000</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6</b>	<b>34,413,192</b>	<b>11,782,464</b>	<b>7,395,000</b>
Cash and Cash Equivalents at the beginning of the year		26,171,290	14,388,826	63,000,000
Cash and Cash Equivalents at the end of the year		60,584,482	26,171,290	70,395,000

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

**1. BASIS OF PRESENTATION**

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

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

**1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY**

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

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

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

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

**1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS**

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

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

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

**1. 2. Revenue Recognition**

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

## SOL PLAATJE MUNICIPALITY

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

#### 1. BASIS OF PRESENTATION (continued)

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

###### 1. 2. Revenue Recognition (continued)

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

###### 1. 2. Financial assets and liabilities

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

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

###### 1. 2. Impairment of Financial Assets

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

###### • Impairment of trade receivables

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

This was performed across all classes of debtors.

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

**1. BASIS OF PRESENTATION (continued)**

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

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

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

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

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

**1. 2. Defined Benefit Plan Liabilities**

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

**1. 2. Provisions and contingent liabilities**

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

**1. 3 PRESENTATION CURRENCY**

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

**1. 4 GOING CONCERN ASSUMPTION**

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

## **SOL PLAATJE MUNICIPALITY**

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

#### **1. BASIS OF PRESENTATION (continued)**

##### **1. 5 OFFSETTING**

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

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

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

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

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

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

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

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

- Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
- Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
- Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
- Financial Instruments (GRAP 104 Financial Instruments - October 2009)

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

## **SOL PLAATJE MUNICIPALITY**

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

#### **2. STATUTORY FUNDS AND RESERVES**

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

##### **2. 1 Capital replacement reserve (CRR)**

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

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

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

##### **2. 2 Self insurance reserve**

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

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

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

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

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

**3. PROPERTY, PLANT AND EQUIPMENT**

**3. 1 Initial Recognition**

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

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

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

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

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

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

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

## SOL PLAATJE MUNICIPALITY

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

#### 3. PROPERTY, PLANT AND EQUIPMENT (continued)

##### 3. 2 Subsequent Measurement

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

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

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

##### 3. 3 Depreciation

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

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

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

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

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

**PROPERTY, PLANT AND EQUIPMENT (continued)**

**3. 4 Incomplete Construction Work**

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

**3. 5 Finance Leases**

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

**3. 6 Heritage Assets**

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

**3. 7 Infrastructure Assets**

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

**3. 8 Derecognition of property, plant and equipment**

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

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

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

**3. 9 Impairment of assets**

**3. 9. *Impairment of Cash generating assets***

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

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

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

**3. PROPERTY, PLANT AND EQUIPMENT (continued)**

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

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

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

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

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

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

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

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

**3. 9. Impairment of Non-Cash generating assets**

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

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

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

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

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

## SOL PLAATJE MUNICIPALITY

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

#### 3. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

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

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

#### 4. INTANGIBLE ASSETS

##### 4. 1 Initial Recognition

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

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

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

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

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

**4. INTANGIBLE ASSETS (continued)**

**4. 1 Initial Recognition (continued)**

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

**4. 2 Subsequent Measurement, Amortisation and Impairment**

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

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

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

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

**4. 3 Derecognition**

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

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

**5. INVESTMENT PROPERTY**

**5. 1 Initial Recognition**

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

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

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

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

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

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

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

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

**5. INVESTMENT PROPERTY (continued)**

**5. 2 Subsequent Measurement - Cost Model**

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

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

**5. 3 Derecognition**

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

**6. FINANCIAL INSTRUMENTS**

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

**Initial recognition**

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

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

**Fair value methods and assumptions**

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

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

**The effective interest rate method**

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

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

**6. FINANCIAL INSTRUMENTS (continued)**

**Amortised cost**

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

**6. 1 Financial Assets - Classification**

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

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

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

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

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

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

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

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

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

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

**6. FINANCIAL INSTRUMENTS (continued)**

**6. 1 Financial Assets - Classification (continued)**

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

**6. 2 Financial Liabilities - Classification**

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

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

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

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

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

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

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

**6. 3 Initial and Subsequent Measurement**

**6. 3. Financial Assets:**

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

**SOL PLAATJE MUNICIPALITY**

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

**6. FINANCIAL INSTRUMENTS (continued)**

**6. 3 Initial and Subsequent Measurement (continued)**

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

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

**6. 3. Financial Liabilities:**

***Financial liabilities***

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

**Financial Liabilities held at amortised cost**

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

**Financial guarantee contract**

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

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

**6. FINANCIAL INSTRUMENTS (continued)**

**6. 4 Impairment of Financial Assets**

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

**Available-for-sale financial assets**

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

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

**Financial assets carried at amortised cost**

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

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

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

**6. FINANCIAL INSTRUMENTS (continued)**

**6. 4 Impairment of Financial Assets (continued)**

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

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

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

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

**6. 5 Derecognition of Financial Assets**

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

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

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

**6. FINANCIAL INSTRUMENTS (continued)**

**6. 6 Derecognition of Financial Liabilities**

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

**7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES**

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

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

- market risk
- credit risk
- liquidity risk

Risks and exposure are disclosed as follows:

**Market Risk**

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

**Credit Risk**

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

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

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

**Liquidity Risk**

- Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.
- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 48.9 to the annual financial statements.

**8. INVENTORIES**

**8. 1 Initial Recognition**

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

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

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

**8. 2 Subsequent Measurement**

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

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

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

**8. INVENTORIES (continued)**

**Water inventory**

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

**Unsold properties**

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

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

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

**9. NON-CURRENT ASSETS HELD-FOR-SALE**

**9. 1 Initial Recognition**

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

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

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

**9. 2 Subsequent Measurement**

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

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

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

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

**10. REVENUE RECOGNITION**

**10.1 General**

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

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

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

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

**10. REVENUE RECOGNITION (continued)**

**10.1 General (continued)**

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

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

**10.2 Revenue from Exchange Transactions**

**10.2. Service Charges**

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

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

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

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

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

**10.2. Pre-paid Electricity**

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

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

**10. REVENUE RECOGNITION (continued)**

**10.2. Finance income**

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

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

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

**10.2. Tariff Charges**

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

**10.2. Income from Agency Services**

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

**10.2. Sale of Goods (including Houses)**

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

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

**10.2. Rentals**

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

**10.2. Dividends**

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

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

**10. REVENUE RECOGNITION (continued)**

**10.2. Royalties**

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

**10.3 Revenue from Non-exchange Transactions**

**10.3. Rates and Taxes**

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

**10.3. Fines**

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

**10.3. Public contributions**

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

**10.3. Other Donations and Contributions**

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

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

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

**10.4 Transitional Provisions**

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

## SOL PLAATJE MUNICIPALITY

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

#### 11. CONDITIONAL GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

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

#### 12. PROVISIONS

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

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

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

##### **Provision for Restructuring cost**

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

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating
  - the expenditures that will be undertaken;
  - when the plan will be implemented; and;
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

## SOL PLAATJE MUNICIPALITY

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

#### 12. PROVISIONS (continued)

##### Environmental rehabilitation provisions

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

#### 13. EMPLOYEE BENEFITS

##### 13.1 Short-term Employee Benefits

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

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

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

##### 13.2 Post employment benefits

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

##### 13.3 Defined Benefit Plans

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

##### 13.3. Post-retirement Health Care Benefits:

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

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

## SOL PLAATJE MUNICIPALITY

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

#### 13. EMPLOYEE BENEFITS (continued)

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

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

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

##### 13. 3. *Long-service Allowance*

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

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

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

#### 14. LEASES

##### **Lease Classification**

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

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

## SOL PLAATJE MUNICIPALITY

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

#### 14. LEASES (continued)

##### 14.1 The Municipality as Lessee

###### Finance leases

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

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

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

###### Operating leases

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

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

##### 14.2 The Municipality as Lessor

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

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

## **SOL PLAATJE MUNICIPALITY**

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

#### **15. BORROWING COSTS**

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

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

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

#### **16. GRANTS-IN-AID**

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

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

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

#### **17. VALUE ADDED TAX**

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

#### **18. UNAUTHORISED EXPENDITURE**

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

#### **19. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance.

#### **20. FRUITLESS AND WASTEFUL EXPENDITURE**

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

## **SOL PLAATJE MUNICIPALITY**

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

#### **21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

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

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

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

#### **22. RELATED PARTIES**

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

#### **23. EVENTS AFTER THE REPORTING DATE**

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

#### **24. FOREIGN CURRENCIES**

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

#### **25. COMPARATIVE INFORMATION**

##### **25.1 Current year comparatives:**

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

##### **25.2 Prior year comparatives**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

## **SOL PLAATJE MUNICIPALITY**

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

#### **26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

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

#### **27. COMMITMENTS**

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

Commitments are disclosed for:

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

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

2011  
R                      2010  
R

**1. GENERAL INFORMATION**

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

**2. INVENTORY**

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

The above water inventory at cost is seen as the fair value less cost to sell.

