



**GEORGE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

GENERAL INFORMATION

Nature of business and principal activities

George Municipality (the municipality) is a category B, medium capacity, local government institution in George, Western Cape. The addresses of its registered office and principal place of business are disclosed hereunder and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

Reporting entity's mandate:

The reporting entity (hereafter 'the Entity') is a medium-capacity, category B local authority established in terms of section 151 of the Constitution of the Republic of South Africa (Act 108 of 1996).

The principal activities of the Entity are to:

- * provide democratic and accountable government to the local communities;
- * ensure sustainable service delivery to communities;
- * promote social and economic development;
- * promote a safe and healthy environment; and
- * encourage the involvement of communities and community organisations in the matters of local government.

The Entity's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems Act (Act 32 of 2000) and various other acts and regulations.

Mayoral committee

Executive Mayor

L van Wyk (Appointed 22 May 2020)

MG Naik (Resigned 19 February 2020)

Deputy Executive Mayor

C Clarke

Speaker

G Pretorius

Chief Whip

M Barnardt

Councillors

Ward

1

J Säfers

2

DL Cronje

3

E Brown

4

M Barnardt

5

P Louw

6

HH Ingo

7

S Rooiland

8

Vacant

AD Willemse (Resigned 19 February 2020)

9

S Dlikilile

10

B Mooi

11

CI Lesele

12

B Plata

13

LK Langa

14

Vacant

EC Bussack (Resigned 19 February 2020)

George Local Municipality

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GENERAL INFORMATION

15	NF Mdaka
16	CH Noble
17	Vacant V Muller (Resigned 26 May 2020)
18	D Gultig
19	S Snyman
20	R Windwaai
21	NR James
22	G Pretorius
23	GJ Stander
24	MP Daniels
25	JD Esau
26	J Von Brandis
27	Vacant BM Cornelius (Resigned 19 February 2020)

Proportionally elected councillors

JP Buys
CM Clarke
M Draghoender (Resigned 29 September 2020)
J du Toit
D Farrel (Appointed 12 June 2020)
RG Figland
T Fortuin (Appointed 3 June 2020)
J Fry
V Gericke
WT Harris (Resigned 1 June 2020)
N Jantjies-Gushman
IC Kritzinger
H Loff
N Mbete
K Mkondo
MG Naik (Resigned 19 February 2020)
J Ncamazana
P Nosana
M Nyakati
I Stemela
E Stroebel
T Teyisi
G van Niekerk
PJ van der Hoven
D Wessels
CT Williams

George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

GENERAL INFORMATION

Auditor	The Auditor General of South Africa
Bankers	ABSA Bank Limited
Registered office	Civic Centre York Street 77 George 6530
Postal address	PO Box 19 George 6530
Accounting Officer	T Botha
Chief Finance Officer (CFO)	LE Wallace (Acting)
Website	www.george.gov.za
E-mail	post@george.gov.za

George Local Municipality
Annual Financial Statements for the year ended 30 June 2020

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Abbreviations

CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GIPTN	George Integrated Public Transport Network
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MLTF	Municipal Land Transport Fund
B-BBEE	Broad-Based Black Economic Empowerment
VAT	Value Added Tax

George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Approval of the Financial Statements

Section 60 of the MFMA states that the municipal manager is the accounting officer, thus as the accounting officer of the municipality I hereby certify that -

Financial Management and administration

The top management of the municipality have assisted me with the management and co-ordination regarding the financial administration of the municipality. An appropriate system of delegation has been developed in order to both maximise administrative and operational efficiency, as well as provide adequate checks and balances in the municipality's financial administration. Each senior manager of the municipality has taken all reasonable steps within their respective areas of responsibility to ensure -

- o that the system of financial management and internal control established for the municipality is carried out diligently;
- o that the financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- o that any unauthorised, irregular or fruitless and wasteful expenditure and any other losses are prevented;
- o that all revenue due to the municipality is collected;
- o that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary;
- o that all information required by the accounting officer for compliance with the provisions of this Act is timeously submitted to the accounting officer; and
- o that the provisions of this Act, to the extent applicable to that senior manager or official, including any delegations in terms of section 79, are complied with.

The salaries, allowances and benefits of Councillors as disclosed in the notes 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.

Preparation of AFS and submission for audit purposes

The Annual Financial Statements, which fairly present the state of affairs of the municipality have been prepared in accordance with Generally Recognised Accounting Practice and were submitted timeously to the Auditor-General for audit purposes. As per Government Gazette no. 43582 dated 5th August 2020, National Treasury has granted municipalities and municipal entities a two-month extension regarding the submission of the Annual Financial Statements. The municipality has taken advantage of this exemption.

I am responsible for the preparation of these Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act which I have signed on behalf of the municipality.

Issues raised by the Auditor-General in audit reports

All issues raised by the Auditor-General regarding the prior year Annual Financial Statements have been addressed.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Approval of the Financial Statements

B-BBEE Disclosure

In terms of Section 13G, read with regulation 12 of the B-BBEE Regulations, all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports. Please refer to note 60.



Accounting Officer

30 October 2020

George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019
Assets			
Current Assets			
Inventories	2	121,890,703	126,566,459
Receivables from exchange transactions	3	116,168,890	113,053,619
Receivables from non-exchange transactions	4	46,232,256	44,734,494
Prepayments	6	7,828,802	22,105,394
VAT receivable	7	4,166,291	4,256,357
Construction contracts and receivables/(payables)	8	8,828,958	-
Loans and receivables	9	166,338	228,676
Principle agent arrangement: amounts due from principle	10	8,003,564	2,799,502
Cash and cash equivalents	11	799,505,640	562,603,736
		1,112,791,442	876,348,237
Non-Current Assets			
Property, plant and equipment	12	2,973,052,938	2,970,101,870
Intangible assets	13	1,698,354	2,136,778
Heritage assets	14	4,236,000	4,236,000
Investment property	15	144,398,878	151,982,744
Prepayments	6	-	1,870,856
Loans and receivables	9	254,531	507,608
		3,123,640,701	3,130,835,856
Total Assets		4,236,432,143	4,007,184,093
Liabilities			
Current Liabilities			
Construction contracts and receivables/(payables)	8	-	6,412,649
Principle agent arrangement: advance received from principle	10	3,820,712	4,050,366
Loans and borrowings	16	40,750,681	33,223,320
Finance lease obligation	17	468,317	2,412,747
Payables from exchange transactions	18	237,646,357	221,186,410
Consumer deposits	19	29,651,932	27,596,642
Employee benefit obligation	20	76,473,935	60,412,764
Provisions	21	17,443,962	13,611,170
Unspent conditional grants and receipts	22	93,467,321	44,622,958
		499,723,217	413,529,026
Non-Current Liabilities			
Loans and borrowings	16	280,772,147	256,997,622
Finance lease obligation	17	556,949	1,025,266
Employee benefit obligation	20	152,878,939	161,761,655
Provisions	21	92,483,200	108,605,758
Payables from exchange transactions	18	6,426,632	4,620,168
		533,117,867	533,010,469
Total Liabilities		1,032,841,084	946,539,495
Net Assets		3,203,591,059	3,060,644,598



AUDITOR-GENERAL
SOUTH AFRICA

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25 March 2021

George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019
Net Assets			
Housing development fund	23	57,767,299	61,588,902
Accumulated surplus		3,145,823,760	2,999,055,696
Total Net Assets		3,203,591,059	3,060,644,598



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George Local Municipality
Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019
Revenue			
Revenue from exchange transactions			
Service charges - Electricity	24	674,896,622	624,705,115
Service charges - Water	24	137,666,170	129,255,985
Service charges - Sewerage and sanitation charges	24	110,678,138	98,989,249
Service charges - Refuse removal	24	92,266,008	81,726,654
Rental of facilities and equipment		2,871,434	3,130,158
Income from agency services	25	12,270,160	13,439,982
Licences and permits		-	22,389
Sale of erven		4,295,015	16,237,315
GIPTN Fare Revenue	26	41,133,084	44,197,337
Other income	27	28,497,337	32,529,036
Interest received - Outstanding Debtors	28	3,000,390	4,079,780
Interest received - External Investments	28	45,170,443	46,245,723
Total revenue from exchange transactions		1,152,744,801	1,094,558,723
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	302,109,389	270,172,862
Transfer revenue			
Government grants & subsidies - Operating	30	548,390,041	387,208,866
Government grants & subsidies - Capital	30	63,171,912	122,153,099
Construction contract revenue	8	19,983,773	41,409,863
Fines, penalties and forfeits	31	76,282,875	94,581,388
In-kind donations and assistance	32	4,123,645	-
Total revenue from non-exchange transactions		1,014,061,635	915,526,078
Total revenue		2,166,806,436	2,010,084,801
Expenditure			
Employee related costs	33	533,149,696	520,124,491
Remuneration of Councillors	34	22,516,340	22,017,242
Depreciation and amortisation	35	158,186,241	142,899,550
Impairment loss	36	125,303,664	96,718,843
Finance costs	37	43,771,580	42,264,372
Bulk purchases	38	485,199,056	428,852,191
Contracted services	39	418,293,331	419,778,554
Grants and subsidies paid	40	83,377,884	65,525,472
Cost of housing sold		3,512,096	16,195,879
Loss on disposal of assets	41	1,476,153	709,406
Inventories losses/write-downs	42	-	7,835,664
Other materials / Inventory	43	59,353,971	33,542,766
General Expenses	44	89,719,962	119,270,250
Total expenditure		2,023,859,974	1,915,734,680
Surplus for the year		142,946,462	94,350,121



George Local Municipality
Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	62,941,145	2,900,888,797	2,963,829,942
Adjustments:			
Prior year adjustments - Refer to Note 48	-	(8,542,469)	(8,542,469)
Balance at 01 July 2018 as restated	62,941,145	2,892,346,328	2,955,287,473
Changes in net assets:			
Surplus for the year	-	94,350,121	94,350,121
Transfer to / (from) the Housing Development Fund	(1,352,243)	1,352,243	-
Transfer of grant funding to cash back GIPTN Compensation	-	11,007,004	11,007,004
Provision - Refer to note 22.12			
Total changes	(1,352,243)	106,709,368	105,357,125
Balance at 01 July 2019 as restated	61,588,902	2,999,055,695	3,060,644,597
Changes in net assets:			
Surplus for the year	-	142,946,462	142,946,462
Transfer to / (from) the Housing Development Fund	(3,821,603)	3,821,603	-
Total changes	(3,821,603)	146,768,065	142,946,462
Balance at 30 June 2020	57,767,299	3,145,823,760	3,203,591,059
Note(s)	23		



George Local Municipality
Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019
Cash flows from operating activities			
Receipts			
Taxation		300,796,584	278,982,837
Sale of goods and services		1,015,450,334	941,562,253
Grants		675,702,960	506,089,223
Construction contracts		4,761,060	22,985,589
Interest income		45,170,443	46,245,723
Other receipts		37,430,076	60,225,042
		<u>2,079,311,457</u>	<u>1,856,090,667</u>
Payments			
Employee costs		(548,487,580)	(520,563,423)
Suppliers		(1,128,667,821)	(1,061,190,088)
Finance costs		(43,515,758)	(41,631,380)
		<u>(1,720,671,159)</u>	<u>(1,623,384,891)</u>
Net cash flows from operating activities	45	<u>358,640,298</u>	<u>232,705,776</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(151,607,933)	(242,064,594)
Proceeds on disposal of property, plant and equipment	12	1,240,221	220,055
Purchase of intangible assets	13	(286,890)	(1,171,355)
Proceeds from loans and receivables		282,891	98,730
Net cash flows from investing activities		<u>(150,371,711)</u>	<u>(242,917,164)</u>
Cash flows from financing activities			
Proceeds from loans and borrowings		69,865,389	-
Repayment of loans and borrowings	16	(38,563,503)	(39,621,253)
Repayment of finance lease liabilities		(2,668,569)	(5,348,084)
Net cash flows from financing activities		<u>28,633,317</u>	<u>(44,969,337)</u>
Net increase/(decrease) in cash and cash equivalents		<u>236,901,904</u>	<u>(55,180,725)</u>
Cash and cash equivalents at the beginning of the year		562,603,736	617,784,461
Cash and cash equivalents at the end of the year	11	<u>799,505,640</u>	<u>562,603,736</u>



George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Financial Performance						
Revenue						
Revenue by source						
Property rates	279,613,000	10,000,000	289,613,000	302,109,389	12,496,389	Difference less than 10%
Service charges	1,036,678,204	15,000,000	1,051,678,204	1,015,506,938	(36,171,266)	Difference less than 10%
Investment revenue	49,275,533	3,881,790	53,157,323	48,170,832	(4,986,491)	Difference less than 10%
Transfers recognised - operational	605,092,063	186,713,982	791,806,045	548,390,041	(243,416,004)	64.1
Other own revenue	246,290,830	(52,661,905)	193,628,925	165,349,908	(28,279,017)	64.2
Total Revenue (excluding capital transfers and contributions)	2,216,949,630	162,933,867	2,379,883,497	2,079,527,108	(300,356,389)	
Expenditure by type						
Employee costs	597,372,068	964,042	598,336,110	533,149,697	(65,186,413)	64.3
Remuneration of Councillors	23,942,803	-	23,942,803	22,516,337	(1,426,466)	Difference less than 10%
Debt impairment	71,386,200	-	71,386,200	125,303,665	53,917,465	64.4
Depreciation and asset impairment	162,816,890	-	162,816,890	158,186,241	(4,630,649)	Difference less than 10%
Finance charges	36,143,780	(1,270,380)	34,873,400	43,771,579	8,898,179	64.5
Materials and bulk purchases	537,835,756	20,966,617	558,802,373	548,065,124	(10,737,249)	Difference less than 10%
Transfers and grants	69,450,380	77,585,130	147,035,510	83,377,884	(63,657,626)	64.6
Other expenditure	770,385,057	57,602,124	827,987,181	508,013,294	(319,973,887)	64.7
Loss on disposal of PPE	674,160	-	674,160	1,476,153	801,993	Difference less than R1m
Total expenditure	2,270,007,094	155,847,533	2,425,854,627	2,023,859,974	(401,994,653)	
Surplus / (Deficit)	(53,057,464)	7,086,334	(45,971,130)	55,667,134	101,638,264	
Transfers recognised - capital	62,478,891	6,740,117	69,219,008	83,155,683	13,936,675	64.8
Contributions recognised - capital and contributed assets	-	-	-	4,123,645	4,123,645	64.9
Surplus for the year	9,421,427	13,826,451	23,247,878	142,946,462	119,698,584	