The cost of Inventories recognised as an expense (included in general expenses) in respect of write downs of Inventory to Net Realisable Value and which was approved by Council amounted to:

139,493                      77,932

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

29,186,782                      25,756,182

**3. NON-CURRENT ASSETS HELD-FOR-SALE**

Other Assets Held-for-Sale	643,888	596,460
<b>Net Assets classified as Held-for-Sale</b>	<b>643,888</b>	<b>596,460</b>

**3.1 Property Held-for-Sale**

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

**4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	Gross Balances	Provision for Impairment	Net Balances
<b>As at 30 June 2011</b>			
Service Debtors:	395,803,942	242,652,445	153,151,497
Electricity	79,870,307	48,819,459	31,050,847
Refuse	23,590,589	14,472,369	9,118,219
Sewerage	26,962,897	16,534,953	10,427,944
Water	78,716,134	48,265,206	30,450,928
Miscellaneous	186,664,016	114,560,457	72,103,559
Market	734,722	450,918	283,804
Housing Debtors	11,606,131	7,122,978	4,483,153
<b>Total Consumer Debtors</b>	<b>408,144,795</b>	<b>250,226,341</b>	<b>157,918,454</b>

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

	2011 R	2010 R
<b>4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)</b>		
	<b>Gross Balances</b>	<b>Provision for Impairment</b>
		<b>Net Balances</b>
<b>As at 30 June 2010</b>		
Service Debtors:	533,160,870	387,703,432
Electricity	65,812,093	42,720,162
Refuse	43,657,195	32,138,358
Sewerage	52,998,063	39,072,894
Water	123,856,707	88,361,199
Miscellaneous	246,836,812	185,410,820
Market	879,328	421,460
Housing Debtors	13,900,899	10,214,884
<b>Total Consumer Debtors</b>	<b>547,941,097</b>	<b>398,339,776</b>
	<b>149,601,321</b>	

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

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

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

	2011 R	2010 R
<b>4.1 Ageing of Consumer Debtors</b>		
<b>Electricity: Ageing</b>		
<i>Current:</i>		
0 - 30 days	34,576,755	24,942,532
<i>Past Due:</i>		
31 - 60 Days	5,174,863	5,092,732
61 - 90 Days	2,982,380	2,691,120
+ 90 Days	37,136,309	33,085,710
<b>Total</b>	<b>79,870,307</b>	<b>65,812,093</b>
<b>Refuse: Ageing</b>		
<i>Current:</i>		
0 - 30 days	1,824,402	2,356,223
<i>Past Due:</i>		
31 - 60 Days	899,540	1,478,348
61 - 90 Days	746,332	1,383,230
+ 90 Days	20,120,314	38,439,394
<b>Total</b>	<b>23,590,589</b>	<b>43,657,195</b>
<b>Sewerage: Ageing</b>		
<i>Current:</i>		
0 - 30 days	2,164,656	2,835,884
<i>Past Due:</i>		
31 - 60 Days	1,067,805	1,872,642
61 - 90 Days	904,646	1,802,530
+ 90 Days	22,825,790	46,487,008
<b>Total</b>	<b>26,962,897</b>	<b>52,998,063</b>

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

	2011 R	2010 R
<b>4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)</b>		
<b>Water: Ageing</b>		
<i>Current:</i>		
0 - 30 days	12,744,565	13,233,943
<i>Past Due:</i>		
31 - 60 Days	3,490,177	7,458,312
61 - 90 Days	3,518,204	4,934,768
+ 90 Days	<u>58,963,188</u>	<u>98,229,683</u>
<b>Total</b>	<b><u>78,716,134</u></b>	<b><u>123,856,707</u></b>
<b>Miscellaneous: Ageing</b>		
<i>Current:</i>		
0 - 30 days	10,344,173	9,680,387
<i>Past Due:</i>		
31 - 60 Days	4,716,978	6,648,137
61 - 90 Days	4,479,149	7,351,992
+ 90 Days	<u>167,858,438</u>	<u>224,035,625</u>
<b>Total</b>	<b><u>187,398,738</u></b>	<b><u>247,716,140</u></b>
<b>Housing Rentals: Ageing</b>		
<i>Current:</i>		
0 - 30 days	397,028	496,980
<i>Past Due:</i>		
31 - 60 Days	299,325	387,584
61 - 90 Days	284,079	388,775
+ 90 Days	<u>10,625,699</u>	<u>12,627,559</u>
<b>Total</b>	<b><u>11,606,131</u></b>	<b><u>13,900,899</u></b>

**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
<b>As at 30 June 2011</b>				
<i>Current:</i>				
0 - 30 days	41,278,380	24,768,916	4,369,227	70,416,524
<i>Past Due:</i>				
31 - 60 Days	12,100,490	5,273,598	1,473,770	18,847,858
61 - 90 Days	10,540,485	3,304,443	1,231,185	15,076,113
+ 90 Days	<u>268,334,810</u>	<u>63,123,562</u>	<u>79,333,310</u>	<u>410,791,682</u>
Sub-total	332,254,165	96,470,519	86,407,492	515,132,176
Less: Provision for Impairment	188,072,981	58,198,459	3,954,901	250,226,341
<b>Total Debtors by Customer Classification</b>	<b><u>144,181,184</u></b>	<b><u>38,272,060</u></b>	<b><u>82,452,591</u></b>	<b><u>264,905,835</u></b>
<b>As at 30 June 2010</b>				
<i>Current:</i>				
0 - 30 days	65,327,803	17,280,803	3,651,853	86,260,459
<i>Past Due:</i>				
31 - 60 Days	19,632,538	4,903,537	2,384,215	26,920,290
61 - 90 Days	16,027,882	3,953,582	2,005,528	21,986,992
+ 90 Days	<u>409,216,420</u>	<u>50,095,173</u>	<u>57,000,618</u>	<u>516,312,211</u>
Sub-total	510,204,644	76,233,095	65,042,214	651,479,953
Less: Provision for Impairment	396,079,739	2,260,037	-	398,339,776
<b>Total Debtors by Customer Classification</b>	<b><u>114,124,905</u></b>	<b><u>73,973,058</u></b>	<b><u>65,042,214</u></b>	<b><u>253,140,177</u></b>

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

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

	2011 R	2010 R
<b>4. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)</b>		
<b>4.3 Reconciliation of the Provision for Impairment</b>		
Balance at beginning of year	398,339,776	293,134,698
Impairment Losses recognised	96,525,465	104,693,453
Amounts written off as uncollectable	(246,368,291)	(58,176)
Amounts reversed	1,729,391	569,802
<b>Balance at end of year</b>	<b>250,226,341</b>	<b>398,339,776</b>

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

**4.4 Ageing of impaired Consumer Debtors**

0 - 30 Days	2,085,279	16,152,343
31 - 60 Days	1,590,616	7,043,359
61 - 90 Days	1,390,207	6,602,485
+ 90 Days	245,160,239	368,541,589
<b>Total</b>	<b>250,226,341</b>	<b>398,339,776</b>

**5. TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Assessment Rates	106,987,382	103,538,855
Government Subsidy Claims	15,071,901	11,359,448
Miscellaneous debtors	1,597,009	5,070,261
	123,656,292	119,968,564
Less: Provision for Impairment	-	-
<b>Total Other Debtors</b>	<b>123,656,292</b>	<b>119,968,564</b>

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

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

**5.1 Ageing of Consumer Debtors**

**Rates: Ageing**

Current:

0 - 30 days	8,364,944	10,797,129
-------------	-----------	------------

Past Due:

31 - 60 Days	3,199,171	3,955,318
--------------	-----------	-----------

61 - 90 Days	2,161,323	3,412,904
--------------	-----------	-----------

+ 90 Days	93,261,945	85,373,505
-----------	------------	------------

<b>Total</b>	<b>106,987,382</b>	<b>103,538,855</b>
--------------	--------------------	--------------------

**6. CASH AND CASH EQUIVALENTS**

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

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

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

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

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

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

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

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

**6.2 Bank Accounts**

**Cash book balance**

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

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

**Current Account (Primary Bank Account)**

The Municipality has the following main bank account:

Standard Bank Kimberley Old Main Road  
 Account Number 040065367

Primary Bank account 040065367

Bank statement balance at beginning of year / (overdrawn)	2,210,113	7,353,379
Bank statement balance at end of year / (overdrawn)	5,403,112	2,210,113

Sub account -Resort 040039072

Bank statement balance at beginning of year / (overdrawn)	6,407	58,529
Bank statement balance at end of year / (overdrawn)	10,570	6,407

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)	-	(33)
Bank statement balance at end of year / (overdrawn)	(6,691)	-

Sub account -Salary 040065391

Bank statement balance at beginning of year / (overdrawn)	(240)	(33)
Bank statement balance at end of year / (overdrawn)	-	(240)

Sub account -Market 040065383

Bank statement balance at beginning of year / (overdrawn)	-	(33)
Bank statement balance at end of year / (overdrawn)	-	-

Interest on overdrawn current accounts are charged at the bank's prime rate per annum.

Interest is earned at different rates per annum on favourable balances.