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25 March 2021

George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Capital expenditure						
Capital expenditure by vote						
Executive and Council	594,000	(120,000)	474,000	75,936	(398,064)	Difference less than R1m
Finance and administration	10,749,000	216,794	10,965,794	5,823,690	(5,142,104)	64.10
Internal audit	145,000	-	145,000	28,775	(116,225)	Difference less than R1m
Community and social services	8,242,350	(2,089,988)	6,152,362	2,637,790	(3,514,572)	64.11
Sport and recreation	8,810,508	(600,263)	8,210,245	870,533	(7,339,712)	64.12
Public safety	8,582,000	2,845,374	11,427,374	7,246,121	(4,181,253)	64.13
Housing	1,766,000	437,487	2,203,487	3,810,907	1,607,420	64.14
Health	118,000	-	118,000	73,900	(44,100)	Difference less than R1m
Planning and development	2,559,500	(728,000)	1,831,500	550,260	(1,281,240)	64.15
Road transport	58,229,086	31,381,200	89,610,286	57,897,458	(31,712,828)	64.16
Energy sources	71,837,582	(26,646,089)	45,191,493	28,464,512	(16,726,981)	64.17
Water management	77,893,943	(31,523,538)	46,370,405	23,786,216	(22,584,189)	64.18
Waste water management	84,552,812	(28,589,267)	55,963,545	17,686,688	(38,276,857)	64.19
Waste management	10,047,500	2,407,574	12,455,074	6,593,642	(5,861,432)	64.20
Other	645,000	287,000	932,000	472,039	(459,961)	Difference less than R1m
	344,772,281	(52,721,716)	292,050,565	156,018,467	(136,032,098)	

Liabilities

Sources of Capital Funds

Borrowing	144,695,032	(121,879,557)	22,815,475	4,548,508	(18,266,967)	
Transfers recognised - capital	61,220,697	48,093,608	109,314,305	56,450,194	(52,864,111)	
Public contributions and donations	-	-	-	4,123,645	4,123,645	
Internally generated funds	138,856,552	21,064,233	159,920,785	90,896,120	(69,024,665)	
	344,772,281	(52,721,716)	292,050,565	156,018,467	(136,032,098)	

Capitalisation consist of the following:

Property, plant and equipment additions				155,731,577		12
Intangible assets				286,890		13
				156,018,467		



George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

George Municipality is a local government institution in George, Western Cape. The addresses of its registered office and principal place of business are disclosed under General Information. Refer to page 3.

The accounting policies for the municipality are:

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period unless explicitly stated otherwise. The details of changes in accounting policies are explained in the relevant notes to the financial statements.

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard	Description	Effective Date (Year starting on)
GRAP 32	Service Concession Arrangements: Grantor	1 April 2019
GRAP 108	Statutory Receivables	1 April 2019
GRAP 109	Accounting by Principals and Agents	1 April 2019
IGRAP 17	Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	1 April 2019
IGRAP 18	Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	1 April 2019
IGRAP 19	Liabilities to Pay Levies	1 April 2019
Guideline	Guideline on Accounting for Arrangements Undertaken in Terms of the National Housing Programme	1 April 2019



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25 March 2021

George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

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

Standard	Description	Effective Date (Year starting on)
GRAP 18	Segment Reporting Presentation of the financial statements will be affected by this standard.	1 April 2020
GRAP 34	Separate Financial Statements No significant impact is expected.	1 April 2020
GRAP 35	Consolidated Financial Statements No significant impact is expected.	1 April 2020
GRAP 36	Investments in Associates and Joint Ventures No significant impact is expected.	1 April 2020
GRAP 37	Joint Arrangements No significant impact is expected.	Unknown
GRAP 38	Disclosure of interest in Other Entities No significant impact is expected.	1 April 2020
GRAP 110	Living and non-living resources No significant impact is expected.	1 April 2020
IGRAP 20	Accounting for Adjustments to Revenue No significant impact is expected.	1 April 2020
IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue No significant impact is expected.	Unknown

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure. This indicator is from management's perspective and does not necessarily correlate with the auditors' materiality.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements in conformity with GRAP, management is required to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from these estimates.



Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

Significant judgements include:

Property, plant and equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is calculated based on the cost price of each component.

Intangible assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Investment property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Impairment of Property, plant and equipment, Intangible assets, Heritage assets and Inventory

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.



Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Revenue Recognition

Accounting Policy 1.25 on Revenue from Non-Exchange Transactions and on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, 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 are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. Revenue from the sale of electricity prepaid units is recognised when the risks and rewards of ownership has passed to the buyer. At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date. The consumption of pre-paid electricity is measured by using a trend analysis and other historical data about electricity usage. The accounting policy stated above also includes the policies for the measurement of unbilled services estimation. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material. Additional disclosures of these estimates of provisions are included in Notes 21 and 47.

Post retirement medical obligations, long service awards and ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Impairment of 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 per service-identifiable categories across all classes of debtors.

Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 1.14 for more detail.

George Local Municipality

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Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow (IGRAP 18 par. 41):

- Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use, the land and also by the right to direct access to the land and to restrict or deny access of others to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow (IGRAP 18 par. 41):

- Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the municipality. The municipality does not have the ability to use or direct others to use the land. The municipality does not have rights to direct access to the land and to restrict or deny access of others to the land. There are various housing scheme land where the municipality is still the legal owner per the deeds office, but where control and substantive rights were not transferred. These land are not recognised by the municipality.

1.5 Property, plant and equipment

Recognition and measurement

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

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, where applicable.

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and other directly attributable costs incurred in the acquisition, establishment and installation of such assets so as to bring them to a working condition for their intended use.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Trade discounts and rebates are deducted in arriving at the cost.

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.



Accounting Policies

1.5 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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.

The cost of day-to-day servicing of property, plant and equipment is recognised in surplus or deficit as incurred.

Leased assets

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Vehicles and office equipment acquired by way of finance leases are measured upon initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Leased assets are depreciated over the lesser of the useful life or lease term.

Subsequent costs

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Depreciation

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful life of each item of property, plant and equipment.

Depreciation begins when an asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and ceases when the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end. The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

Item	Average useful life in years
Infrastructure	
• Electricity	20 - 30
• Roads and paving	10 - 30
• Water	15 - 20
• Gas	20



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Accounting Policies

1.5 Property, plant and equipment (continued)

• Sewerage	3 - 30
• Security measures	3 - 15
Community	
• Buildings	3 - 30
• Recreational facilities	20
Other	
• Office equipment	5 - 10
• Furniture and fittings	7 - 10
• Bins and containers	5 - 10
• Emergency equipment	5 - 15
• Motor vehicles	5 - 20
• Watercraft	15
• Plant and equipment	5 - 15
Other - GIPTN buses	
• Buses	6 - 12
Land and buildings	
• Buildings	30
• Land	Indefinite

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Property, plant and equipment are reviewed for any indication of impairment. If any such indication exists, the accounting policy as disclosed under 1.17 or 1.18 (which ever is relevant) is applied. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

Property, plant and equipment are not used as security unless stated otherwise in the notes.

1.6 Investment property

Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and
- the cost or fair value of the investment property can be measured reliably.



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Accounting Policies

1.6 Investment property (continued)

Investment property includes property (land or a building, or part of a building, or both land and 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. Property with a currently undetermined use is also classified as investment property.

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 measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property is measured at cost less accumulated depreciation and accumulated impairment losses. Investment property acquired at no or nominal consideration is initially recognised at fair value and subsequently carried at the initially determined fair value less accumulated depreciation and accumulated impairment losses.

Subsequent Measurement

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Investment Property	Years
Buildings	30
Land	Indefinite

Derecognition

Investment property is derecognised when it is disposed or when there are no further economic benefits or service potential expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Investment property is not used as security unless stated otherwise in the notes.

The nature OR type of properties classified as held for strategic purposes are as follows:



Accounting Policies

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are not used as security unless stated otherwise in the notes.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost less any accumulated impairment loss.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises a heritage asset 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 a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.



Accounting Policies

1.8 Intangible assets (continued)

An asset meets the identifiable criteria in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

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.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Intangible assets are initially recognised at cost.

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 asset(s) given up.

Where an intangible 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.

Intangible assets are not used as security unless stated otherwise in the notes.

Subsequent measurement

After the initial measurement of intangible assets, subsequent expenditure is only capitalised if future economic benefits or service potential over the total life of the intangible assets, in excess of the most recently assessed standard of performance of the existing intangible assets, will flow to the municipality.

Intangible assets consist of computer software and amortisation is charged on a straight-line basis over their useful lives, which is estimated to be between 5 to 10 years. (2019: 5 to 10 years). Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised. The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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. The impairment loss is the difference between the carrying amount and the recoverable amount or recoverable service amount.

Amortisation methods and useful lives are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Derecognition

Intangible assets are derecognised when the asset is disposed 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 sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.



Accounting Policies

1.9 Prepayments

Prepayments are the payments for goods or services to be received in the future and is recognised as a current asset. Prepayments are transferred to the Statement of Financial Performance upon the receipt of the goods or services paid for. Prepayments are accounted for at cost.

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset in one municipality and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability 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 (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) 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. When calculating the effective interest rate, the municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange of financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange of financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Classification

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:



George Local Municipality

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Accounting Policies

1.10 Financial instruments (continued)

Class	Category
Trade receivables from exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions	Financial asset measured at amortised cost
Loans and receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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:

Class	Category
Loans and borrowings	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its Statement of Financial Position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability in the case of a financial asset or financial liability not subsequently measured at fair value.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost are subject to an impairment review.

Gains and losses

For financial assets and financial liabilities measured at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.



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Accounting Policies

1.10 Financial instruments (continued)

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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 by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.



Accounting Policies

1.10 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its Statement of Financial Position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a 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, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability are recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the Statement of Financial Position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

Financial instruments are not used as security unless stated otherwise in the notes.



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Accounting Policies

1.11 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments 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 and investments in financial instruments, net of bank overdrafts.

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

1.12 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

Initial recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.



Accounting Policies

1.12 Statutory receivables (continued)

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

1.13 Leases

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

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

The Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Payments received under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

The Municipality as Lessee

Under a finance lease, property, plant and equipment or intangible assets, except intangible assets such as licensing agreements, subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liabilities are initially recognised at the inception of the lease and are measured at the lower of the asset's fair value or 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.



Accounting Policies

1.13 Leases (continued)

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and 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.

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.14 Inventories

Inventories consisting of consumable stores, raw materials and properties held for sale are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. 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.

Water inventory is being measured by multiplying the cost per kilo-litre of purified water by the amount of water in storage.

Unsold properties held for sale are valued at the lower of cost and net realisable value. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs. The net realisable value for this class of inventory is assessed each year by comparing the current book value to recent sales of properties in each area.

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

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.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction and then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

Even used for housing developments are properties that were part of the commonage when the municipality was established and the municipality received these properties at no or nominal consideration. The value of these properties is deemed to be equal to their fair value on the date of acquisition.

Accounting Policies

1.14 Inventories (continued)

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

Inventory is not used as security unless stated otherwise in the notes.

1.15 Construction contracts and receivables/(payables)

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses. Revenue is recognised in terms of the stage of completion on completed houses built.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.



Accounting Policies

1.16 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

1.17 Impairment of cash-generating assets

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



Accounting Policies

1.17 Impairment of cash-generating assets (continued)

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

Carrying amount is the amount at which an asset is recognised in the Statement of Financial Position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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

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.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating asset with an indefinite useful life or a cash-generating asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually. If an asset was initially recognised during the current reporting period, that asset was tested for impairment before the end of the current reporting period.

Value in use

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

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in the Statement of Financial Performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is required in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.



Accounting Policies

1.17 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in the Statement of Financial Performance.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.18 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets.

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.



Accounting Policies

1.18 Impairment of non-cash-generating assets (continued)

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in the Statement of Financial Performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.



Accounting Policies

1.18 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.19 Service concession arrangements: Entity as grantor

Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator; or
- is provided by the grantor which:
 - is an existing asset of the grantor; or
 - is an upgrade to an existing asset of the grantor.



Accounting Policies

1.19 Service concession arrangements: Entity as grantor (continued)

Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

Other liabilities, contingent liabilities and contingent assets

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions. Refer to 1.24 for the accounting policy of GIPTN fare revenue.

1.20 Employee benefits

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

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 costs of all short-term employee benefits such as leave pay and bonuses, are recognised during the period in which the employee renders the related service. 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.



Accounting Policies

1.20 Employee benefits (continued)

Long-service award

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation is valued by independent qualified actuaries at year-end and the corresponding liability is raised. Payments set-off against the liability, including notional interest, resulting from the valuation by the actuaries, are charged against the Statement of Financial Performance.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs.

Accrued leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonuses accrued at year end for each employee.

Post-employment benefits

Post-employment benefits are benefits paid for current employees to provide for their retirement.

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

The Municipality provides post retirement benefits for its employees. Council pays 70% as contributions and the remaining 30% are paid by the members.

These obligations are valued periodically by independent qualified actuaries.

Multi-employer Defined Benefit and Defined Contribution Plans

The municipality classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

The municipality contributes to various National- and Provincial-administered plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 20 of the Financial Statements for details)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.



Accounting Policies

1.20 Employee benefits (continued)

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted.

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an entity (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.



George Local Municipality

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Accounting Policies

1.20 Employee benefits (continued)

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above are recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.



Accounting Policies

1.20 Employee benefits (continued)

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Other post retirement obligations

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain 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), 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 Municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined on an annual basis (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that they occur. These obligations are valued periodically by independent qualified actuaries.

Accounting Policies

1.21 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of the expenditure required to settle the present obligation. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised 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.

Management judgement is required when recognising and measuring contingent liabilities.

1.22 Unspent conditional government grants and receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

A liability for unspent conditional grants is recognised only to the extent that the conditions attached to the grant have not been satisfied and are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be asset-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met is transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the operating account of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Accounting Policies

1.23 Conditional government grants and subsidies receivables

Conditional government grants and subsidies receivable are assets in terms of GRAP that are separately reflected on the Statement of Financial Position. The asset is recognised when the municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provision is set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.24 Grant-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time in accordance with Section 67 of the MFMA. 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.