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

2011  
R

2010  
R

**6. CASH AND CASH EQUIVALENTS (Continued)**

**6.3 Cash and Cash equivalents**

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

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

**7. OPERATING LEASE ASSETS / RECEIVABLES**

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

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

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

**7.1 Leasing Arrangements**

**The Municipality as Lessor:**

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

Rental Revenue earned from Investment Property	25,200	25,200
--	--------	--------

**7.2 Amounts receivable under Operating Leases**

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

Up to 1 year	399,890	448,098
2 to 5 years	526,124	710,721
More than 5 years	622	38,957

<b>Total Operating Lease Arrangements</b>	<b>926,636</b>	<b>1,197,776</b>
---	----------------	------------------

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

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

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

**8. VAT RECEIVABLE FROM EXCHANGE TRANSACTIONS**

Vat Receivable from Exchange Transactions	9,670,479	3,836,063
---	-----------	-----------

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

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

**9. PROPERTY, PLANT AND EQUIPMENT**

30 June 2011

**Reconciliation of Carrying Value**

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

30 June 2010

**Reconciliation of Carrying Value**

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

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

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

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

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

**9.2 Assets pledged as security:**

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

	<b>4,125,365</b>	<b>5,501,030</b>
--	------------------	------------------

**9.3 Carrying Amount of Property, Plant and Equipment temporarily idle:**

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

	<b>5,366,786</b>	<b>5,618,243</b>
--	------------------	------------------

**10. INTANGIBLE ASSETS**

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

	<b>2,485,582</b>	<b>3,425,872</b>
--	------------------	------------------

The movement in Intangible Assets is reconciled as follows:

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

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

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

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

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

	2011 R	2010 R
<b>11. INVESTMENT PROPERTY</b>		
At Cost less Accumulated Depreciation	<u><b>115,349,700</b></u>	<u><b>116,116,467</b></u>
The movement in Investment Property is reconciled as follows:		
<b>Carrying values at 1 July</b>	<b>116,116,467</b>	<b>113,005,733</b>
Cost	116,994,100	113,116,600
Accumulated Depreciation	(877,633)	(110,867)
Accumulated Impairment Losses	-	-
Acquisitions during the Year	-	3,877,500
Depreciation during the Year	(766,767)	(766,767)
Impairment Losses during the Year	-	-
<b>Carrying values at 30 June</b>	<b>115,349,700</b>	<b>116,116,467</b>
Cost	116,994,100	116,994,100
Accumulated Depreciation	(1,644,400)	(877,633)
Accumulated Impairment	-	-
<b>Estimated Fair Value of Investment Property at 30 June</b>	<u><b>116,994,600</b></u>	<u><b>117,474,296</b></u>
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	25,200	25,200

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

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

There are no contractual obligations on Investment Property.

**12. LONG-TERM RECEIVABLES**

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

**13. CONSUMER DEPOSITS**

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

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

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

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

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

**15. CREDITORS**

Trade Creditors	78,006,029	62,052,668
Payments received in Advance	12,443,192	23,096,751
Staff Bonuses	6,770,637	5,884,932
Other Creditors	52,944	52,884
Accrued Leave	18,348,716	15,670,232
<b>Total Creditors</b>	<b>115,621,516</b>	<b>106,757,467</b>

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

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

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

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

**16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**16.1 Conditional Grants from Government**

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

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

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

	2011 R	2010 R
<b>17. VAT PAYABLE FROM EXCHANGE TRANSACTIONS</b>		
Vat Payable from Exchange Transactions	<u>30,264,667</u>	<u>41,664,918</u>
Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		

**18. LONG TERM LIABILITIES**

Annuity Loans	99,804,371	66,591,061
Finance Lease Liabilities	<u>14,851,333</u>	<u>10,358,377</u>
Sub-total	114,655,704	76,949,438
Less: Current Portion transferred to Current Liabilities:-	17,897,429	10,337,441
Annuity Loans	7,187,644	6,190,928
Finance Lease Liabilities	10,709,785	4,146,513
<b>Total Long-term Liabilities</b>	<u><b>96,758,275</b></u>	<u><b>66,611,996</b></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.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**18.1 Obligations under Finance Lease Liabilities**

**The Municipality as Lessee:**

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

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

The obligations under Finance Leases are as follows:

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

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

- Office Equipment

Included in these classes are the following significant leases:

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

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

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

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

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

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

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

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

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

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

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

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

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

	2011 R	2010 R			
<b>19. RETIREMENT BENEFIT LIABILITIES (Continued)</b>					
<b>The principal assumptions used for the purposes of the actuarial valuations were as follows:</b>					
Discount Rate	8.72%	10.68%			
Health Care Cost Inflation Rate	7.34%	9.56%			
Net Effective Discount Rate	1.29%	1.02%			
Expected Rate of Salary Increase	6.25%	5.55%			
Expected Retirement Age - Females	58	58			
Expected Retirement Age - Males	62	62			
<b>Movements in the present value of the Defined Benefit Obligation were as follows:</b>					
Balance at the beginning of the year	117,046,164	113,425,731			
Current service costs	7,441,600	7,375,261			
Interest cost	10,636,792	10,059,356			
Benefits paid	(2,905,680)	(2,634,996)			
Actuarial losses / (gains)	6,723,323	(11,179,188)			
<b>Present Value of Fund Obligation at the end of the Year</b>	<b>138,942,199</b>	<b>117,046,164</b>			
Actuarial losses / (gains) unrecognised	-	-			
<b>Total Recognised Benefit Liability</b>	<b>138,942,199</b>	<b>117,046,164</b>			
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>					
Present value of fund obligations	138,942,199	117,046,164			
<b>Total Benefit Liability</b>	<b>138,942,199</b>	<b>117,046,164</b>			
<b>The amounts recognised in the Statement of Financial Performance are as follows:</b>					
<b>Current service cost</b>	7,441,600	7,375,261			
Interest cost	10,636,792	10,059,356			
<b>Total Post-retirement Benefit included in Employee Related Costs (Note 29)</b>	<b>18,078,392</b>	<b>17,434,617</b>			
<b>The history of experienced adjustments is as follows:</b>					
	2011 R	2010 R	2009 R	2008 R	2007 R
Present Value of Defined Benefit Obligation	138,942,199	117,046,164	113,425,731	98,197,330	-
Fair Value of Plan Assets	-	-	-	-	-
<b>Deficit</b>	<b>138,942,199</b>	<b>117,046,164</b>	<b>113,425,731</b>	<b>98,197,330</b>	<b>-</b>
In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.					
	2011 R	2010 R			
<b>The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:</b>					
<b>Increase:</b>					
Effect on the aggregate of the current service cost and the interest cost	20,747,000	20,279,600			
Effect on the defined benefit obligation	163,083,000	132,363,000			
<b>Decrease:</b>					
Effect on the aggregate of the current service cost and the interest cost	15,597,200	14,790,900			
Effect on the defined benefit obligation	119,503,000	102,739,000			
Refer to Note 49 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.					

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

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

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

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

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

**20.1 Ex-Gratia Arrangements**

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

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

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

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

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

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

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

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

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

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

The history of experienced adjustments is as follows:

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

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

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

**20.2 Long Service Awards**

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

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

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

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

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

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

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

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

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

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

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

**The history of experienced adjustments is as follows:**

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

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

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

**20.3 Rehabilitation of Land-fill Sites**

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

	23,540,936	22,450,668
--	------------	------------

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

**21. ACCUMULATED SURPLUS**

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

Capital Replacement Reserve (CRR)	1,409,116	1,591,726
Self-insurance Reserve	18,561,409	16,817,826
C.O.I.D. Reserve	8,726,551	7,856,696
Accumulated Surplus / (Deficit) due to the results of Operations	802,010,860	609,054,567
<b>Total Accumulated Surplus</b>	<b>830,707,935</b>	<b>635,320,814</b>

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

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

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

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

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

22. PROPERTY RATES	Property Valuations		2011	2010
	July 2010	July 2009	R	R
	R000's	R000's		
Residential	9,141,002	9,029,693	72,243,648	61,973,170
Business	1,773,188	1,775,045	45,083,120	42,590,438
Residential Business	247,770	259,252	3,624,197	3,712,231
Rural	330,248	291,440	454,217	359,479
Industrial	115,311	116,911	4,172,528	3,891,032
PSI	618,000	613,840	1,315,722	1,187,780
State	1,314,240	1,312,664	81,670,314	75,184,120
Mining Areas	4,005	3,995	562,662	525,696
Exempt	393,443	366,463		
<b>Total Assessment Rates</b>	<b>13,937,207</b>	<b>13,769,304</b>	<b>209,126,408</b>	<b>189,423,946</b>

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

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

23. INTEREST EARNED	2011	2010
	R	R
<b>External Investments:</b>		
Interest	4,801,581	3,984,460
<b>Outstanding Debtors:</b>		
Outstanding Debtors	31,282,531	39,476,418
<b>Total Interest Earned</b>	<b>36,084,112</b>	<b>43,460,878</b>