1.25 Revenue

Revenue includes rates levied, grants from other tiers of government and revenue from trading activities 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 reliably measured, except when specifically stated otherwise.

Revenue from the sale of goods in the ordinary course of the municipality's activities is measured at the fair value of the consideration received or receivable, net of value-added tax, estimated returns, rebates and discounts. Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions

Service Charges

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 number of sewerage connections on each 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.



Accounting Policies

1.25 Revenue (continued)

Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when the risks and rewards of ownership has passed to the buyer. At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date. The consumption of pre-paid electricity is measured by using a trend analysis and other historical data about electricity usage.

Interest earned and rentals received

Interest income is recognised in the Statement of Financial Performance as it accrues, using the effective interest rate method. Rental income is recognised on a straight-line basis over the lease term. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund.

Tariff Charges

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

Agency commission

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

Housing rental and installments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

GIPTN Fare Revenue

Bus tickets are sold as single journey tickets or multi journey tickets. Single journey tickets buy the ticket holder a one hour passage on any of the buses from the time the ticket is cancelled by the bus driver. Multi journey tickets range from two to forty hourly passages. Tickets are recognised as fare revenue when the passenger boards the buses and unused tickets on year end is recognised as a liability.

Revenue from non-exchange transactions

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 using the effective interest method. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fine revenue constitutes both spot fines and summonses. Fine revenue is recognised on the date which the offense occurred. In cases where fines and summonses are issued by another government institution, revenue will only be recognised when monies are received, as the municipality does not have any control over fines issued by other government institution/departments.

Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the property, plant and equipment received or receivable. Contributed property, plant and equipment are recognised when the risks and rewards of ownership have transferred to the municipality.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.25 Revenue (continued)

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.

Unconditional grant

An unconditional grant is recognised in the Statement of Financial Performance when the grant is receivable.

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.

Grants that compensate the municipality for expenses incurred are recognised in the Statement of Financial Performance on a systematic basis in the same periods in which the expenses are 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.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the grantor it is recorded as part of the liability and if not it is recognised as interest earned in the Statement of Financial Performance.

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

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.26 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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



Accounting Policies

1.27 Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of Value Added Tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

The municipality accounts for Value Added Tax on the payment basis. The municipality is liable to account for Value Added Tax at the standard rate of 15% in terms of section 7(1) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 or are out of scope for VAT purposes. The timing of payments to or from the South African Revenue Service is the last day of each of the twelve months of the financial year.

1.28 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.29 Municipal Land Transport Fund

The municipality, jointly with the Provincial Government of the Western Cape via its Department of Transport and Public Works, has implemented the George Integrated Public Transport Network for the delivery of public transport services in the George municipal area.

The National Land Transport Act, (Act No. 5 of 2009) requires that a municipality establishing an integrated public transport network must establish a Municipal Land Transport Fund in terms of Section 27 of the Act. Money appropriated by the Minister and / or MEC for the Fund, user charges collected and interest on invested cash balances belonging to the Fund, should be paid into the fund. The fund is utilised to defray the costs of the functions in terms of its integrated transport plan.

The Municipal Land Transport Fund was established on 8 December 2014, which is the date the transport service commenced.

The Municipal Land Transport Fund is treated as a ring fenced cost centre within the municipality. Refer to note 55 for more detail.

1.30 Capital commitments

Capital commitments disclosed in the financial statements represent the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.31 Events after reporting date

Events after the reporting date that are classified as adjusting events are accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date are disclosed in the notes to the financial statements.



Accounting Policies

1.32 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that members of management in their dealings with the municipality.

All transactions with related parties are disclosed.

1.33 Budget information

The Municipality is subject to budgetary limits in the form of a Council approved budget, which is given effect through authorising legislation.

General purpose financial reporting by the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis. The approved budget covers the fiscal period from 2019/07/01 to 30/06/2020.

The annual financial statements and the budget are on the same basis of accounting except for certain accounting entries (e.g. movement in legal provisions) therefore a reconciliation between the Statement of Financial Performance and the budget has been included in the annual financial statements. Refer to the Statement of Comparison of Budget and Actual Amounts.

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Material differences are being defined by Management as 10% of a specific line-item and amounts greater than R1,000,000. Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements - refer to Note 64.

1.34 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 in the year that the expense was incurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Unauthorised expenditure is submitted to Council after year end for authorisation.



Accounting Policies

1.35 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.36 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, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.37 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.38 Change in accounting policies, estimates and errors

Changes in accounting policies that are effected by management are applied retrospectively 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.

Changes in accounting estimates are applied prospectively. Details of changes in estimates are disclosed in the notes to the financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred 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 48 of the financial statements for details of corrections of errors recorded during the period under review.



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George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
2. Inventories		
Consumable stores - at cost	7,307,485	8,076,473
GIPTN Smart Cards for electronic fare revenue system	624,226	1,153,232
Maintenance materials, chemicals and water reserve - at cost	8,641,913	10,188,656
Purified water	1,347,280	987,644
Property Developments - at cost	141,633	141,633
Unsold Properties Held for Resale - at net realisable value	103,828,166	106,018,821
	121,890,703	126,566,459

The cost of inventories recognised as an expense in the Statement of Financial Performance for stock issues was R21,380,944 (2019: R22,226,974) and RNil (2019: R7,835,664) in respect of inventory written down to net realisable value. Refer to note 42 for details of items written down to net realisable value.

3. Trade receivables from exchange transactions

Service debtors	107,099,952	101,991,908
Other exchange receivables	9,068,938	11,061,711
- Prepaid electricity	8,105,913	10,040,160
- Rental debtors	722,220	428,367
- GIPTN fare revenue	240,805	593,184
	116,168,890	113,053,619

Service debtors consist of the following:

Gross balances

Electricity	72,179,491	66,020,632
Water	126,486,941	107,290,372
Sewerage	34,839,685	28,808,007
Refuse	30,686,651	24,374,699
Housing loans installments	525,823	483,739
Housing rental	256,084	227,192
Other	13,063,117	11,487,950
	278,037,792	238,692,591

Less: Allowance for impairment

Electricity	10,762,874	7,483,126
Water	104,315,849	85,210,770
Sewerage	23,447,995	18,338,308
Refuse	20,102,629	15,085,642
Housing loans installments	501,561	443,807
Housing rental	233,407	169,172
Other	11,573,525	9,969,858
	170,937,840	136,700,683



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Figures in Rand	2020	2019
3. Trade receivables from exchange transactions (continued)		
Net balance		
Electricity	61,416,617	58,537,506
Water	22,171,092	22,079,602
Sewerage	11,391,690	10,469,699
Refuse	10,584,022	9,289,057
Housing loans installments	24,262	39,932
Housing rental	22,677	58,020
Other	1,489,592	1,518,092
	107,099,952	101,991,908
The ageing of trade receivables from exchange transactions consist of the following:		
Electricity		
Current (0 -30 days)	52,642,389	55,008,877
31 - 60 days	6,151,689	2,842,267
61 - 90 days	3,485,164	888,118
91 - 120 days	1,713,077	461,549
121 - 365 days	8,187,172	6,819,821
Less: Allowance for impairment	(10,762,874)	(7,483,126)
	61,416,617	58,537,506
Water		
Current (0 -30 days)	22,425,978	20,969,096
31 - 60 days	5,147,127	3,967,463
61 - 90 days	3,784,375	3,141,752
91 - 120 days	3,726,404	2,904,045
121 - 365 days	91,403,057	76,308,016
Less: Allowance for impairment	(104,315,849)	(85,210,770)
	22,171,092	22,079,602
Sewerage		
Current (0 -30 days)	10,152,069	10,119,385
31 - 60 days	3,021,477	1,593,300
61 - 90 days	2,090,166	1,034,108
91 - 120 days	1,599,497	762,905
121 - 365 days	17,976,476	15,298,309
Less: Allowance for impairment	(23,447,995)	(18,338,308)
	11,391,690	10,469,699
Refuse		
Current (0 -30 days)	9,365,221	8,855,725
31 - 60 days	2,795,475	1,521,762
61 - 90 days	1,992,290	991,074
91 - 120 days	1,533,839	749,649
121 - 365 days	14,999,826	12,256,489
Less: Allowance for impairment	(20,102,629)	(15,085,642)
	10,584,022	9,289,057



George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
3. Trade receivables from exchange transactions (continued)		
Housing loans installments		
Current (0 -30 days)	822	25,822
31 - 60 days	12,392	8,360
61 - 90 days	11,078	6,117
91 - 120 days	10,299	4,484
121 - 365 days	491,232	438,956
Less: Allowance for impairment	(501,561)	(443,807)
	24,262	39,932
Housing rental		
Current (0 -30 days)	39,909	47,708
31 - 60 days	17,150	23,268
61 - 90 days	14,320	14,675
91 - 120 days	10,830	13,119
121 - 365 days	173,875	128,422
Less: Allowance for impairment	(233,407)	(169,172)
	22,677	58,020
Other consumer debtors		
Current (0 -30 days)	1,291,593	1,609,637
31 - 60 days	40,947	65,668
61 - 90 days	517,284	660,286
91 - 120 days	415,773	347,209
121 - 365 days	10,797,520	8,805,150
Less: Allowance for impairment	(11,573,525)	(9,969,858)
	1,489,592	1,518,092
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	45,974,129	43,391,156
31 - 60 days	11,554,792	7,611,797
61 - 90 days	8,164,015	5,744,255
91 - 120 days	7,373,256	4,810,639
121 - 365 days	135,969,789	112,464,173
Less: Allowance for impairment	(160,942,167)	(128,668,520)
	48,093,814	45,353,500
Industrial / commercial		
Current (0 -30 days)	45,867,636	49,706,253
31 - 60 days	3,982,136	1,787,097
61 - 90 days	2,540,181	858,331
91 - 120 days	1,381,189	391,113
121 - 365 days	7,491,702	7,366,424
Less: Allowance for impairment	(9,995,674)	(8,032,163)
	51,267,170	52,077,055



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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
3. Trade receivables from exchange transactions (continued)		
National and provincial government		
Current (0 -30 days)	4,076,218	3,538,841
31 - 60 days	1,649,327	623,192
61 - 90 days	1,190,480	133,544
91 - 120 days	255,274	41,208
121 - 365 days	567,668	224,565
	7,738,967	4,561,350
Total		
Current (0 -30 days)	95,917,983	96,636,250
31 - 60 days	17,186,255	10,022,086
61 - 90 days	11,894,676	6,736,130
91 - 120 days	9,009,719	5,242,960
121 - 365 days	144,029,159	120,055,165
	278,037,792	238,692,591
Less: Allowance for impairment	(170,937,840)	(136,700,683)
	107,099,952	101,991,908

Reconciliation of allowance for impairment for receivables from exchange transactions

2020	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
Electricity	7,483,126	4,373,823	(1,094,075)	10,762,874
Water	85,210,770	28,361,132	(9,256,053)	104,315,849
Sewerage	18,338,308	7,922,956	(2,813,269)	23,447,995
Refuse	15,085,642	7,581,572	(2,564,585)	20,102,629
Housing loan installments	443,807	66,632	(8,878)	501,561
Housing rentals	169,172	112,588	(48,353)	233,407
Other consumer debtors	9,969,858	1,896,532	(292,865)	11,573,525
	136,700,683	50,315,235	(16,078,078)	170,937,840

2019	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
Electricity	7,841,490	(156,328)	(202,036)	7,483,126
Water	78,501,700	14,977,139	(8,268,069)	85,210,770
Sewerage	19,451,156	2,039,540	(3,152,388)	18,338,308
Refuse	15,235,911	3,496,719	(3,646,988)	15,085,642
Housing loan installments	464,208	40,321	(60,722)	443,807
Housing rentals	81,012	93,625	(5,465)	169,172
Other consumer debtors	8,618,258	1,508,453	(156,853)	9,969,858
	130,193,735	21,999,469	(15,492,521)	136,700,683

Total debtors past due but not impaired

	2020	2019
31 - 60 days	11,928,658	6,072,280
61 - 90 days	6,528,220	2,508,681
91 - 120 days	3,624,288	1,359,475
121 - 365 days	5,221,768	4,777,069
	27,302,934	14,717,505

George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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3. Trade receivables from exchange transactions (continued)

Credit quality of consumer debtors

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Payment rates of customers after year end was also taken into account as the COVID-19 pandemic had an impact on the payment of outstanding accounts by customers. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The prior year is restated. Refer to note 48 for more detail.

4. Receivables from non-exchange transactions

Taxation receivables

Net Rates	26,259,810	20,651,942
Gross rates	51,153,519	37,313,793
Allowance for impairment on rates	(24,893,709)	(16,661,851)

Transfer receivables

Net Fines	6,271,995	15,642,307
Fines	141,931,510	153,302,671
Allowance for impairment on fines	(135,659,515)	(137,660,364)

Conditional government grants and subsidies receivable (Refer note 22)	4,289,363	5,238,013
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Other receivables

Sundry receivables	9,411,088	3,202,232
Allowance for impairment on sundry receivables	9,332,203	3,244,660
	(792,583)	(792,583)
Non-cash portion of Housing Development Fund	707,300	631,853
Operating lease receivables	164,168	118,302
	46,232,256	44,734,494

The ageing of taxation receivables from non-exchange transactions

Rates

Current (0 -30 days)	20,118,914	17,999,883
31 - 60 days	6,501,811	2,848,737
61 - 90 days	3,235,641	1,334,694
91 - 120 days	2,444,332	984,427
121 - 365 days	18,852,821	14,146,052
Less: Allowance for impairment	(24,893,709)	(16,661,851)
	26,259,810	20,651,942



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Figures in Rand	2020	2019
4. Receivables from non-exchange transactions (continued)		
Summary of Rates by customer classification		
Residential consumers		
Current (0 -30 days)	16,909,158	15,177,077
31 - 60 days	4,805,364	2,424,948
61 - 90 days	2,517,908	1,177,952
91 - 120 days	1,879,221	910,326
121 - 365 days	16,268,382	12,490,646
Less: Allowance for impairment	(22,108,236)	(14,935,784)
	20,271,797	17,245,165
Industrial / commercial		
Current (0 -30 days)	2,968,754	2,708,250
31 - 60 days	1,507,564	419,335
61 - 90 days	576,647	156,686
91 - 120 days	525,397	74,044
121 - 365 days	2,108,624	1,608,987
Less: Allowance for impairment	(2,785,473)	(1,726,067)
	4,901,513	3,241,235
National and provincial government and other		
Current (0 -30 days)	241,002	114,556
31 - 60 days	188,883	4,454
61 - 90 days	141,086	56
91 - 120 days	39,714	57
121 - 365 days	475,815	46,419
Less: Allowance for impairment	-	-
	1,086,500	165,542
Total of rates by customer classification	26,259,810	20,651,942
Fines		
The ageing of fines is as follows:		
Current (0 - 30 days)	116,400	11,071,450
31 - 60 days	526,950	7,208,050
61 - 90 days	580,200	6,309,450
91 - 120 days	3,144,150	5,626,271
121 - 365 days	137,563,810	123,087,450
	141,931,510	153,302,671
Less: Allowance for impairment	(135,659,515)	(137,660,364)
	6,271,995	15,642,307

The prior year is restated. Refer to note 48 for more detail.