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

Available-for-Sale Financial Assets	4,801,581	3,984,460
Loans and Receivables	31,282,531	39,476,418
	<b>36,084,112</b>	<b>43,460,878</b>

24. SERVICE CHARGES	2011	2010
Sale of Electricity	370,727,741	317,857,006
Sale of Water	132,726,907	102,037,221
Refuse Removal	32,932,403	29,329,663
Sewerage and Sanitation Charges	45,180,404	39,920,760
Other	80,985	315,789
<b>Total Service Charges</b>	<b>581,648,441</b>	<b>489,460,439</b>

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	2011	2010
Rental Revenue from Facilities and Equipment	12,740,245	11,130,646
<b>Total Rental of Facilities and Equipment</b>	<b>12,740,245</b>	<b>11,130,646</b>

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

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

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

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

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

	2011 R	2010 R
<b>26. GOVERNMENT GRANTS AND SUBSIDIES (Continued)</b>		
<b>26.9 Local Government - Local Municipalities</b>		
Balance unspent at beginning of year	2,381,493	1,977,095
Current year receipts	893,506	1,976,735
Conditions met - transferred to Revenue: Operating Expenses	(500,000)	(558,111)
Conditions met - transferred to Revenue: Capital Expenses	<u>(1,566,303)</u>	<u>(1,014,226)</u>
Conditions still to be met - transferred to Liabilities (see Note 16)	<u><b>1,208,696</b></u>	<u><b>2,381,493</b></u>
The grant is spent in accordance with business plans approved by the FBD Municipality (included in Appendix F). No funds have been withheld.		
<b>26.10 Other Grants</b>		
Balance unspent at beginning of year	-	51,381
Current year receipts	3,004,992	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	<u>(3,004,992)</u>	<u>(51,381)</u>
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>
The grant is spent in accordance with business plans approved by the relevant grantor (included in Appendix F). No funds have been withheld.		
<b>26.11 Changes in levels of Government Grants</b>		
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.		
<b>27. PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Donations Received	-	3,877,500
<b>Total Public Contributions and Donations</b>	<u>-</u>	<u><b>3,877,500</b></u>
Donations Received comprise of a farm that was donated to the Municipality during the previous year.		
<b>28. OTHER INCOME</b>		
Premiums received and claims recovered	3,419,905	3,151,891
Burial fees	1,340,736	1,305,796
Disconnections	6,657,812	5,989,940
Dues	3,406,021	3,340,479
Miscellaneous revenue	5,199,881	7,611,164
Sale of goods and land	2,213,953	11,793
Other Income	<u>6,264,097</u>	<u>4,014,814</u>
<b>Total Other Income</b>	<u><b>28,502,404</b></u>	<u><b>25,425,876</b></u>
The amounts disclosed above for Other Income are in respect of services, other than described in Notes 22 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
<b>29. EMPLOYEE RELATED COSTS</b>		
Employee Related Costs - Salaries and Wages	202,195,563	178,750,706
Employee Related Costs - Contributions for UIF and Medical Aids	26,310,274	21,486,515
Employee Related Costs - Contributions for Pensions	32,157,708	27,033,124
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	54,468,524	49,460,020
Housing Benefits and Allowances	2,111,306	2,201,948
Overtime Payments	12,078,850	10,922,840
Long-service Awards	6,552,340	5,712,254
Defined Benefit Plan Expense:	<u>27,942,348</u>	<u>8,538,607</u>
Current Service Cost	9,160,341	9,010,010
Interest Cost	11,384,024	10,810,086
Net Actuarial (gains)/losses recognised	<u>7,397,983</u>	<u>(11,281,489)</u>
<b>Total Employee Related Costs</b>	<u><b>363,816,913</b></u>	<u><b>304,106,014</b></u>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	1,381,270	1,054,991
Performance Bonus	-	-
Car Allowance	150,000	126,822
Company Contributions to UIF, Medical and Pension Funds	<u>255,385</u>	<u>189,885</u>
<b>Total</b>	<u><b>1,786,655</b></u>	<u><b>1,371,697</b></u>
<b>Remuneration of the Director: Finance</b>		
Annual Remuneration	523,649	484,483
Performance Bonus	-	-
Car Allowance	186,219	186,219
Company Contributions to UIF, Medical and Pension Funds	<u>110,885</u>	<u>109,115</u>
<b>Total</b>	<u><b>820,753</b></u>	<u><b>779,817</b></u>
The post is vacant. Salary shown here is for the person acting in this position.		

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

	2011 R	2010 R
<b>29. EMPLOYEE RELATED COSTS (Continued)</b>		
<i>Remuneration of the Director: Corporate Services</i>		
Annual Remuneration	698,348	548,797
Performance Bonus	-	-
Car Allowance	211,619	206,599
Company Contributions to UIF, Medical and Pension Funds	108,576	100,210
<b>Total</b>	<b>1,018,543</b>	<b>855,606</b>
<i>Remuneration of the Director: Strategy, Economic Development and Planning</i>		
Annual Remuneration	630,576	399,072
Performance Bonus	-	-
Car Allowance	209,791	191,168
Company Contributions to UIF, Medical and Pension Funds	93,831	99,493
<b>Total</b>	<b>934,198</b>	<b>689,733</b>
<i>Remuneration of the Director: Community Services</i>		
Annual Remuneration	601,955	491,204
Performance Bonus	-	-
Car Allowance	188,443	188,443
Company Contributions to UIF, Medical and Pension Funds	108,818	107,836
<b>Total</b>	<b>899,216</b>	<b>787,483</b>
<i>Remuneration of the Director: Technical Services</i>		
Annual Remuneration	529,511	549,516
Performance Bonus	-	-
Car Allowance	186,219	204,375
Company Contributions to UIF, Medical and Pension Funds	101,488	87,349
<b>Total</b>	<b>817,219</b>	<b>841,240</b>
The post is vacant. Salary shown here is for the person acting in this position.		
The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:		
<b>Staff Leave Benefits:-</b>		
Municipal Manager	130,088	75,593
Chief Financial Officer	-	-
Director Community	-	-
Director Corporate	26,275	58,392
Director SED	51,005	36,782
Director Technical	-	89,329
<b>Total</b>	<b>207,368</b>	<b>260,097</b>
<b>30. REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	594,278	505,658
Speaker	504,191	407,775
Councillors	7,776,367	6,287,740
Contributions to UIF, Medical and Pension Funds and other allowances	4,703,649	4,268,813
<b>Total Councillors' Remuneration</b>	<b>13,578,485</b>	<b>11,469,985</b>
<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.		
<b>31. DEPRECIATION AND AMORTISATION</b>		
Depreciation: Property, Plant and Equipment	36,523,343	31,652,337
Amortisation: Intangible Assets	1,302,582	1,262,753
Depreciation: Investment Property	766,767	766,767
<b>Total Depreciation and Amortisation</b>	<b>38,592,691</b>	<b>33,681,856</b>
<b>32. IMPAIRMENT LOSSES</b>		
<i>32.1 Impairment Losses on Financial Assets</i>		
<b>Impairment Losses Recognised:</b>		
Consumer Debtors	96,525,465	104,693,453
<b>Total Impairment Losses</b>	<b>96,525,465</b>	<b>104,693,453</b>
<b>33. FINANCE COSTS</b>		
Loans and Payables at amortised cost	8,736,269	6,494,138
Finance Leases	5,961,089	3,979,105
Total Interest Expense	14,697,358	10,473,243
Less: Amounts included in the Cost of qualifying Assets	-	-
<b>Total Interest Paid on External Borrowings</b>	<b>14,697,358</b>	<b>10,473,243</b>

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

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

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

**35. GRANTS AND SUBSIDIES PAID**

Diamonds and Dorings Festival	1,000,000	-
Gariep Festival	1,000,000	-
Other Grants	741,000	-
Subsidy paid to SPCA	450,000	350,000
<b>Total Grants and Subsidies</b>	<b>3,191,000</b>	<b>350,000</b>

The grants to the festivals are to promote economic growth. The subsidy to the SPCA is to assist the municipality to care for stray animals and other related tasks. The subsidy is paid on an annual basis.

**36. GENERAL EXPENSES**

Audit fees	3,731,873	2,838,929
Audit committee	408,820	361,074
Bank charges	1,046,808	908,730
Claims paid	559,674	1,133,848
Clarification/Purification	7,030,887	2,854,225
Cleaning material	423,214	330,743
Conferences and seminars	4,447,851	2,920,070
Course fees/Central training fund	2,966,740	1,613,972
Discount on early payment	2,674,033	-
Electricity	27,300,973	24,809,590
Fuel	7,356,527	6,678,789
FMG Interns	578,714	365,026
Hire of labour	1,113,401	1,957,816
Indigent subsidy	34,378,808	14,221,993
Insurance - other	2,364,487	2,445,773
Insurance - vehicles	543,000	617,966
Laboratory	508,355	157,624
Job creation cleaning project	6,706,536	5,820,037
Legal expenses	955,827	798,044
Loss of income bypassed electricity meters	10,242,748	18,007,053
Membership fees	1,810,271	1,669,662
Postage	1,599,753	1,452,188
Printing and stationary	3,665,332	3,820,344
Professional fees	18,545,017	20,995,239
Projects	43,501,725	30,585,418
Projects EPWP	9,649,080	-
Protective clothing	1,202,059	1,017,146
Refuse removals	477,449	422,570
Sanitation	914,932	918,421
Sport	522,732	-
Stores	1,590,660	1,252,175
Subsidy services projects	-	23,582,773
Sundries	269,819	412,351
Telephone expenditure	5,185,666	4,704,658
Training	1,312,409	854,306
Uniforms	1,030,058	713,086
Water	4,757,175	5,297,898
Ward committee activities	3,494,923	1,151,865
Workmen's compensation insurance	1,325,242	1,158,708
Other General Expenses	6,938,169	5,018,930
<b>Total General Expenses</b>	<b>223,131,748</b>	<b>193,869,040</b>

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

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

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

2010  
R

**37. DISCONTINUED OPERATIONS**

No operations have been discontinued.

**38. CHANGE IN ACCOUNTING POLICY**

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

**39. CORRECTION OF ERROR**

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

Details of the appropriations are as follows:

**Unappropriated Surplus Account:**

Corrections to Debtors	(1,674,274)
Corrections to Expenditure	(2,199,450)
Corrections to Other Income	104,639
Corrections to Depreciation on Property, Plant and Equipment	1,419,621
Corrections to Income	(3,954)
Corrections to Investment Property	65,147,000
Corrections to Property, Plant and Equipment	<u>111,102,904</u>
<b>Increase / (Decrease) in Unappropriated Surplus Account</b>	<b><u>173,896,486</u></b>
<b>Increase / (Decrease) in Accumulated Surplus Account</b>	<b><u>173,896,486</u></b>

**39.1 Restatement of Revenue:**

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

The effect of the Correction of Error is as follows:

	2010 Revenue	2010 Correction	Restated Amount
Government Grants and Subsidies Received	218,639,955	444,343	219,084,299
Rental of Facilities and Equipment	11,126,139	4,507	11,130,646
Other Income	24,968,641	457,235	25,425,876
	<u>254,734,736</u>	<u>906,085</u>	<u>255,640,821</u>

**39.2 Restatement of Expenditure:**

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

The effect of the Correction of Error is as follows:

	2010 Expenditure	2010 Correction	Restated Amount
Depreciation and Amortisation	29,803,795	3,878,061	33,681,856
Finance Costs	8,930,826	1,542,416	10,473,243
General Expenses	192,049,294	1,819,746	193,869,040
	<u>230,783,915</u>	<u>7,240,223</u>	<u>238,024,138</u>

**39.3 Restatement of Statement of Financial Position:**

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

The effect of the Correction of Error is as follows:

	2010 Fin Position	2010 Correction	Restated Amount
Accumulated Surplus	629,922,885	167,562,348	797,485,233
Long-term Liabilities	63,609,046	3,002,951	66,611,996
Non-Current Provisions	34,775,672	(5,269,332)	29,506,340
Creditors	107,135,888	(378,421)	106,757,467
Current Portion of Long-term Liabilities	8,163,443	2,173,999	10,337,441
Property, Plant and Equipment	645,900,329	104,031,032	749,931,361
Investment Property	51,625,367	64,491,100	116,116,467
Trade Receivables from Exchange Transactions	151,254,634	(1,653,313)	149,601,321
Trade Receivables from Non-Exchange Transactions	119,746,393	222,171	119,968,564
Operating Lease Assets	84,051	553	84,604

**39.4 Restatement of Non-current Provisions:**

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

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

**39. CORRECTION OF ERROR (Continued)**

The effect of the Correction of Error is as follows:

	<b>Non-current Provisions</b>
<b>Balances as per AFS previously published for 2009/2010</b>	<b>34,775,672</b>
Restatement of non-current liabilities	<u>(5,269,332)</u>
<b>Balances as per current AFS published for 2009/2010</b>	<b><u>29,506,340</u></b>

**39.5 Restatement of Finance Lease Liabilities:**

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

The effect of the Correction of Error is as follows:

	<b>Finance Lease Liabilities</b>
<b>Balances as per AFS previously published for 2009/2010</b>	<b>5,181,428</b>
Restatement of Finance Lease Liabilities	<u>5,176,949</u>
<b>Balances as per current AFS published for 2009/2010</b>	<b><u>10,358,377</u></b>

**39.6 Restatement of Property, Plant and Equipment and Depreciation:**

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

The effect of the Correction of Error is as follows:

	<b>Property, Plant and Equipment</b>	<b>Depreciation on PPE</b>
<b>Balances as per AFS previously published for 2009/2010</b>	<b>645,900,329</b>	<b>28,430,176</b>
Restatement of Property, Plant and Equipment(PPE) and Depreciation	<u>104,031,032</u>	<u>3,222,161</u>
<b>Balances as per current AFS published for 2009/2010</b>	<b><u>749,931,361</u></b>	<b><u>31,652,337</u></b>

**39.7 Restatement of Investment Property:**

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

The effect of the Correction of Error is as follows:

	<b>Investment Property (IP)</b>	<b>Depreciation on IP</b>
<b>Balances as per AFS previously published for 2009/2010</b>	<b>51,625,367</b>	<b>(221,733)</b>
Restatement of Investment Property and Depreciation	<u>64,491,100</u>	<u>(655,900)</u>
<b>Balances as per current AFS published for 2009/2010</b>	<b><u>116,116,467</u></b>	<b><u>(877,633)</u></b>

**39.8 Adjustment of Revenue:**

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

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

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

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

**39. CORRECTION OF ERROR (Continued)**

The effect of the Correction of Error is as follows:

	Grants and Subsidies Received	Other Income	Rental of Facilities and Equipment
Revenue as per AFS previously published for 2009/2010	218,639,955	24,968,641	11,126,139
Adjustment of prior period revenue	444,344	457,235	4,507
Revenue as per AFS currently disclosed for 2009/2010	<u>219,084,299</u>	<u>25,425,876</u>	<u>11,130,646</u>

**39.9 Adjustment of Expenses:**

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

The prior year figures of General Expenses (Note 36) have been restated due to two prior period errors which were discovered during the current financial year. Included in the increased restated amount, is an amount of R1,627,589 in respect of the reclassification of the erroneously captured finance lease transactions (as detailed in note 39.5 as above) as well as an additional payment made to SALGA in respect of recalculated arrears membership fees of R192,157.

The effect of the Correction of Error is as follows:

	Finance Cost	General Expenses
Expenses as per AFS previously published for 2009/2010	8,930,826	192,049,294
Adjustment of prior period expenses	1,542,417	1,819,746
Expenses as per AFS currently disclosed for 2009/2010	<u>10,473,243</u>	<u>193,869,040</u>

**39.10 Creditors:**

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

The effect of the Correction of Error is as follows:

	Creditors
Balances as per AFS previously published for 2009/2010	107,135,888
Adjustment for prior period error	(378,421)
Balances as per current AFS published for 2009/2010	<u>106,757,467</u>

**39.11 Trade Receivables from Exchange Transactions:**

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

The effect of the Correction of Error is as follows:

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

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

	2011	2010
	R	R
<b>40. CHANGE IN ACCOUNTING ESTIMATES</b>		
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.		
<b>41. CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	30,095,643	83,014,688
Adjustment for:		
Adjusting non cash flow items prior errors	-	1,407,865
Depreciation and Amortisation	38,592,691	33,681,856
Contribution to Impairment Provision	96,525,465	104,693,453
Bad Debts Recovered	1,729,391	569,802
Bad Debts Written-off	(246,368,291)	(58,176)
Investment Income	(36,084,112)	(43,460,878)
Finance Costs	14,697,358	10,473,243
<b>Operating surplus before working capital changes</b>	<b>(100,811,854)</b>	<b>190,321,851</b>
(Increase)/Decrease in Inventories	(3,208,660)	516,520
(Increase)/Decrease in Consumer Debtors	139,796,303	(88,341,767)
(Increase)/Decrease in Other Debtors	(3,687,728)	(48,818,119)
(Increase)/Decrease in VAT Receivable	(5,834,416)	(2,257,962)
(Increase)/Decrease in Operating Lease Assets	(5,738)	(5,817)
Increase/(Decrease) in Consumer Deposits	1,631,909	1,244,604
Increase/(Decrease) in Creditors	8,864,050	28,547,257
Increase/(Decrease) in Conditional Grants and Receipts	5,802,245	(2,992,946)
(increase)/Decrease in provisions	23,732,932	1,276,419
Increase/(Decrease) in VAT Payable	(11,400,251)	6,650,282
<b>Cash generated by / (utilised in) Operations</b>	<b>54,878,791</b>	<b>86,140,322</b>
<b>Income for the year</b>	<b>1,069,156,985</b>	<b>991,974,219</b>
Adjustment for:-		
Investment income	(36,084,112)	(43,460,878)
(Increase)/decrease in Consumer Debtors	139,796,303	(88,341,767)
Bad Debts Recovered	1,729,391	569,802
Bad Debts Written-off	(246,368,291)	(58,176)
(Increase)/Decrease in Operating Lease Assets	(5,738)	(5,817)
Increase/(Decrease) in Consumer Deposits	1,631,909	1,244,604
(Increase)/decrease in other debtors	(3,687,728)	(48,818,119)
(Decrease)/increase in conditional grants and receipts	5,802,245	(2,992,946)
<b>Cash receipts from ratepayers, government and other</b>	<b>931,970,963</b>	<b>810,110,921</b>
Expenditure for the year	1,039,061,342	908,959,530
Adjustment for:-		
Depreciation	38,592,691	33,681,856
Contribution to bad debt provision	96,525,465	104,693,453
Adjusting non cash flow items prior errors	-	1,407,865
Interest paid	14,697,358	10,473,243
<b>Operating expenditure before working capital changes:</b>	<b>889,245,827</b>	<b>758,703,114</b>
(Increase)/Decrease in inventories	(3,208,660)	516,520
(Decrease)/Increase in creditors	8,864,050	28,547,257
(increase)/Decrease in provisions	23,732,932	1,276,419
(decrease)/Increase in VAT	-17,234,668	4,392,320
<b>Cash paid to suppliers and employees</b>	<b>877,092,173</b>	<b>723,970,599</b>
<b>Cash generated by/(utilized in) operations</b>	<b>54,878,791</b>	<b>86,140,322</b>
<b>42. NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the financial year.		
<b>43. FINANCING FACILITIES</b>		
Unsecured Bank Overdraft Facility payable at call:		
- Amount used	-	-
- Amount unused	-	400,000
<b>44. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities (See Note 18)	114,655,704	76,949,438
Used to finance Property, Plant and Equipment - at cost	(114,655,704)	(76,949,438)
Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act.	-	-