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4. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions

2020	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	16,661,851	8,820,648	(588,790)	24,893,709
Transfer receivables (Fines)	137,660,364	72,503,702	(74,504,551)	135,659,515
Other receivables	792,583	-	-	792,583
	155,114,798	81,324,350	(75,093,341)	161,345,807
2019	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	14,980,895	2,271,082	(590,126)	16,661,851
Transfer receivables (Fines)	102,279,154	76,751,252	(41,370,042)	137,660,364
Other receivables	792,583	-	-	792,583
	118,052,632	79,022,334	(41,960,168)	155,114,798

The impairment allowance was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios. The impairment allowance on Taxation Receivables and Other Receivables exists predominantly due to the possibility that these debts will not be recovered. Taxation Receivables and Other Receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment. Payment rates of customers after year end was also taken into account as the COVID-19 pandemic had an impact on the payment of outstanding accounts by customers. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

Rates debtors past due but not impaired

	2020	2019
31 - 60 days	4,209,202	1,726,021
61 - 90 days	1,638,203	497,069
91 - 120 days	890,374	255,257
121 - 365 days	2,522,271	1,917,584
	9,260,050	4,395,931

Fines debtors past due but not impaired

	2020	2019
31 - 60 days	48,161	938,939
61 - 90 days	50,240	863,844
91 - 120 days	271,996	775,635
121 - 365 days	5,891,270	11,405,809
	6,261,667	13,984,227

Credit quality of trade receivables from non-exchange transactions

Taxation debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.



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4. Receivables from non-exchange transactions (continued)

Concentrations of credit risk with respect to taxation debtors are limited due to the municipality's large number of customers. The municipality's historical experience in collection of non-exchange receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

Operating lease asset

Opening balance	118,302	112,144
Straight lining adjustment in the Statement of Financial Performance	45,865	6,159
	164,167	118,303

Operating leases - as lessor (income)

Minimum lease payments receivable

- within one year	954,938	804,205
- in second to fifth year inclusive	2,510,784	2,718,104
	3,465,722	3,522,309

Operating leases relate to property owned by the municipality with lease terms of between 5 and 20 years, with an option to extend for a further 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

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

- Municipal buildings
- Vacant land

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



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5. Statutory receivables		
The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements has been applied, for the initial recognition:		
Taxes - Rates	26,259,810	20,651,942
Fines	6,271,995	15,642,307
VAT	4,166,291	4,256,357
	36,698,096	40,550,606

Statutory receivables general information

Transaction(s) arising from statute

Rates - Municipal Property Rates Act (MRP Act) section 2 states that a metropolitan or local municipality may levy a rate on property in its area.

Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.

VAT - VAT is received and paid as required per the Value Added Tax Act No 89 of 1991 (VAT Act).

Determination of transaction amount

Rates - Rates amounts are determined in terms of section 11 of the MRP Act and the approved rates policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offence.

VAT - VAT is applied to all relevant goods or services as stated in the Vat Act and the amount thereof is determined in terms of the Vat Act.

Interest or other charges levied/charged

Rates - Interest is charged on past due balances at the prime interest rate.

Fines - No interest or other charges are charged on outstanding fines.

VAT - VAT is submitted and paid on a monthly basis thus no interest is charged on outstanding VAT amounts.

No discount rate is applied on the above mentioned statutory receivables to estimate future cash flows.

Statutory receivables impaired and past due not impaired

Rates - Payment percentage of receivables is used to assess whether the receivable is impaired. Refer to note 4 for more detail on the impairment provision and ageing of statutory receivables past due not impaired.

Fines - Payment percentage of fines is used to assess whether fines are impaired. Refer to note 4 for more detail on the impairment provision and ageing of statutory receivables past due not impaired.

VAT - VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts. VAT on output provision is assessed with the debtors impairment provision and included therein. Refer to note 3 for more detail on the impairment provision.



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6. Prepayments		
Prepayments consist of the following:		
SALGA	5,958,216	5,050,239
Mercedes-Benz South Africa Ltd for maintenance of buses	1,870,586	18,926,011
	7,828,802	23,976,250
Non-current assets	-	1,870,856
Current assets	7,828,802	22,105,394
	7,828,802	23,976,250

SALGA

SALGA membership fees for the 2020/2021 financial year were paid in May 2020 and the municipality received a 5% discount for early settlement.

Mercedes-Benz South Africa Ltd

The municipality entered into a five year maintenance plan for the GIPTN buses which is paid in annual installments. A portion of the maintenance payment falls within the 2021/2022 year and is treated as prepayments.

7. VAT receivable / (payable)

VAT receivable from SARS	1,852,233	5,713,426
VAT input provision	13,801,779	9,244,797
VAT output provision	(11,487,721)	(10,701,866)
	4,166,291	4,256,357

VAT is payable to SARS on the payment basis. Only once payment is received from customers, 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 effected before the due date.

For statutory receivable information regarding VAT refer to Note 5.



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8. Construction contracts and receivables/(payables)		
Contracts in progress at statement of financial position date		
Construction contracts and receivables/(payables)	8,828,958	(6,412,649)

Contract revenue is fixed based on the arrangement with the Provincial Department of Housing. Revenue is recognised in terms of the stage of completion on completed houses built as per the engineer completion certificates.

The following projects were included in the balances reported above:

30 June 2020	Golden Valley	Thembaletu 700 Units	Thembaletu 42 & 58	Completed construction projects	Total
Opening balance	377,346	(12,076,895)	2,337,791	2,949,110	(6,412,648)
from/(due to) customers	(4,761,060)	-	-	-	(4,761,060)
Advances received	-	19,983,773	-	-	19,983,773
Revenue recognised	-	-	-	18,893	18,893
Other	-	-	-	-	-
	(4,383,714)	7,906,878	2,337,791	2,968,003	8,828,958
Completion %	2%	88%	54%	100%	
Total approved funding	17,106,352	90,835,330	13,026,205	-	120,967,887
Total funding received	(4,761,060)	(71,638,919)	(4,696,360)	-	(81,096,339)
Total remaining funding to be received in future	12,345,294	19,196,499	8,329,899	-	39,871,548
Accumulated revenue	(377,346)	(79,545,796)	(7,034,151)	-	(86,957,293)
Accumulate expenditure	5,138,591	90,895,947	5,965,729	-	102,000,267
	4,761,245	11,350,151	(1,068,422)	-	15,042,974
30 June 2019	Golden Valley	Thembaletu 700 Units	Thembaletu 42 & 58	Completed construction projects	Total
Opening balance	-	(23,089,673)	(4,696,360)	2,769,053	(25,016,980)
from/(due to) customers	-	(22,985,589)	-	-	(22,985,589)
Advances received	-	33,998,367	7,034,151	-	41,409,863
Revenue recognised	377,346	-	-	180,057	180,057
Other	-	-	-	-	-
	377,346	(12,076,895)	2,337,791	2,949,110	(6,412,649)
Completion %	2%	66%	54%	100%	-
Total approved funding	17,106,352	90,835,330	13,026,205	-	120,967,887
Total funding received	-	(71,638,919)	(4,696,360)	-	(76,335,279)
Total remaining funding to be received in future	17,106,354	19,196,477	8,329,899	-	44,632,608



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Figures in Rand	2020			2019	
8. Construction contracts and receivables/(payables) (continued)					
	Golden Valley	Thembaletu 700 Units	Thembaletu 42 & 58	Completed Constructions	Total
Accumulated revenue	(377,346)	(59,562,024)	(7,034,151)	-	(66,973,521)
Accumulated expenditure	3,422,641	80,295,134	6,007,729	-	89,725,504
	3,045,295	20,733,110	(1,026,422)	-	22,751,983
9. Loans and receivables					
As at 30 June 2020	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	326,978	(33,797)	293,181	(78,094)	215,087
Sale of erven loans	71,340	-	71,340	(71,340)	-
Actaris meter debt	56,348	-	56,348	(16,904)	39,444
	454,666	(33,797)	420,869	(166,338)	254,531
As at 30 June 2019	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	434,170	(19,396)	414,774	(82,285)	332,489
Sale of erven loans	71,340	-	71,340	(71,340)	-
Actaris meter debt	250,170	-	250,170	(75,051)	175,119
	755,680	(19,396)	736,284	(228,676)	507,608

Loans and receivables are not secured.

Housing scheme loans

No housing loans may be granted to officials and the public. The outstanding amount is in respect of loans granted before 1 July 2005 and will be recovered over the remaining period of the loan agreements. The interest rate applicable to the loans is 13.5%.

Sale of erven loans

As from 1 July 2006 no loan agreements are entered into for the sale of erven. The outstanding loans will be recovered over the remaining period of the individual agreements entered into. The interest rates applicable to the loans vary between 11.0% and 14.5%

Actaris meter costs

Arrear amounts on services are capitalised on completion of a formal agreement. These arrear amounts are then paid to the municipality in monthly installments over a period not exceeding 60 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

The management of the municipality is of the opinion that the carrying value of loans and receivables recorded at amortised cost in the Financial Statements approximate their fair values.

The fair value of loans and receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's loans and receivables.



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9. Loans and receivables (continued)

The provision for doubtful debts on loans and receivables exists due to the possibility that not all these debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Reconciliation of impairment allowance

2020	Balance at beginning of year	Impairment losses	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	19,396	32,523	(18,122)	33,797
2019	Balance at beginning of the year	Impairment losses reversed	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	39,327	(19,931)	-	19,396

10. Principle agent arrangements

The municipality entered into the following arrangements with the Provincial Housing Department to act as agent on their behalf:

- Thembaletu Bungalow Housing Project: This project is for the rehabilitation of services and construction of 200 houses in Thembaletu via the Developer Driven Individual Subsidy Programme (DDISP).
- Title Deed Restoration Grant: This project was launched to eradicate the backlog of title deed registrations of houses allocated to beneficiaries pre-2014. This includes the professional fees associated with the process as well as beneficiary verification.

Transactions on these projects consists out of the following:

2020	Opening balance	Receipts from Department	Expenses on behalf of principal	Receivable / (Advances received) from Department
Thembaletu Bungalow Housing Project	2,799,502	-	5,204,062	8,003,564
Title Deed Restoration Grant	(4,050,366)	-	229,654	(3,820,712)
	(1,250,864)	-	5,433,716	4,182,852



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10. Principle agent arrangements (continued)

2019	Opening balance	Receipts from Department	Expenses on behalf of principal	Receivable / (Advances received) from Department
Thembaletu Bungalow Housing Project	-	(7,069,761)	9,869,263	2,799,502
Title Deed Restoration Grant	(1,560,479)	(2,735,310)	245,423	(4,050,366)
	(1,560,479)	(9,805,071)	10,114,686	(1,250,864)

These balances were previously accounted for as part of the Unspent Conditional Grants and was reclassified. Refer to note 48 for more detail.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	23,420	23,420
Bank balances	652,482,220	562,580,316
Short-term deposits	147,000,000	-
	799,505,640	562,603,736

Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as security for financial liabilities.

The balance of unspent conditional grants as per note 22 can only be used for the purpose as set out in the different grant conditions and is not available to the municipality to use in its normal business operations. The same applies to the cash portion of the Housing Development Fund as per note 23. This balance can only be used for the purpose of the Housing Development Fund.

The municipality had the following bank accounts:

	Cash book balances	
	30 June 2020	30 June 2019
ABSA BANK - Cheque Account - 102 222 0981	652,482,220	562,580,316
Nedbank Fixed Deposit	147,000,000	-
Cash on hand	23,420	23,420
Total	799,505,640	562,603,736

The bank balances at year end were:

	Bank balances	
	30 June 2020	30 June 2019
ABSA BANK - Cheque Account - 102 222 0981	648,460,007	559,161,827
ABSA - George Charitable Relief Fund -914 955 4208	5,781	1,000
Nedbank Fixed Deposit	147,000,000	-
	795,465,788	559,162,827



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11. Cash and cash equivalents (continued)

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.

The credit rating was obtained from Moody's Investor Services Inc. Moody's rating methodology has been revised, and the bank financial strength ratings have been withdrawn. This has been replaced with the Baseline Credit Assessment.

Credit rating of financial institutions

Bal	795,465,788	559,162,827
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12. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	926,823,770	-	926,823,770	920,770,151	-	920,770,151
Infrastructure	2,821,776,680	(1,256,278,234)	1,565,498,446	2,716,426,812	(1,144,202,602)	1,572,224,210
Community	212,436,877	(82,205,262)	130,231,615	191,931,743	(73,071,197)	118,860,546
Other	307,646,297	(148,960,276)	158,686,021	285,075,778	(130,325,528)	154,750,250
Other - Buildings	104,807,622	(45,765,911)	59,041,711	99,602,673	(42,598,894)	57,003,779
Service concession assets - GIPTN Buses	206,260,523	(73,489,148)	132,771,375	206,260,523	(59,767,589)	146,492,934
Total	4,579,751,769	(1,606,698,831)	2,973,052,938	4,420,067,680	(1,449,965,810)	2,970,101,870

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Transfers from Investment Property	Depreciation	Total
Land	920,770,151	1,528,644	(1,210,025)	-	5,735,000	-	926,823,770
Infrastructure	1,572,224,210	105,069,260	(23,962)	321,661	-	(112,092,723)	1,565,498,446
Community	118,860,546	20,505,134	-	-	-	(9,134,065)	130,231,615
Other	154,750,250	23,685,277	(200,090)	(365,868)	-	(19,183,548)	158,686,021
Other - Buildings	57,003,779	4,943,262	-	44,207	217,480	(3,167,017)	59,041,711
Service concession assets - GIPTN Buses	146,492,934	-	-	-	-	(13,721,559)	132,771,375
	2,970,101,870	155,731,577	(1,434,077)	-	5,952,480	(157,298,912)	2,973,052,938



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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	921,528,421	-	(564,050)	(194,220)	-	920,770,151
Infrastructure	1,481,545,568	194,782,501	-	(649,174)	(103,454,685)	1,572,224,210
Community	136,148,233	11,425,682	(319,662)	(21,106,772)	(7,286,935)	118,860,546
Other	115,097,343	31,467,406	(100,972)	23,562,031	(15,275,558)	154,750,250
Other - Buildings	56,878,388	4,389,005	-	(1,611,865)	(2,651,749)	57,003,779
Service concession assets - GIPTN Buses	160,176,725	-	-	-	(13,683,791)	146,492,934
	2,871,374,678	242,064,594	(984,684)	-	(142,352,718)	2,970,101,870

Pledged as security

Property, plant and equipment was not pledged as security for financial liabilities.