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

**45. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**45.1 Unauthorised Expenditure**

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

	2011 R	2010 R	2009 R
Reconciliation of Unauthorised Expenditure:			
Opening balance	1,778,280	1,778,280	1,778,280
Unauthorised Expenditure current year	-	-	-
Approved by Council or condoned	(1,515,226)	-	-
Unauthorised Expenditure awaiting authorisation	<u>263,054</u>	<u>1,778,280</u>	<u>1,778,280</u>

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

**45.2 Fruitless and Wasteful Expenditure**

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

Incident	Disciplinary Steps / Criminal Proceedings
Termination of contract for the construction of SMME Galeshewe.	The appointment has since been made and the work done was never demolished by the new contractor thus eliminating the risk of fruitless and wasteful expenditure as suspected by Auditors.

**45.3 Irregular Expenditure**

	2011 R	2010 R	2009 R
Reconciliation of Irregular Expenditure:			
Opening balance	93,771,125	48,697,855	30,737,536
Irregular Expenditure current year	2,933,667	45,073,270	17,960,319
Condoned or written off by Council	(72,203,323)	-	-
Irregular Expenditure awaiting condonement	<u>24,501,469</u>	<u>93,771,125</u>	<u>48,697,855</u>

Incident	Disciplinary Steps / Criminal Proceedings
Housing Construction projects	A deviation certificate was made out that was duly authorised by the Accounting Officer. The appointment was made on an emergency basis after a visit by the Minister of Housing where an agreement was reached to implement the project as BNG Turnkey project.
Diamond and Dorings	After having followed supply procedure of advertising, it was impactful to appoint a consult and an executive decision was made to appoint a consultant on a deviation basis which the auditors did not agree with. The matter is still dealt with through the internal procedures.
World Travel	Officials and Politicians were requested by the Premier's office to be part of the entourage overseas to bid for the hosting of Uruguay in Kimberley. The premier's office made all arrangements and municipality had to pay the invoices. Unfortunately, no evidence was submitted by the Premier's office that supply chain procedures were followed.
Naledi Chemicals	No declaration of interest was submitted to the Auditor as the company has related party in the municipality.

**46. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

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

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

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

**46.5 Pension and Medical Aid Deductions**

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

**46.6 Councillor's arrear Consumer Accounts**

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

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

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

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

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

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

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

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

23,279,988	10,126,587
------------	------------

**47. COMMITMENTS FOR EXPENDITURE**

**47.1 Capital Commitments**

Commitments in respect of Capital Expenditure:

**- Approved and Contracted for:-**

Infrastructure

<b>8,029,848</b>	<b>6,644,905</b>
------------------	------------------

8,029,848	6,644,905
-----------	-----------

**- Approved but Not Yet Contracted for:-**

Infrastructure

Community

Other

<b>480,595,000</b>	<b>533,862,000</b>
--------------------	--------------------

390,031,155	349,042,000
-------------	-------------

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

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

**Total Capital Commitments**

<b>488,624,848</b>	<b>540,506,905</b>
--------------------	--------------------

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

This expenditure will be financed from:

External Loans

Government Grants

Own Resources

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

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

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

<b>488,624,848</b>	<b>540,506,905</b>
--------------------	--------------------

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

**47.2 Lease Commitments**

Commitments under Finance Leases are disclosed in Note 18.

**47.3 Other Commitments**

Retention Money (not included in creditors)

Retentions refer to construction contracts.

9,972,829	8,099,845
-----------	-----------

9,972,829	8,099,845
-----------	-----------

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

48. FINANCIAL INSTRUMENTS		2011 R	2010 R
<b>48.1 Classification</b>			
<b>FINANCIAL ASSETS:</b>			
In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows:			
	<u>Financial Assets</u>	<u>Classification</u>	
<b>Consumer Debtors</b>			
Electricity		Loans and receivables	31,050,847
			23,091,932
Refuse		Loans and receivables	9,118,219
			11,518,837
Sewerage		Loans and receivables	10,427,944
			13,925,170
Water		Loans and receivables	30,450,928
			35,495,508
Miscellaneous		Loans and receivables	72,103,559
			61,425,992
Market		Loans and receivables	283,804
			457,868
Housing Debtors		Loans and receivables	4,483,153
			3,686,015
<b>Other Debtors</b>			
Assessment Rates		Loans and receivables	106,987,382
			103,538,855
Government Subsidy Claims		Loans and receivables	15,071,901
			11,359,448
Miscellaneous debtors		Loans and receivables	1,597,009
			5,070,261
<b>Bank, Cash and Cash Equivalents</b>			
Call Deposits		Available for sale	67,673,203
			48,910,000
Notice Deposits		Held to maturity	2,297,808
			2,297,808
Cash Floats and Advances		Available for sale	31,657
			30,927
<b>Operating Lease Assets</b>			
Operating Lease Assets / Receivables		Loans and receivables	90,342
			84,604
 <b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Held to maturity:</b>			
Short-term Investment Deposits	Notice Deposits	2,297,808	2,297,808
		<u>2,297,808</u>	<u>2,297,808</u>
 <b>Loans and Receivables</b>			
Consumer Debtors	Assessment Rates	106,987,382	103,538,855
Consumer Debtors	Electricity	31,050,847	23,091,932
Consumer Debtors	Refuse	9,118,219	11,518,837
Consumer Debtors	Sewerage	10,427,944	13,925,170
Consumer Debtors	Water	30,450,928	35,495,508
Consumer Debtors	Miscellaneous	72,103,559	61,425,992
Consumer Debtors	Market	283,804	457,868
Consumer Debtors	Housing Debtors	4,483,153	3,686,015
Other Debtors	Government Subsidy Claims	15,071,901	11,359,448
Other Debtors	Miscellaneous debtors	1,597,009	5,070,261
Operating Lease Assets	Operating Lease Assets / Receivables	90,342	84,604
		<u>281,665,088</u>	<u>269,654,489</u>
 <b>Available for Sale:</b>			
Bank Balances and Cash	Cash Floats and Advances	31,657	30,927
Short-term Investment Deposits	Call Deposits	67,673,203	48,910,000
		<u>67,704,860</u>	<u>48,940,927</u>
<b>Total Financial Assets</b>		<u><b>351,667,756</b></u>	<u><b>320,893,224</b></u>

**FINANCIAL LIABILITIES:**

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows:

	<u>Financial Liabilities</u>	<u>Classification</u>	
<b>Long-term Liabilities</b>			
Annuity Loans		Financial liabilities at amortised cost	92,616,727
			60,400,132
<b>Consumer Deposits</b>			
Electricity and Water		Financial liabilities at amortised cost	11,857,366
			10,225,457
<b>Creditors</b>			
Trade Creditors		Financial liabilities at amortised cost	78,006,029
			62,052,668
Other Creditors		Financial liabilities at amortised cost	52,944
			52,884
Payments received in Advance		Financial liabilities at amortised cost	12,443,192
			23,096,751
Staff Bonuses		Financial liabilities at amortised cost	6,770,637
			5,884,932
Accrued leave		Financial liabilities at amortised cost	18,348,716
			15,670,232

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

	2011 R	2010 R
<b>48. FINANCIAL INSTRUMENTS (Continued)</b>		
<u>Financial Liabilities</u>	<u>Classification</u>	
<b>Unspent Conditional Grants and Receipts</b>		
Conditional Grants from Government	9,238,545	3,436,299
<b>Bank Overdraft</b>		
Bank Overdraft	9,418,186	25,067,445
<b>Current Portion of Long-term Liabilities</b>		
Annuity Loans	7,187,644	6,190,928

**SUMMARY OF FINANCIAL LIABILITIES**

**Financial Liabilities at Amortised Cost:**

Long-term Liabilities	Annuity Loans	92,616,727	60,400,132
Consumer Deposits	Electricity and Water	11,857,366	10,225,457
Creditors	Trade Creditors	78,006,029	62,052,668
	Other Creditors	52,944	52,884
Unspent Conditional Grants and Receipts	Conditional Grants from Government	9,238,545	3,436,299
Bank Overdraft	Bank Overdraft	9,418,186	25,067,445
Current Portion of Long-term Liabilities	Annuity Loans	7,187,644	6,190,928
Creditors	Payments received in Advance	12,443,192	23,096,751
Creditors	Staff Bonuses	6,770,637	5,884,932
Creditors	Accrued leave	18,348,716	15,670,232

	245,939,983	212,077,728
--	-------------	-------------

**Total Financial Liabilities**

	245,939,983	212,077,728
--	-------------	-------------

**48.2 Fair Value**

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

- the fair value of financial assets and liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

	30 June 2011		30 June 2010	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
<b>FINANCIAL ASSETS</b>				
<b>Held to maturity:</b>	69,971,011	69,971,011	51,207,808	51,207,808
Call Deposits	67,673,203	67,673,203	48,910,000	48,910,000
Notice Deposits	2,297,808	2,297,808	2,297,808	2,297,808
<b>Loans and Receivables</b>	281,665,088	281,665,088	269,654,489	269,654,489
Consumer Debtors	264,905,836	264,905,836	253,140,176	253,140,176
Other Debtors	16,668,910	16,668,910	16,429,709	16,429,709
Operating Lease Assets	90,342	90,342	84,604	84,604
Current Portion of Long-term Receivables	-	-	-	-
<b>Available for Sale</b>	31,657	31,657	30,927	30,927
Bank Balances and Cash	31,657	31,657	30,927	30,927
<b>Total Financial Assets</b>	351,667,756	351,667,756	320,893,224	320,893,224

	30 June 2011		30 June 2010	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
<b>FINANCIAL LIABILITIES</b>				
<b>Designated as FVTPL:</b>	245,939,983	245,939,983	212,077,728	212,077,728
<b>Unsecured Bank Facilities:</b>	102,034,913	102,034,913	85,467,577	85,467,577
- Annuity Loans	92,616,727	92,616,727	60,400,132	60,400,132
- Bank Overdraft	9,418,186	9,418,186	25,067,445	25,067,445
<b>Trade and Other Payables:</b>	143,905,070	143,905,070	126,610,151	126,610,151
- Consumer Deposits	11,857,366	11,857,366	10,225,457	10,225,457
- Creditors	115,621,516	115,621,516	106,757,467	106,757,467
- Unspent Conditional Grants	9,238,545	9,238,545	3,436,299	3,436,299
- Current Portion of Long-term Liabilities	7,187,644	7,187,644	6,190,928	6,190,928
<b>Total Financial Liabilities</b>	245,939,983	245,939,983	212,077,728	212,077,728
<b>Total Financial Instruments</b>	105,727,773	105,727,773	108,815,496	108,815,496
<b>Unrecognised Gain / (Loss)</b>	-	-	-	-

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

	2011 R	2010 R
<b>48. FINANCIAL INSTRUMENTS (Continued)</b>		
<b>48.3 Capital Risk Management</b>		
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.		
<b>Gearing Ratio</b>		
The gearing ratio at the year-end was as follows:		
Net Debt	245,939,983	212,077,728
Equity	827,580,876	797,485,233
<b>Net debt to equity ratio</b>	<b>29.72%</b>	<b>26.59%</b>

Debt is defined as Long- and Short-term Liabilities, as detailed in the notes.

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

**48.4 Financial Risk Management Objectives**

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

**48.5 Significant Accounting Policies**

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

**48.6 Market Risk**

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

**48.6.1 Foreign Currency Risk Management**

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

**48.6.2 Interest Rate Risk Management**

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

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

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

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

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

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

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings.

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

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

2011  
R

2010  
R

**48. FINANCIAL INSTRUMENTS (Continued)**

**Interest Rate Sensitivity Analysis**

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

**SENSITIVITY ANALYSIS - INTEREST RATE**

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

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

**Interest received**

Interest Earned - External Investments	4,801,581	3,984,460
Interest rate	<u>7%</u>	<u>8%</u>

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

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

**Outstanding debtors:**

Consumer Debtors	Loans and receivables	264,905,836	253,140,176
Other Debtors	Loans and receivables	16,668,910	16,429,709
Current portion - Long-term Receivables	Loans and receivables		
		<u>281,574,746</u>	<u>269,569,885</u>

**Interest received**

Interest Earned - Outstanding Debtors	31,282,531	39,476,418
Interest rate	<u>11%</u>	<u>15%</u>

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

Effect of change in interest rate	%	10%	14%
Effect of change in interest rate	Rand value	<u>28,466,783</u>	<u>36,780,720</u>
Effect of change in interest rate	%	12%	16%
Effect of change in interest rate	Rand value	<u>34,098,278</u>	<u>42,172,117</u>

**Financial Liabilities**

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

**Interest paid**

Long-term Liabilities	14,697,358	10,473,243
Interest rate %	<u>15%</u>	<u>16%</u>

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

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

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

**48. FINANCIAL INSTRUMENTS (Continued)**

**48.7 Effective Interest Rates and Repricing Analysis**

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

30 June 2011

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

30 June 2010

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

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

**48.8 Other Price Risks**

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

**48.9 Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows. Included in the note is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 June 2011

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
<b>Non-interest Bearing</b>							
- Consumer Deposits		11,857,366					11,857,366
- Creditors		115,621,516	115,621,516				
- Unspent Conditional Grants		9,238,545		9,238,545			
<b>Variable Interest Rate Instruments</b>							
- Bank Overdraft		9,418,186	9,418,186				
<b>Fixed Interest Rate Instruments</b>							
Loan No 10112 : DBSA	10.00%	12,344,053	1,543,007	1,543,007	3,086,013	6,172,026	
Loan No 10113 : DBSA	12.00%	12,865,902	1,286,590	1,286,590	2,573,180	7,719,541	
Loan No 10616 : DBSA	12.00%	5,658,888	471,574	471,574	943,148	2,829,444	943,148
Loan No 101452 : DBSA	10.91%	16,779,847	987,050	987,050	1,974,100	5,922,299	6,909,349
Loan No 102855/1 : DBSA	12.61%	43,835,602	1,252,446	1,252,446	2,504,892	7,514,675	31,311,144
Loan No 102855/2 : DBSA	13.12%	6,784,439	753,827	753,827	1,507,653	3,769,133	
Loan No 102855/3 : DBSA	6.75%	6,417,811	256,712	256,712	513,425	1,540,275	3,850,687
Loan No 102855/4 : DBSA	6.75%	4,701,598	522,400	522,400	1,044,800	2,611,999	
Loan No 103958/2 : DBSA	12.45%	95,907,631	2,183,756	2,183,756	4,817,901	14,453,703	72,268,514
Loan No 6 : DBCM	11.25%	15,702	15,702				
Loan No 7 : DBCM	11.25%	18,763	9,383	9,380			
Loan No 8 : DBCM	11.25%	36,368	12,122	12,122	12,124		
Loan No 9 : DBCM	11.25%	5,579	1,394	1,394	2,791		
Loan No 10 : DBCM	11.25%	4,835	967	967	1,934	966	
Finance Lease Liabilities		9,788,974		4,894,487		4,894,487	
<b>Total</b>		<b>361,301,605</b>	<b>134,336,631</b>	<b>23,414,257</b>	<b>18,981,960</b>	<b>57,428,548</b>	<b>127,140,208</b>