Assets subject to finance leases (Net carrying amount)

	2020	2019
Vehicles	1,612,522	8,376,765

The prior year balance was restated to only include assets under active finance leases. Refer to note 17 for details of finance leases.

Service concession assets

GIPTN Buses used as public transport assets are classified as service concession assets. The buses are the property of the municipality and do not form part of the financial lease assets. Refer to note 56 for details of service concession arrangements.

The buses were disclosed as other assets in the previous year but were reclassified as service concession assets in the notes above.



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12. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Land	-	32,900
Infrastructure	427,046,684	391,122,505
Community	13,298,187	13,640,155
Other property, plant and equipment	12,153,988	12,828,246
Ancillary fleet equipment and security	8,520,751	8,019,931
	461,019,610	425,643,737

The carrying value of work in progress which is taking longer than expected to complete or has been delayed can be classified as follows:

Reason for delay	
Construction delays	91,831,205
Covid-19 related constraints	16,503,269
Funding	2,270,536
	110,605,010

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	106,807,713	72,876,718
Employee related costs	29,691,791	27,052,339
Material	22,586,475	27,195,716
	159,085,979	127,124,773

Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land are disclosed in note 1.4. The land of the municipality is under the control of the municipality due to a vesting substantive right over the land. These land represents mainly public open spaces and roads vesting to the municipality.

Carrying value of land included in property, plant and equipment	6,049,250	6,049,250
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13. Intangible assets

	2020			2019		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,100,962	(2,402,608)	1,698,354	3,814,072	(1,677,294)	2,136,778



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13. Intangible assets (continued)

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	2,136,778	286,890	(725,314)	1,698,354

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	1,355,437	1,171,355	(390,014)	2,136,778

14. Heritage assets

	2020			2019		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Historical monuments and open areas	4,236,000	-	4,236,000	4,236,000	-	4,236,000

Reconciliation of heritage assets - 2020

	Opening balance	Additions	Impairment losses recognised	Total
Historical monuments and open areas	4,236,000	-	-	4,236,000

Reconciliation of heritage assets - 2019

	Opening balance	Additions	Impairment losses recognised	Total
Historical monuments and open areas	4,236,000	-	-	4,236,000

Details of heritage assets

Wilderness Commonage	4,050,000	4,050,000
Old Uniondale Fort	186,000	186,000
	4,236,000	4,236,000

Wilderness Commonage: This piece of land has a cultural and historical value due to being a stopover or resting place for ox-wagons travelling to Cape Town.

Old Uniondale Fort: During the Anglo Boer War, Uniondale was protected by six British forts of which one has been restored to its original state.

Expenditure incurred to repair and maintain heritage assets

No costs were incurred to repair and maintain heritage assets during the year (2019: RNil).



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15. Investment property

	2020			2019		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	142,573,329	-	142,573,329	149,777,700	-	149,777,700
Buildings	4,989,494	(3,163,945)	1,825,549	5,206,973	(3,001,929)	2,205,044
Total	147,562,823	(3,163,945)	144,398,878	154,984,673	(3,001,929)	151,982,744

Reconciliation of investment property - 2020

	Opening balance	Disposals	Transfers to Property, plant and equipment	Depreciation	Total
Land	149,777,700	(1,469,371)	(5,735,000)	-	142,573,329
Buildings	2,205,044	-	(217,480)	(162,015)	1,825,549
	151,982,744	(1,469,371)	(5,952,480)	(162,015)	144,398,878

Reconciliation of investment property - 2019

	Opening balance	Depreciation	Total
Land	149,777,700	-	149,777,700
Buildings	2,374,115	(169,071)	2,205,044
	152,151,815	(169,071)	151,982,744

Investment property was not pledged as security for financial liabilities.

Other disclosure

Included in the surplus for the year are the following:

Total rental income from investment property	1,139,996	1,297,855
Repairs and maintenance of investment property	243,172	329,609
	1,383,168	1,627,464

Repairs and maintenance incurred during the year was for the Thusong Centre.

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16. Loans and borrowings		
At amortised cost		
Annuity loans	321,522,828	290,040,098
Other loans	-	180,844
	321,522,828	290,220,942
Non-current liabilities		
Annuity loans	280,772,147	256,997,622
Current liabilities		
Annuity loans	40,750,681	33,042,476
Other loans	-	180,844
	40,750,681	33,223,320

Annuity loans

Annuity loans are repaid over periods varying from 1 year to 10 years (2019: 1 year to 10 years) and at interest rates varying from 6.75% to 12,665% (2019: 6.75% to 12,665%) per annum. Annuity loans are not secured.

17. Finance lease obligation

Minimum lease payments due

- within one year	558,419	2,668,569
- in second to fifth year inclusive	608,698	1,164,655
	1,167,117	3,833,224
less: future finance charges	(141,851)	(395,211)

Present value of minimum lease payments

1,025,266	3,438,013
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Present value of minimum lease payments due

- within one year	468,317	2,412,747
- in second to fifth year inclusive	556,949	1,025,266
	1,025,266	3,438,013

Non-current liabilities	556,949	1,025,266
Current liabilities	468,317	2,412,747
	1,025,266	3,438,013

The municipality entered into hire purchase agreements for vehicle acquisitions. The average lease term is 5 years and the average effective borrowing rate is 8.93% (2019: 8.84%). Interest rates are fixed at the contract date and all leases have fixed repayment terms.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12 for more detail.



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18. Payables from exchange transactions		
Current liabilities		
Trade payables	133,519,390	122,514,295
Compensation Commissioner	9,275,343	6,615,252
GIPTN compensation liability	2,191,205	3,620,667
Other payables	28,505,660	18,413,530
Payments received in advance	18,660,869	21,415,653
Retentions	27,206,572	31,653,782
Sundry Deposits	9,855,905	9,829,408
Unidentified deposits	8,431,413	7,123,823
	237,646,357	221,186,410
Non-current liabilities		
GIPTN compensation liability	6,426,632	4,620,168
Total	244,072,989	225,806,578

The prior period balances were restated for a prior year error. Refer to note 48 for more detail.

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the statement. 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 credit timeframe.

The management of the municipality is of the opinion that the carrying value of trade and other payables approximate their fair values. The fair value of trade and other payables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

George Integrated Public Transport Network (GIPTN) compensation liability

The public transport bus services commenced during the 2015 financial year. Taxi operators who signed buy-in agreements started receiving their monthly buy-in payments with the relinquishment of the taxi operator licences. The accrual was transferred from Provisions and is split between current and non-current based on the expected payments to be made as determined in the signed contracts. Refer to note 21 for more detail.

Balance at beginning of the year	8,240,835	6,412,249
Transferred from Provisions	5,150,880	6,179,455
Change in liability due to inflation and discounting rates	(877,891)	(387,385)
Paid during the year	(3,895,987)	(3,963,484)
	8,617,837	8,240,835
Non-current liabilities	6,426,632	4,620,168
Current liabilities	2,191,205	3,620,667
	8,617,837	8,240,835



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19. Consumer deposits

Electricity and water	29,651,932	27,596,642
Guarantees held in lieu of electricity and water deposits	21,954,527	19,773,982

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 accounts.

Guarantees are given by business consumers on application for new water and electricity connections instead of deposits. In cases where consumers default on their accounts, the municipality can request the guarantee amounts from the consumers' bank as payment for the outstanding accounts.

20. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Non-current liabilities

Post-Retirement Medical Aid benefits liability	127,411,000	136,697,358
Ex-gratia pension benefits liability	1,465,939	1,507,666
Long service awards	24,002,000	23,556,631
	152,878,939	161,761,655

Current liabilities

Post-Retirement Medical Aid benefits liability	6,592,000	5,980,043
Ex-gratia pension benefits liability	188,796	251,598
Long service awards	3,584,000	2,586,095
Staff leave	52,459,673	39,346,186
Staff annual bonus	13,649,466	12,248,842
	76,473,935	60,412,764

Total liabilities

Post-Retirement Medical Aid benefits liability	134,003,000	142,677,401
Ex-gratia pension benefits liability	1,654,735	1,759,264
Long service awards	27,586,000	26,142,726
Staff leave	52,459,673	39,346,186
Staff annual bonus	13,649,466	12,248,842
	229,352,874	222,174,419

Post-retirement medical aid benefit liability

The municipality provides certain post-retirement medical 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 continuation 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.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2020. 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.



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20. Employee benefit obligations (continued)		
In-service (Employees) members	587	587
In-service (Employees) non-members	706	690
Continuation members (Retirees, widow and orphans)	139	135
	1,432	1,412
 In-service members	 63,978,000	 71,183,564
Continuation members	70,025,000	71,493,837
	134,003,000	142,677,401

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

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

The Current-service cost for the year ending 30 June 2021 is estimated to be R 4,537,000 (2020: R5,471,843) whereas the interest cost for the same year is estimated to be R 13,445,000 (2020: R13,067,016).

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

i) Rate of interest

Discount rate	10.28 %	9.35 %
Health care cost inflation rate	6.35 %	6.82 %
Net effective discount rate	3.70 %	2.37 %

Expected retirement age - females	62	62
Expected retirement age - males	62	62

Discount rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 10.28% per annum has been used. The corresponding index-linked yield at this term is 4.70%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2020.

ii) Mortality rates

Pre-retirement: SA 85 - 90 mortality table

Post-retirement: PA (90 - 1) table with a 1% mortality improvement p.a. from 2010

iii) Normal retirement age

The normal retirement age for employees of the municipality was assumed to be 62 years where data was unavailable.

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



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20. Employee benefit obligations (continued)

Present value of fund obligations	134,003,000	142,677,401
Fair value plan assets	-	-
	134,003,000	142,677,401

Amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	5,471,843	4,925,534
Interest cost	13,067,016	12,124,239
Recognised actuarial losses / (gains)	(21,233,217)	1,417,371
Total included in employee related cost - refer to note 33	(2,694,358)	18,467,144

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	142,677,401	129,578,123
- Current service cost	5,471,843	4,925,534
- Interest cost	13,067,016	12,124,239
- Actuarial losses (gains)	(21,233,217)	1,417,371
- Benefits paid	(5,980,043)	(5,367,866)
Balance at the end of the year	134,003,000	142,677,401

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods (R millions).

Liability History	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Accrued liability	126.256	123.587	129.578	142.677	134.003
Fair value of plan asset	-	-	-	-	-
Surplus / (Deficit)	(126.256)	(123.587)	(129.578)	(142.677)	(134.003)

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred (R millions).

Experience adjustments	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Liabilities: (Gain) / Loss	(4.381)	(1.791)	2.128	2.694	4.361
Assets: Gain / (Loss)	-	-	-	-	-
	(4.381)	(1.791)	2.128	2.694	4.361



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20. Employee benefit obligations (continued)

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase

Effect on the current service cost and interest cost	1,203,600	867,300
Effect on the defined benefit obligation	7,097,000	7,689,000

Decrease

Effect on the current service cost and interest cost	(1,671,400)	(1,272,800)
Effect on the defined benefit obligation	(9,453,000)	(10,616,000)

Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2020, 1 employee and 12 pensioners were eligible for payments in terms of this plan.

The Municipality provides pension benefits to all employees that are not members of the Pension or Provident Funds who have completed at least 10 years of service at the Council and have reached the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by number of years of service, divided by 60.

Current-service cost for the year ending 30 June 2021 is estimated to be Rnil (2020: Rnil) whereas the interest cost for the same year is estimated to be R 94,015 (2020: R121,370).

Pensioners	12	13
Eligible employees	1	2
	13	15

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

i) Rate of interest

Discount rate	6.02 %	7.42 %
Pension increase rate	0.98 %	2.01 %
Net effective discount rate	5.00 %	5.31 %

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 6.02% per annum has been used. The corresponding index-linked yield at this term is 3.50%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 30 June 2020.

Expected retirement age	62	62
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ii) Mortality rates

Pre-retirement: SA 85 - 90 mortality table

Post-retirement: PA (90 - 1) table with a 1% mortality improvement p.a. from 2010

iii) Normal retirement age



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20. Employee benefit obligations (continued)

The normal retirement age for employees of the municipality was assumed to be 62 years where data was unavailable.

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

Present value of fund obligations	1,654,735	1,759,264
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The amounts recognised in the Statement of Financial Performance are as follows:

Interest cost	121,370	126,354
Recognised actuarial losses / (gains)	25,699	217,050
Total included in employee related cost - refer to note 33	147,069	343,404

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	1,759,264	1,664,818
- Interest cost	121,370	126,354
- Actuarial losses (gains)	25,699	217,050
- Benefits paid	(251,598)	(248,958)
	1,654,735	1,759,264

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

Liability History	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Accrued liability	2,681,298	2,295,611	1,664,818	1,759,264	1,654,735
Fair value of plan assets	-	-	-	-	-
Surplus / (Deficit)	(2,681,298)	(2,295,611)	(1,664,818)	(1,759,264)	(1,654,735)

The table below summarises the experience adjustments for the current period and the previous periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Experience adjustment	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Liabilities: (Gain) / Loss	416,614	95,982	(526,983)	83,875	(6,061)
Assets: Gain / (Loss)	-	-	-	-	-
	416,614	95,982	(526,983)	83,875	(6,061)



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20. Employee benefit obligations (continued)

The effect of a 1% movement in the assumed pension increase rate is as follows:

Increase

Effect on interest cost	7,900	8,538
Effect on defined benefit obligation	102,394	106,464

Decrease

Effect on interest cost	(7,193)	(7,752)
Effect on defined benefit obligation	(93,222)	(96,938)

Long service awards

The municipality's obligation for Long Service Awards is a defined benefit plan. This plan is wholly unfunded as no contributions are made by the municipality into funds that are legally separate from the municipality and from which the employee benefits are paid (each subsequent financial year's expected payments of long service bonuses are budgeted for).