30 June 2010

Description	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	%	R	R	R	R	R	R
<b>Non-interest Bearing</b>							
- Consumer Deposits		10,225,457					10,225,457
- Creditors		106,757,467	106,757,467				
- Unspent Conditional Grants		3,436,299		3,436,299			
<b>Variable Interest Rate Instruments</b>							
- Bank Overdraft		25,067,445	25,067,445				
<b>Fixed Interest Rate Instruments</b>							
Loan No 10112 : DBSA	10.00%	20,621,464	1,686,506	1,686,506	3,373,012	10,119,037	3,756,403
Loan No 10113 : DBSA	12.00%	17,595,911	1,390,120	1,390,120	2,780,239	8,340,718	3,694,714
Loan No 10616 : DBSA	12.00%	7,474,452	504,931	504,931	1,009,863	3,029,589	2,425,137
Loan No 101452 : DBSA	10.91%	18,730,565	987,050	987,050	1,974,100	5,922,299	8,860,067
Loan No 102855/1 : DBSA	12.61%	14,190,958		394,193	788,387	2,365,160	10,643,219
Loan No 102855/2 : DBSA	13.12%	9,633,514	753,827	753,827	1,507,653	4,522,960	2,095,248
Loan No 102855/3 : DBSA	6.75%	4,271,371		164,284	328,567	985,701	2,792,820
Loan No 102855/4 : DBSA	6.75%	4,130,347	375,658	375,658	751,317	2,253,951	373,762
Loan No 4 : DBCM	11.25%	12,118	12,118				
Loan No 5 : DBCM	11.25%	724	362	362			
Loan No 6 : DBCM	11.25%	62,807	15,702	15,702	31,403		
Loan No 7 : DBCM	11.25%	56,289	9,383	9,383	18,762	18,762	
Loan No 8 : DBCM	11.25%	60,613	12,122	12,122	24,244	12,124	
Loan No 9 : DBCM	11.25%	8,368	1,394	1,394	2,789	2,791	
Loan No 10 : DBCM	11.25%	6,770	967	967	1,934	2,902	
Finance Lease Liabilities		17,127,460		8,183,356		8,944,104	
<b>Total</b>		<b>259,470,397</b>	<b>137,575,052</b>	<b>17,916,154</b>	<b>12,592,270</b>	<b>46,520,096</b>	<b>44,866,826</b>

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

**48. FINANCIAL INSTRUMENTS (Continued)**

**48.10 Credit Risk Management**

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

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

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

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

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

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

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counter parties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

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

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

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2011 R	2010 R
Fixed Deposit Investments	69,971,011	51,207,808
Finance Lease Receivables	926,636	1,197,776
Consumer Debtors	157,918,454	149,601,321
Other Debtors	123,656,292	119,968,564
Bank, Cash and Cash Equivalents	31,657	30,927
Operating Lease Assets	90,342	84,604
Housing Guarantees	27,900	230,600
<b>Maximum Credit and Interest Risk Exposure</b>	<b>352,622,292</b>	<b>322,321,600</b>

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

<b>2011</b>	<b>2010</b>
<b>R</b>	<b>R</b>

**49. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

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

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

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

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

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

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

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

**Municipal Councillors Pension Fund:**

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

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

**Cape Joint Pension Fund:**

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

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

**Cape Retirement Fund:**

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

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

**SALA Pension Fund:**

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

**Municipal Employees Pension Fund:**

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

**National Fund for Municipal Workers:**

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

**South African Municipal Workers Union National Provident Fund:**

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

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

**50. RELATED PARTY TRANSACTIONS**

**50.1 Interest of Related Parties**

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

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

**50.2 Services rendered to Related Parties**

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

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

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

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

**50. RELATED PARTY TRANSACTIONS (Continued)**

**50.3 Loans granted to Related Parties**

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

**50.4 Compensation of Related Parties**

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

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

**50.5 Purchases from Related Parties**

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

Name Supplier	Related Person	Municipal Capacity	Purchases for the year	Purchases for the year
N B Mechanical Sales	S Barnes	Nursing Sister	3,727,521	6,416,394
S&R Enterprises	S Barnes	Nursing Sister	1,303,556	1,812,003
Irrigation Equipment	B Julius	Demand Manager	550,700	433,621
Land Irrigation Suppliers	B Julius	Demand Manager	615,761	1,262,405
Benlin Computers	V Gous	I T	122,794	287,737
Qongo TG Trading	Mother	Nursing Sister	728,120	306,942
Naledi Chemicals	D De Haast	Department of Education	579,597	238,068
Mr I's A1 Auto	C Jenneke	Financial Manager	2,780	-
Linri Enterprises	MM Leven	Councillor	169,467	57,684
<b>Total Purchases</b>			<b>7,800,297</b>	<b>10,814,854</b>

**51. CONTINGENT LIABILITIES**

**51.1 Guarantees:**

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

**27,900**                      **230,600**

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

**51.2 Court Proceedings:**

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

All the above cases are being defended.

**51.3 Other liabilities:**

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

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

**52. CONTINGENT ASSETS**

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

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

**53. IN-KIND DONATIONS AND ASSISTANCE**

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

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

**54. COMPARISON WITH THE BUDGET**

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

**55. PRIVATE PUBLIC PARTNERSHIPS**

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

**56. EVENTS AFTER THE REPORTING DATE**

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

**57. COMPARATIVE FIGURES**

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

**58. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED**

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

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

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

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

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

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

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

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

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

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

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

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
61,381	26,119,918	(26,058,537)	Executive and Council	34,633	29,509,457	(29,474,824)
239,628,672	163,569,167	76,059,505	Municipal General	223,672,432	216,524,734	7,147,699
1,328,016	8,478,630	(7,150,614)	Municipal Manager	1,559,154	9,966,785	(8,407,630)
2,094,919	29,840,716	(27,745,797)	Corporate Services	2,552,879	34,670,639	(32,117,761)
19,740,517	95,074,478	(75,333,961)	Community Services	21,005,650	108,198,685	(87,193,035)
198,759,645	53,071,512	145,688,133	Financial Services	219,306,973	63,598,095	155,708,879
7,572,148	24,668,515	(17,096,367)	Strategic and Economic Development	8,392,605	25,698,816	(17,306,211)
522,788,922	548,827,523	(26,038,602)	Infrastructure and Services	592,632,659	597,924,408	(5,291,749)
<u>991,974,219</u>	<u>949,650,459</u>	<u>42,323,759</u>	Sub Total	<u>1,069,156,985</u>	<u>1,086,091,618</u>	<u>(16,934,633)</u>
	(40,690,929)	40,690,929	Less Inter-Departmental Charges		(47,030,276)	47,030,276
<u><b>991,974,219</b></u>	<u><b>908,959,530</b></u>	<u><b>83,014,688</b></u>	<b>Total</b>	<u><b>1,069,156,985</b></u>	<u><b>1,039,061,342</b></u>	<u><b>30,095,643</b></u>

**APPENDIX E(1)**  
**SOL PLAATJE MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011**

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>					
Property Rates	209,126,408	212,388,706	(3,262,298)	-2%	
Service Charges	581,648,441	585,599,961	(3,951,520)	-1%	
Rental of Facilities and Equipment	12,740,245	13,289,282	(549,037)	-4%	Due to rentals and hire income not realizing.
Interest Earned - External Investments	4,801,581	4,000,000	801,581	20%	Due to increase in investments.
Interest Earned - Outstanding Debtors	31,282,531	35,000,000	(3,717,469)	-11%	Due to declining interest rate and indigents written off.
Fines	3,634,590	5,778,000	(2,143,410)	-37%	Due to fines not realizing.
Licenses and Permits	3,125,280	2,891,100	234,180	8%	
Income for Agency Services	3,488,878	2,600,000	888,878	34%	Due to increase in transactions.
Government Grants and Subsidies	190,806,628	215,443,432	(24,636,804)	-11%	Various grants not realizing.
Other Income	28,502,404	29,914,837	(1,412,433)	-5%	Various miscellaneous income not realizing.
<b>Total Revenue</b>	<b>1,069,156,985</b>	<b>1,106,905,318</b>	<b>(37,748,333)</b>	<b>-3%</b>	
<b>EXPENDITURE</b>					
Employee Related Costs	363,816,913	361,242,530	2,574,383	1%	Due to provision health incurring actuarial loss.
Remuneration of Councillors	13,578,485	13,112,146	466,339	4%	Implementing of new council and mayoral committee.
Impairment Losses	96,525,465	95,000,000	1,525,465	2%	Impairment of debtors being increased.
Collection Costs	147,448	1,145,000	(997,552)	-87%	Due to savings.
Depreciation	38,592,691	33,960,000	4,632,691	14%	Due to error correction on asset register.
Repairs and Maintenance	51,065,386	57,783,260	(6,717,874)	-12%	Qualifying asset expenditure transferred to capital.
Finance Costs	14,697,358	16,685,829	(1,988,471)	-12%	Due to savings (loan phased in over 3 years).
Bulk Purchases	234,314,846	239,000,000	(4,685,154)	-2%	
Grants and Subsidies Paid	3,191,000	3,191,000	-	0%	
General Expenses - Other	223,131,748	216,778,191	6,353,557	3%	Non-qualifying asset expenditure transferred.
<b>Total Expenditure</b>	<b>1,039,061,342</b>	<b>1,037,897,956</b>	<b>1,163,386</b>	<b>0%</b>	
<b>NET SURPLUS FOR THE YEAR</b>	<b>30,095,643</b>	<b>69,007,362</b>	<b>(38,911,719)</b>	<b>-56%</b>	Mainly due to the increase in the impairment of debtors, general expenses and a decrease in income.

**APPENDIX E(2)**

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

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

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

**Grants and Subsidies received for the year ended 30 June 2011**

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

National and Provincial grants are spent in accordance with business plans approved by the various Government Departments.  
The EPWP grant is a job creating grant to alleviate poverty and unemployment approved by Provincial Government.

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

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