The municipality, in substance, underwrites the actuarial and investment risks associated with the plan. Consequently, the expense recognised for the defined benefit plan is the full additional liability accrued due to additional benefit entitlement. The municipality's net obligation in respect of the defined benefit long service allowances is the present value of the defined benefit obligation less the fair value of any plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows of the benefits that will be paid to employees and using suitable interest rates.

The calculation is performed by registered actuaries using the projected unit credit method. The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2020.

At year end, 1,293 (2019: 1,277) employees were eligible for Long-service Awards. The future service cost for the ensuing year is estimated to be R 2,168,000 (2020: R2,165,741), whereas the interest cost for the ensuing year is estimated to be R 1,921,000 (2020: R2,039,762).

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

i) Rate of interest		
Discount rate	7.44 %	8.20 %
Benefit inflation rate	4.03 %	5.58 %
Net effective discount rate	3.28 %	2.48 %
Expected retirement age	62	62

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 7.44% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 7.44% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 3.79%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 30 June 2020.



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20. Employee benefit obligations (continued)

ii) Mortality rates:

Pre-retirement: SA 85 - 90 mortality table

Withdrawal from service: Detailed sample rates used

iii) Normal retirement age

The normal retirement age for employees of the municipality was assumed to be 62 years where data was unavailable.

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

Present value of projected fund obligations	27,586,000	26,142,726
Fair value of plan assets	-	-
	27,586,000	26,142,726

Amounts recognised in the Statement of Financial Performance are as follows:

Net current service cost and actuarial losses (gains) included in the long service awards expense	1,989,607	4,499,166
Interest cost	2,039,762	1,846,394
Total included in employee related cost - refer to note 33	4,029,369	6,345,560

The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	26,142,726	23,370,699
- Net current service cost and actuarial losses (gains) included in the long service awards expense	1,989,607	4,499,166
- Interest cost	2,039,762	1,846,394
- Benefits paid	(2,586,095)	(3,573,533)
	27,586,000	26,142,726

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:

Liability History	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Accrued Liability	20,800,828	21,334,639	23,370,699	26,142,726	27,586,000
Fair value of plan assets	-	-	-	-	-
Surplus / (Deficit)	(20,800,828)	(21,334,639)	(23,370,699)	(26,142,726)	(27,586,000)

The table below summarises the experience adjustments for the current and previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred:

Experience adjustment	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Liabilities: (Gain) / Loss	852,348	729,329	1,486,754	1,418,184	1,196,866
Assets: Gain / (Loss)	-	-	-	-	-
	852,348	729,329	1,486,754	1,418,184	1,196,866



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20. Employee benefit obligations (continued)

The effect of a 1% movement in the assumed salary inflation rate is as follows:

Increase

Effect on the current service cost and interest cost	355,500	278,100
Effect on the defined benefit obligation	1,840,000	1,823,000

Decrease

Effect on the current service cost and interest cost	(315,400)	(248,900)
Effect on the defined benefit obligation	(1,656,000)	(1,627,000)

Multi-employer retirement benefit information

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.

SALA Pension Fund and the South African Municipal Workers Union Pension Fund are defined benefit plans, whereas the LA Retirement Fund and the Municipal Councillors Pension Fund are defined contribution 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:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- One set of financial statements is compiled for each fund and financial statements are not drafted for each participating employer.
- 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.

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 of R51,365,193 for employees and R759,424 for Councillors represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

LA Retirement Fund

The LA Retirement Fund's contribution rate payable is 9% by the members and 18% by Council. The valuation of 30 June 2019 showed that the funding level is 100%.

SALA Pension Fund

The contribution rate paid by the members 8.60% and Council 18.07% is sufficient to fund the benefits accruing from the fund in the future.

At the valuation date of 1 July 2015 the SALA Pension Fund was 100% funded and revealed that the fund was certified to be in a sound financial position.

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20. Employee benefit obligations (continued)

Municipal Councillors Pension Fund

The fund was placed under curatorship on 19 December 2017. The appointed curators was given full legal powers and responsibilities to implement necessary mechanisms and remedial actions which will ensure the recoverability and where possible long-run sustainability of the fund for the benefit of its members. The appointed curators report their progress to The Registrar of Pension Funds on a continuous basis. On year end, the fund was still under curatorship.

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.

South African Municipal Workers Union Pension Fund

The financial statements of the fund on 30 June 2017 contain a report by the actuarial valuator stating that the last actuarial valuation was performed on 30 June 2014 and fund was in sound financial position of that date.

The contribution rate paid by the members of 9% and Council of 18% are sufficient to fund the benefits accruing from the fund in the future.

Staff leave

The movement on the leave provision consists of the following:

Opening balance	39,346,186	35,681,280
Payments	(2,274,346)	(1,143,094)
Additional provision	15,387,833	4,808,000
	52,459,673	39,346,186

Staff annual bonus

The movement on the annual bonus provision consist of the following:

Opening balance	12,248,842	10,301,189
Payments	(12,248,842)	(10,301,189)
Additional bonus accrual recognised during the year	13,649,466	12,248,842
	13,649,466	12,248,842



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21. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions / (Reversal)	Utilised during the year	Change in discount factor	Transfer to payables from exchange transactions	Total
Rehabilitation of landfill site	57,663,131	(5,276,411)	(447,965)	4,224,663	-	56,163,418
Compensation Liability GIPTN	64,553,797	(495,915)	(6,393,930)	1,250,672	(5,150,880)	53,763,744
	122,216,928	(5,772,326)	(6,841,895)	5,475,335	(5,150,880)	109,927,162

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Transfer to payables from exchange transactions	Total
Rehabilitation of landfill site	25,358,680	31,038,854	(738,366)	2,003,963	-	57,663,131
Compensation Liability GIPTN	67,482,868	5,427,300	(2,764,659)	587,743	(6,179,455)	64,553,797
	92,841,548	36,466,154	(3,503,025)	2,591,706	(6,179,455)	122,216,928

Current liabilities consist of

	2020	2019
Rehabilitation of landfill site	15,244,307	12,539,187
Compensation Liability GIPTN	2,199,655	1,071,983
	17,443,962	13,611,170
Non-current liabilities	92,483,200	108,605,758
Current liabilities	17,443,962	13,611,170
	109,927,162	122,216,928

Rehabilitation of landfill site

The provision is made in terms of the municipality's licensing stipulations on the landfill waste sites. The landfill sites have reached full capacity and the municipality obtained closure licences during the 2015 financial year for both the George and Uniondale landfill sites. The closure licences requires that the rehabilitation commence within five years after of the date of issue of the licence and the rehabilitation should be completed within three to five years after the rehabilitation commencement date. Mandatory 30 year monitoring cost after closure of the landfill sites were also included in the provision.

During the year Delta Built Environment Consultants (Pty) Ltd visited the George landfill site and Zutari (Pty) Ltd visited the Uniondale landfill site to assist the municipality with their rehabilitation plans so that the municipality can keep to the deadlines as stipulated in the closure licences.

The cost as at 30 June 2020 has been escalated annually with the Construction Input Price Index rate until the estimated time of closure and discounted to present value using South African Government Bond rates of between 6.3 % and 7.235% depending on the estimated time of closure.



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21. Provisions (continued)

The movement on each of the landfill site's provisions is:

	Opening balance	Additions / Reversal	Utilised during the year	Unwinding of discount	Total
George	49,595,429	(6,005,409)	(96,704)	3,632,248	47,125,564
Uniondale	8,067,702	728,998	(351,261)	592,415	9,037,854
	57,663,131	(5,276,411)	(447,965)	4,224,663	56,163,418

Compensation Liability: George Integrated Public Transport Network

The George Integrated Public Transport Network (GIPTN) has been developed by the municipality and the Provincial Government of the Western Cape to transform the road-based public transport sector through the establishment of a high quality, flexible and integrated public transport network.

An operating company was established and the current taxi owners form part of the operating company and operate the buses in the network. According to the signed operator's agreement, the taxi owners have to relinquish their existing taxi operators' licences to receive the compensation.

The bus services started operating during December 2014 and are rolled out in phases.

The provision for the compensation is based on the signed agreements with each of the taxi operators. Based on these agreements, 229 (2019: 229) licences were subject to the buy-in option, while 278 (2019: 278) licences were subject to the election of the buy-out option. The buy-in provision for operators who started receiving their monthly buy-in amounts was transferred to Trade and other payables. Refer to note 18.

The undiscounted provision for compensation before any pay outs over the five years covered by the compensation agreement is R62,497,219 (2019: R75,438,195). A discount rate of 6.363% (2019: 6.790%) (an average of the 2 and 5 year Government Bond rates) was used to discount the provision.

The municipality expects to pay the buy-out options between February 2021 and February 2022 as the next phases are rolled out and the buy-in options within 5 years from the roll out dates.



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22. Conditional government grants and subsidies		
Unspent conditional government grants and subsidies	93,467,321	44,622,958
National Government Grants	58,923,864	20,237,833
Provincial Government Grants	26,839,430	16,681,098
Other	7,704,027	7,704,027
Less: Conditional government grants and subsidies receivable - Note 4	(4,289,363)	(5,238,013)
National Government Grants	(262,147)	(262,147)
Provincial Government Grants	(1,453,818)	(2,402,468)
Other	(2,573,398)	(2,573,398)
	89,177,958	39,384,945

The amount of unspent conditional grants and receipts is held in the operating bank account of the municipality until utilised.

The total grants recognised in the Statement of Financial Performance are (Refer to note 30):

Unconditional Grants		
Grants	149,978,000	137,401,000
Conditional Grants		
Grants and Donations	460,545,295	370,915,545
Subsidies	1,038,658	1,045,420
Total Government Grants and Subsidies	611,561,953	509,361,965
Operating	548,390,041	387,208,866
Capital	63,171,912	122,153,099
	611,561,953	509,361,965

Details of the different grants are set out below.

Unconditional Grants

22.1 Equitable share

Grants received	149,978,000	137,401,000
Conditions met - Operating	(149,978,000)	(137,401,000)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Conditional Grants

22.2 National: Finance Management Grant (FMG)

Opening balance	-	-
Grants received	1,550,000	1,550,000
Conditions met - Operating	(786,460)	(1,550,000)
Conditions still to be met/(Grant expenditure to be recovered)	763,540	-

The Financial Management Grant is paid by National Treasury to 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 Program (e.g. salary costs of the Financial Management Interns).



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22. Conditional government grants and subsidies (continued)

22.3 National: Municipal Disaster Relief Grant

Opening balance	-	-
Grants received	506,000	-
Conditions met - operating	(506,000)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Municipal Disaster Relief Grant provides funding for responding to and providing relief for unforeseeable and unavoidable disasters.

22.4 National: Infrastructure Skills Development

Opening balance	962,924	-
Grants received	7,500,000	6,000,000
Conditions met - Operating	(6,059,382)	(4,934,286)
Conditions met - Capital	(619,516)	(102,790)
Repayment of grant	(962,924)	-
Conditions still to be met/(Grant expenditure to be recovered)	821,102	962,924

The Infrastructure Skills Development Grant is given to strengthen the capacity of local government to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills available and to facilitate lifelong learning and the transfer of knowledge to municipalities.

22.5 National: Energy Efficiency and Demand Side Management Grant

Opening balance	174,164	1,154,822
Grants received	7,000,000	7,000,000
Conditions met - Operating	-	(378,238)
Conditions met - Capital	(4,341,903)	(7,602,420)
Repayment of grant	(174,164)	-
Conditions still to be met/(Grant expenditure to be recovered)	2,658,097	174,164

The Energy Efficiency and Demand Side Management Grant is given to municipalities to implement energy efficiency and demand side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

22.6 National: Municipal Infrastructure Grant (MIG)

Opening balance	2,210,967	-
Grants received	40,104,000	39,338,000
Conditions met - Operating	(1,604,160)	(1,531,873)
Conditions met - Capital	(6,976,908)	(35,595,160)
Repayment of grant	(2,210,967)	-
Conditions still to be met/(Grant expenditure to be recovered)	31,522,932	2,210,967

The grant was utilised to construct water and sewerage infrastructure and also to upgrade sport facilities, with the main focus on the historically disadvantaged areas.



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22. Conditional government grants and subsidies (continued)		
22.7 National: Municipal Infrastructure Grant (MIG) - Special Sport Allocation		
Opening balance	7,986,713	-
Grants received	-	8,550,000
Conditions met - Capital	-	(563,287)
Repayment of grant	(7,986,713)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	7,986,713
22.8 National: Regional Bulk Infrastructure Grant (RBIG)		
Opening balance	6,717,840	9,807,616
Grants received	-	-
Conditions met - Capital	(6,717,840)	(3,089,776)
Conditions still to be met/(Grant expenditure to be recovered)	-	6,717,840
The grant was allocated to the municipality to construct bulk infrastructure for water and waste water. This grant was used specifically for raising the dam wall of the Garden Route dam.		
22.9 National: Integrated National Electrification Grant		
Opening balance	1,300,790	4,776,725
Grants received	10,044,000	13,000,000
Conditions met - Capital	(9,249,665)	(16,475,935)
Repayment of grant	(1,300,790)	-
Conditions still to be met/(Grant expenditure to be recovered)	794,335	1,300,790
The National Electrification Grant was used to upgrade the sub-station and electrification network.		
22.10 National: Expanded Public Works Program Grant (EPWP)		
Opening balance	-	-
Grants received	5,111,000	5,466,000
Conditions met - Operating	(4,298,963)	(5,466,000)
Conditions still to be met/(Grant expenditure to be recovered)	812,037	-
The Expanded Public Works Program Grant was used to increase labour employment through infrastructure programs that increase job creation and skills development.		
22.11 National: Lawaaiikamp Sports Grounds (Lotto)		
Opening balance	(262,147)	(262,147)
Grants received	-	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	(262,147)	(262,147)
The National Lottery has given this grant to the municipality specifically for the upgrading of the Lawaaiikamp Sports Grounds.		



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22. Conditional government grants and subsidies (continued)

22.12 National: Public Transport Grant

Opening balance	884,436	11,709,152
Grants received	245,626,000	167,675,000
Conditions met - Operating	(192,304,158)	(114,836,159)
Conditions met - Capital	(31,770,021)	(52,656,553)
Conditions met - Cash back of non-current provision	-	(11,007,004)
Repayment of grant	(884,436)	-
Conditions still to be met/(Grant expenditure to be recovered)	21,551,821	884,436

This grant's purpose is to provide supplementary operational funding to municipalities operating approved Integrated Public Transport Network services and to provide improved public transport network services that are formal, scheduled and well managed, as well as to provide funding for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.

22.13 Provincial: Local Government Support Grant - COVID-19

Opening balance	-	-
Grants received	1,000,000	-
Conditions met - Operating	(1,000,000)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

This grant was utilised for the supply of food parcels during the national lockdown period.

22.14 Provincial: Western Cape Financial Management Support Grant

Opening balance	-	-
Grants received	755,000	755,000
Conditions met - Operating	(589,338)	(755,000)
Conditions still to be met/(Grant expenditure to be recovered)	165,662	-

The Financial Management Support Grant is given by the Western Cape Provincial Treasury to provide financial assistance to municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

22.15 Provincial: Western Cape Financial Management Capacity Building Grant

Opening balance	-	80,000
Grants received	380,000	360,000
Conditions met - Operating	-	(440,000)
Conditions still to be met/(Grant expenditure to be recovered)	380,000	-

This grant is given to develop financial human capacity within municipal areas to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.

22.16 Provincial: Integrated Public Transport Network Grant

Opening balance	(151,380)	-
Grants received	172,747,000	101,086,000
Conditions met - Operating	(168,901,989)	(101,237,380)
Conditions still to be met/(Grant expenditure to be recovered)	3,693,631	(151,380)



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22. Conditional government grants and subsidies (continued)

The Integrated Public Transport Network Operations grant is given to the municipality to implement a public transport service as contemplated in the George Integrated Public Transport Network (GIPTN). This grant will fund the shortfall in operational cost and provide for the additional operational support to underwrite the consequences of significantly impaired operating conditions and magnified transformation obligations. This grant will also enhance infrastructure for public transport services provided by the municipality

22.17 Provincial: Fire Services Capacity Building Grant

Opening balance	11,422	188,529
Conditions met - Operating	-	(69,733)
Conditions met - Capital	-	(107,374)
Conditions still to be met/(Grant expenditure to be recovered)	11,422	11,422

This grant is given to the municipality to provide financial assistance to ensure functional emergency communication, mobilisation systems and fire services.

22.18 Provincial: Integrated Transport Planning Grant

Opening balance	1,193,494	600,000
Grants received	600,000	600,000
Conditions met - Operating	-	(6,506)
Repayment of grant	(600,000)	-
Conditions still to be met/(Grant expenditure to be recovered)	1,193,494	1,193,494

This grant is given for the review and update municipal Integrated Transport Plans in terms of the National Land Transport Act, 2009 (Act No. 5 of 2009).

22.19 Provincial: Human Settlements Operating Grants

Opening balance	(797,270)	19,939,368
Grants received	10,000,000	1,105,707
Conditions met - Operating	(1,137,228)	(2,878,354)
Transfer from Human Settlements Capital Grant	-	(18,963,990)
Conditions still to be met/(Grant expenditure to be recovered)	8,065,502	(797,269)

This grant is given to provide funding for the creation of sustainable human settlements. The outcome of this grant is to provide top structures and basic social and economic amenities that contributes to the establishment of sustainable human settlements.

The transfer from the Human Settlements Operating Grant to the Capital Grant in the prior year was adjusted to reflect the correction allocation between these two grants.



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22. Conditional government grants and subsidies (continued)		
22.20 Provincial: Human Settlements Capital Grant		
Opening balance	14,945,371	1,941,185
Grants received	1,117,335	-
Conditions met - Capital	(3,300,848)	(5,959,804)
Transfer to Human Settlements Operating Grant	-	18,963,990
Conditions still to be met/(Grant expenditure to be recovered)	12,761,858	14,945,371

This grant is given to provide funding for the creation of sustainable human settlements. The outcome of this grant is to provide basic infrastructure that contributes to the establishment of sustainable human settlements.

The transfer from the Human Settlements Operating Grant to the Capital Grant in the prior year was adjusted to reflect the correction allocation between these two grants.

22.21 Provincial: Sport / Recreational Facilities		
Opening balance	228,000	-
Grants received	-	228,000
Repayment of grant	(228,000)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	228,000

This grant is given by Provincial Treasury to initiate and support socially cohesive sport and recreation structures and/or activities.

22.22 Provincial: Proclaimed Roads		
Opening balance	-	-
Grants received	10,086,965	5,168,098
Conditions met - Operating	(10,086,965)	(5,168,098)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

This grant is given by Provincial Treasury to financially assist municipalities with the maintenance/construction of proclaimed municipal main roads, where the municipality is the Road Authority (Section 50 of Ordinance 19 of 1976).

22.23 Provincial: Thembaletu & Pacaltsdorp sport fields (YDVS)		
Opening balance	(1,453,818)	(1,360,820)
Grants received	-	-
Transfers	-	(92,998)
Conditions still to be met/(Grant expenditure to be recovered)	(1,453,818)	(1,453,818)

This grant was utilised to upgrade the Thembaletu and Pacaltsdorp sport fields.



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22. Conditional government grants and subsidies (continued)		
22.24 Provincial: Provide resources for the Cycle Infrastructure Project Grant		
Opening balance	-	-
Grants received	100,000	-
Conditions still to be met/(Grant expenditure to be recovered)	100,000	-
This grant was given by Provincial Treasury to the Municipality to further develop and enhance cycle infrastructure in the municipal area.		
22.25 Provincial: Library Services		
Grants received	9,993,000	9,239,000
Conditions met - Operating	(9,797,790)	(9,239,000)
Conditions met - Capital	(195,210)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-
This grant is to be used for the transformation of urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial level in support of local government and national initiatives.		
22.26 Provincial: Community Development Workers' Operational Grant		
Opening balance	37,505	52,629
Grants received	186,000	-
Conditions met - Operating	(22,937)	(15,124)
Conditions still to be met/(Grant expenditure to be recovered)	200,568	37,505
This grant is for financial assistance to Municipalities to cover the operational expenses i.r.o the functions of the community development workers including the supervisors and regional organisers.		
22.27 Provincial: Thembaletu Thusong Service Centre		
Opening balance	-	-
Grants received	200,000	200,000
Conditions met - Operating	(200,000)	(200,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
This grant is given to provide financial assistance to Municipalities, ensuring the financial sustainability of the Thusong Service Centres.		



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22. Conditional government grants and subsidies (continued)		
22.28 Provincial: Local Government Graduate Internship Grant		
Opening balance	15,305	45,000
Grants received	80,000	72,000
Conditions met - Operating	(78,013)	(56,695)
Repayment of grant	-	(45,000)
Conditions still to be met/(Grant expenditure to be recovered)	17,292	15,305

The Local Government Graduate Internship Grant is given to the municipality to provide financial assistance to the municipality in support of capacity building for the future by means of a graduate internship program.

22.29 Provincial: Municipal Service Delivery and Capacity Building Grant

Opening balance	250,000	-
Grants received	-	250,000
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	250,000	250,000

The Municipal Service Delivery and Capacity Building Grant is given to the municipality to strengthen and improve municipal service delivery and capacity building to enable municipalities to manage their own affairs, to exercise their own powers and to perform their functions as prescribed by local government legislation.

22.30 Other: Eden District Municipality Electrification Grant

Opening balance	200,000	200,000
Grants received	-	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	200,000	200,000

The Eden District Municipality grant was given for electrification of certain areas.

22.31 Other: Eden District Municipality Emergency Relief Funds

Opening balance	(2,573,398)	(2,573,398)
Grants received	-	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	(2,573,398)	(2,573,398)

This grant was given to reimburse municipalities for flood damage incurred by the municipality.



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22. Conditional government grants and subsidies (continued)		
22.32 Other: SANRAL N2 /York Bridge		
Opening balance	7,504,027	7,504,027
Grants received	-	-
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	7,504,027	7,504,027

This grant was utilised to widen the N2/York Street bridge and to add a pedestrian crossing to the bridge.

22.33 Other: LG Seta		
Opening balance	-	-
Grants received	1,038,658	1,045,420
Conditions met - Operating	(1,038,658)	(1,045,420)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

These amounts were received from LG Seta based on the municipality's workplace skills plan.

Total Grants		
Opening balance	39,384,945	53,802,688
Grants received	675,702,960	506,089,225
Conditions met - Operating	(548,390,042)	(387,208,865)
Conditions met - Capital	(63,171,910)	(122,153,099)
Conditions met - Cash back of non-current provision	-	(11,007,004)
Repayment of grant funding received	(14,347,995)	(45,000)
Transfers	-	(92,998)
Conditions still to be met/(Grant expenditure to be recovered)	89,177,958	39,384,945

The prior year information was reclassified in line with the Guideline on Accounting for Arrangements Undertaken in Terms of the National Housing Programme. Refer to note for more detail.

23. Housing development fund

Unappropriated surplus	4,384,056	8,205,659
Loans extinguished by Government on 1 April 1998	53,383,243	53,383,243
	57,767,299	61,588,902

The housing development fund is represented by the following assets and liabilities

Housing selling scheme loans	293,181	414,774
Inventory	141,633	141,633
Trade and other receivables from exchange transactions	781,906	710,915
Trade and other receivables from non-exchange transactions	707,300	631,853
Bank and cash	56,550,579	60,321,580
Trade and other payables from exchange transactions	(707,300)	(631,853)
Total Housing Development Fund Assets and Liabilities	57,767,299	61,588,902



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24. Service charges		
Electricity	674,896,622	624,705,115
Water	137,666,170	129,255,985
Sewerage and sanitation charges	110,678,138	98,989,249
Refuse removal	92,266,008	81,726,654
	1,015,506,938	934,677,003

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 the approved tariffs.

The prior period balances were reclassified. Refer to note 48 for more detail.

25. Income from agency services

Provincial drivers licenses	1,671,599	2,299,694
Provincial vehicle registrations	10,598,561	11,140,288
	12,270,160	13,439,982

Refer to note 57 regarding the principle-agent agreement.

Prior year figures is restated. Refer to note 48 for more detail.

26. GIPTN Fare Revenue

GIPTN Fare Revenue	41,133,084	44,197,337
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Fare revenue is recognised in accordance with accounting policy 1.25.

The GIPTN is part of a service concession arrangement. Refer to note 56 for more detail.

27. Other income

Building plan fees and related income	5,057,430	8,262,037
Camping fees	401,487	845,963
Cemetery fees	1,234,138	1,330,019
Collection charges	4,278,667	4,012,764
Development charges	12,715,365	13,260,028
Insurance claims received	1,857,470	394,252
Land usage application fees	433,558	633,111
Rates clearance certificates for property transfers	665,470	830,085
Sundry income	1,853,752	2,960,777
	28,497,337	32,529,036

The amounts disclosed above for Other Income are in respect of services rendered, other than described in notes 24, 29 and 31 which are billed to or paid for by the users of the services as required according to approved tariffs.



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28. Interest received		
Outstanding debtors		
Trade receivables	2,942,531	4,024,916
Land sales	-	2,730
Selling schemes	57,859	52,134
	3,000,390	4,079,780
External Investments		
Bank accounts	31,474,786	42,302,898
Short term investments	13,695,657	3,942,825
	45,170,443	46,245,723
	48,170,833	50,325,503
29. Property rates		
Rates received		
Agriculture	4,507,212	3,798,867
Commercial	74,503,132	68,325,640
Formal and informal settlements	15,462,865	14,315,373
Municipal	16,850,954	14,799,926
Public service infrastructure	92,308	76,848
Public benefit organisations	304,229	273,748
Residential	191,012,063	168,347,246
State-owned	16,489,790	14,711,199
Vacant land	18,821,458	18,544,888
Less: Income forgone	(28,645,744)	(26,869,731)
Less: Impermissible rates	(7,288,878)	(6,151,142)
	302,109,389	270,172,862
Valuations		
Agriculture	2,624,085,000	2,439,231,000
Churches & parks	351,738,000	347,906,000
Commercial	7,535,179,000	7,335,702,000
Formal and informal settlements	2,271,600,000	2,287,946,000
Industrial	1,771,874,000	1,689,371,000
Municipal (non-taxable valuations)	1,364,538,000	1,344,722,000
Public service infrastructure	92,280,000	85,897,000
Public benefit organisations	182,189,000	179,035,000
Residential	28,313,451,000	27,234,558,000
State-owned	1,786,727,000	1,701,643,000
Vacant land	1,853,334,000	1,998,391,000
	48,146,995,000	46,644,402,000



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29. Property rates (continued)

Assessment rates are levied on the total value of property of which the valuation must be performed every four years in terms of the Municipal Property Rates Act. Interim valuations are processed on a monthly basis to take into account changes in individual property value due to alterations, completions, consolidations and subdivisions.

Uniform rates of 0.6773 (2019: 0,6300) cents in the Rand on total valuations were applied to determine assessment rates. Business tariffs are levied at 0.9556 (2019: 0,8889) for Commercial, Industrial, Business and Mining erven, and this was applicable for all Areas.

A rebate of 0% (2019: 20%) was allowed on rural residential properties, whilst rebates of 20% - 40% (2019: 20% - 40%) were applied to pensioners, based on the annual income of the ratepayer.

Rates are levied monthly on property owners and are payable by the 15th of each month. Owners are allowed to pay the 12 monthly installments annually by 30 September each year. Interest is levied at the prime rate on outstanding rates amounts.



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30. Government grants and subsidies		
Operating grants		
Equitable share	149,978,000	137,401,000
National: Public Transport Grant	192,304,158	114,836,159
National: Energy Efficiency and Demand Side Management Grant	-	378,238
National: Expanded Public Works Program Grant	4,298,963	5,466,000
National: Financial Management Grant (FMG)	786,460	1,550,000
National: Infrastructure Skills Development	6,059,382	4,934,286
National: Municipal Disaster Relief Grant	506,000	-
National: Municipal Infrastructure Grant (MIG)	1,604,160	1,531,873
Other: LG Seta	1,038,658	1,045,420
Provincial: Library Services Grant	9,797,790	9,239,000
Provincial: Community Development Workers Grant	22,937	15,124
Provincial: Fire Services Grant	-	69,733
Provincial: Human Settlements Operating Grant	1,137,228	2,878,354
Provincial: Integrated Public Transport Network Grant	168,901,989	101,237,380
Provincial: Integrated Transport Planning Grant	-	6,506
Provincial: Local Government Graduate Internship Grant	78,013	56,695
Provincial: Local Government Support Grant - COVID-19	1,000,000	-
Provincial: Proclaimed Roads	10,086,965	5,168,098
Provincial: Thusong Centre Grant	200,000	200,000
Provincial: Western Cape Financial Management Capacity Building Grant	-	440,000
Provincial: Western Cape Financial Management Support Grant	589,338	755,000
	548,390,041	387,208,866
Capital grants		
National: Infrastructure Skills Development	619,516	102,790
National: Electricity Demand Side Management Grant	4,341,903	7,602,420
National: Municipal Infrastructure Grant (MIG)	6,976,908	35,595,160
National: Regional Bulk Infrastructure Grant (RBIG)	6,717,840	3,089,776
National: Integrated National Electrification Grant	9,249,665	16,475,935
National: Public Transport Grant	31,770,021	52,656,553
National: Municipal Infrastructure Grant - Special Sport Allocation	-	563,287
Provincial: Human Settlements Capital Grant	3,300,849	5,959,804
Provincial: Library Services Grant	195,210	-
Provincial: Fire Services Capacity Building Grant	-	107,374
	63,171,912	122,153,099
	611,561,953	509,361,965
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Civil Engineering Services	135,623,587	124,681,830
Community Services	57,745,286	54,917,232
Corporate Services	1,603,059	3,307,238
Electro- Technical Services	40,173,390	44,945,166
Financial Services	3,376,499	3,965,000
Human Settlements	3,685,528	4,609,854
Office of the Municipal Manager	432,892	-
Planning and Development	2,676,161	1,282,436
Protection Services	366,245,551	271,653,209
	611,561,953	509,361,965

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30. Government grants and subsidies (continued)

The prior year balances were reclassified due to construction contracts revenue recognised. Refer to note 8 for more detail.

31. Fines, penalties and forfeits

Property rates penalties	945,313	1,360,769
GIPTN Bus operator penalties	8,597	256,483
Other fines	263,891	727,749
Traffic fines	75,065,074	92,236,387
	76,282,875	94,581,388

The contract for the camera traffic fines lapsed in May 2020 and have not been renewed. Camera traffic fines were not issued during this period.

32. In-kind donations and assistance

The following assets have been donated to the municipality and form part of the asset additions for the year:

Property, plant and equipment

Erf 13043 George	1,208,645	-
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Investment property

Nikiwe Creche - erf 2206, Tyolora	2,915,000	-
	4,123,645	

33. Employee related costs

Basic	369,276,660	340,331,331
Housing benefits and allowances	2,219,764	2,124,680
Long-service awards	1,667,528	4,671,102
Medical aid - company contributions	22,532,112	20,470,264
Other payroll levies	5,811,952	4,951,919
Overtime payments	42,012,830	41,737,218
Employee benefit obligations	(399,631)	20,652,365
- Current service cost	5,579,739	4,920,957
- Interest cost	15,228,148	14,096,987
- Actuarial (gains) / losses recognised	(21,207,518)	1,634,421
Travel, motor car, accommodation, subsistence and other allowances	35,607,579	35,080,979
UIF	3,055,709	3,109,596
Pension	51,365,193	46,995,037
	533,149,696	520,124,491

Employee related cost for Section 56 and 57 employees was disclosed separately from other employees in the financial statements of the previous year. The disclosure above was amended to include the remuneration of the Section 56 and 57 employees as well as other employees.

Subsistence and Travelling Allowance amounting to R2,880,751 was disclosed separately in the note to the financial statements of the previous year. The disclosure above was amended to include the Subsistence and Travelling Allowance with the travel, motor car, accommodation, subsistence and other allowances.



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33. Employee related costs (continued)		
The organisational structure of the municipality was reviewed and Council adopted the new structure in August 2017. The remuneration disclosed below in the current year is for eight directorates and the prior year was for eight directorates.		
Included in the balances above is the following:		
Remuneration of Municipal Manager		
Annual remuneration	1,671,775	1,674,017
Contributions to UIF, Medical and Pension Funds	50,522	26,786
Performance bonus	186,843	225,617
	1,909,140	1,926,420
Remuneration of Director Financial Services		
Annual remuneration	30,885	1,091,668
Car allowance	1,290	60,000
Contributions to UIF, Medical and Pension Funds	6,209	239,142
Acting expense	37,317	10,295
	75,701	1,401,105
Remuneration of Director Corporate Services		
Annual remuneration	1,027,670	747,466
Car allowance	144,000	108,000
Contributions to UIF, Medical and Pension Funds	258,026	173,073
Acting expense	-	12,292
	1,429,696	1,040,831
Remuneration of Director Human Settlements, Land Affairs & Planning		
Acting expense	38,743	18,350
	38,743	18,350
Remuneration of Director Human Settlements		
Annual remuneration	1,373,551	1,338,223
Performance bonus	-	84,536
Contributions to UIF, Medical and Pension Funds	56,145	52,587
Acting expense	8,334	16,119
Performance bonus	194,401	-
	1,632,431	1,491,465



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33. Employee related costs (continued)		
Remuneration of Director Civil Engineering Services		
Annual remuneration	1,241,269	1,207,460
Performance bonus	-	77,328
Contributions to UIF, Medical and Pension Funds	2,237	2,230
Acting expense	973	-
Performance bonus	132,821	-
	1,377,300	1,287,018
Remuneration of Director Community Services		
Annual remuneration	1,147,245	1,111,782
Car allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	222,451	219,028
Acting expense	78,029	3,290
Performance bonus	124,972	118,737
	1,632,697	1,512,837
Remuneration of Director Protection Services		
Annual remuneration	1,056,491	1,026,086
Car allowance	96,000	96,000
Contributions to UIF, Medical and Pension Funds	277,205	268,724
Acting expense	9,803	30,373
Performance bonus	124,972	69,165
	1,564,471	1,490,348
34. Remuneration of Councillors		
Basic Salaries		
Executive Mayor	405,784	582,466
Deputy Executive Mayor	458,398	448,418
Speaker	600,457	584,439
Chief Whip	496,703	483,452
Mayoral Committee Members	5,358,274	4,899,749
Councillors	7,239,044	7,116,644
Allowances and contributions		
Car allowance	4,838,203	4,759,950
Cell phone allowance	2,102,842	2,127,577
Contributions to medical aid	257,211	282,763
Contributions to pension fund	759,424	731,784
	22,516,340	22,017,242

The remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. Refer to page 5 for the certification by the Accounting Officer.



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34. Remuneration of Councillors (continued)

Remuneration for the Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip are:

Executive Mayor

Basic Salary - MG Naik (Mayor until 19/2/2020)	334,334	582,466
Basic Salary - LD van Wyk (Mayor as from 22/5/2020)	71,450	-
Car allowance - MG Naik (Mayor until 19/2/2020)	142,554	214,868
Car allowance - LD van Wyk (Mayor as from 22/5/2020)	24,629	-
Cell phone allowance - MG Naik (Mayor until 19/2/2020)	26,028	40,800
Cell phone allowance - LD van Wyk (Mayor as from 22/5/2020)	3,400	-
Contributions to medical aid and pension fund - MG Naik (Mayor until 19/2/2020)	90,038	62,137
	692,433	900,271

Deputy Executive Mayor

Basic Salary	458,398	448,418
Car allowance	178,677	171,894
Cell phone allowance	40,800	40,800
Contributions to medical aid and pension fund	69,440	67,263
	747,315	728,375

Speaker

Basic Salary	600,457	584,439
Car allowance	105,820	103,136
Cell phone allowance	40,800	40,800
	747,077	728,375

Chief Whip

Basic Salary	496,703	483,452
Car allowance	165,344	161,151
Cell phone allowance	40,800	40,800
	702,847	685,403

In-kind benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Executive Mayoral Committee Members of the municipality 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.

The Executive Mayor and Deputy Executive Mayor have use of a Council owned vehicle for official duties.

Remuneration per councillor:

LH Arries	-	594,979
M Barnardt	702,847	685,403
M Barnardt (Councillor as from 22/5/2020 - 26/5/2020)	3,507	-
EL Brown	323,670	190,986
N Bungane	-	208,527
N Bungane (Mayco Member as from 31/1/2019)	-	260,891
EC Bussack (Mayco Member until 21/5/2020)	459,352	685,403
JP Buys	323,670	312,790
CM Clarke	747,315	728,375



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34. Remuneration of Councillors (continued)		
CM Clarke (Councillor as from 22/5/2020 - 26/5/2020)	3,173	-
BM Cornelius (Councillor until 21/8/2019)	54,324	312,790
BM Cornelius (Mayco Member as from 22/8/2019 - 21/2/2020)	348,603	-
DL Cronje (Mayco Member until 21/5/2020)	635,682	685,403
DL Cronje (Councillor as from 22/5/2020)	33,805	-
MP Daniels	323,670	312,790
EP de Villiers	-	114,234
S Dlikile	320,388	312,790
M Draghoender	323,670	312,790
J Du Toit (Chairperson of the (MPAC) as from 30/5/2019)	723,743	312,790
JD Esau	323,670	312,790
DV Farrel (Councillor as from 15/6/2020)	16,601	-
RS Figland	703,180	685,403
RS Figland (Councillor as from 22/5/2020 - 26/5/2020)	3,173	-
T Fortuin (Councillor as from 3/6/2020)	24,649	-
J Fry	323,670	312,791
V Gericke	323,670	312,790
D Gultig	323,670	70,247
GN Gushman	323,670	312,790
W Harris (Councillor until 1/6/2020)	297,859	312,790
HH Ingo	323,670	312,790
NR James	323,670	312,789
VA Kama (Councillor as from 31/7/2019)	297,849	-
A Kiwit	-	121,034
IC Kritzinger (Mayco Member until 21/5/2020)	635,919	685,403
IC Kritzinger (Councillor as from 22/5/2020)	33,703	-
LK Langa	323,670	312,790
C Lesele	323,670	312,790
HJ Loff	323,670	312,790
P Louw	323,670	312,790
N Mbete (Mayco Member as from 1/7/2020)	702,847	-
N Mbete (Councillor as from 22/5/2020 - 26/5/2020)	3,507	-
NF Mdaka	323,670	312,790
KJ Mkondo	323,670	155,010
B Mooi	323,670	312,790
V Muller	293,267	312,790
MG Naik (Mayor until 19/2/2020)	592,953	900,271
J Ncamazana	323,670	312,790
CH Noble	702,847	685,403
CH Noble (Councillor as from 22/5/2020 - 26/5/2020)	3,507	-
P Nosana	323,670	312,790
MM Nyakati (Mayco Member until 21/5/2020)	635,682	685,403
MM Nyakati (Councillor as from 22/5/2020)	33,805	-
B Petrus	-	234,592
B Petrus (Section 79 Chairman 22/3/2019 - 24/4/2019)	-	47,678
L Pienaar (Councillor as from 30/4/2020 - 10/6/2020)	37,868	-
B Plata	323,670	312,790
G Pretorius	747,077	728,375
G Pretorius (Councillor as from 22/5/2020 - 26/5/2020)	3,467	-
S Rooiland	323,670	312,790
J Safers	323,670	312,790
S Snyman	703,141	685,403
S Snyman (Councillor as from 22/5/2020 - 26/5/2020)	2,807	-
GJ Stander (Councillor until 26/5/2020)	293,216	312,790

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34. Remuneration of Councillors (continued)		
GJ Stander (Mayco Member until 27/5/2020)	67,483	-
I Stemela (Councillor until 26/5/2020)	293,178	312,790
I Stemela (Mayco Member as from 27/5/2020)	67,576	-
E Stroebel	323,670	312,790
T Teyisi	323,670	312,790
PJ van der Hoven	323,670	312,790
J van der Westhuizen	-	173,155
G van Niekerk	323,670	312,790
LD van Wyk (Councillor until 21/5/2020)	289,845	312,790
LD van Wyk (Mayor as from 22/5/2020)	99,479	-
J von Brandis	701,367	685,403
J von Brandis (Councillor as from 22/5/2020 - 26/5/2020)	3,507	-
D Wessels (Councillor until 21/5/2020)	295,430	312,790
D Wessels (Mayco Member as from 22/5/2020)	65,323	-
AD Willemse (Mayco Member until 19/2/2020)	453,827	685,401
AD Willemse (Councillor as from 20/2/2020 - 26/2/2020)	4,135	-
CT Williams	323,670	312,790
R Windwaai (Councillor from 17/7/2019)	310,767	-
	22,516,340	22,017,242
35. Depreciation and amortisation		
Property, plant and equipment	157,298,912	142,340,465
Intangible assets	725,314	390,014
Investment property	162,015	169,071
	158,186,241	142,899,550
36. Impairment of assets		
Impairments		
Trade receivables from exchange transactions	43,913,018	17,688,952
Trade and other receivables from non-exchange transactions	81,358,123	79,022,334
Loans and receivables	32,523	7,557
	125,303,664	96,718,843
The prior year figures were restated. Refer to note 48 for more detail.		
37. Finance costs		
Loans and borrowings	34,776,514	33,875,117
Finance leases	255,822	632,992
Provision for rehabilitation of landfill site	4,224,663	2,003,963
Provision for Compensation Liability GIPTN (provision and accrual)	4,514,581	5,752,300
	43,771,580	42,264,372

Refer to note 21 for detail on the discounting of the provisions for the rehabilitation of the landfill site and the GIPTN Compensation Liability.



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38. Bulk purchases		
Electricity - Eskom	482,921,168	426,307,944
Water	2,277,888	2,544,247
	485,199,056	428,852,191

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. Water was purchased from Haarlem Irrigation Board during the year.

39. Contracted services

Consultants and professional services

Business and Advisory

Accounting and Auditing	542,069	1,102,178
Air Pollution	8,587	211,345
Audit Committee	229,225	162,790
Board Member	17,845	20,448
Communications	2,499,183	3,896,014
Human Resources	2,089,231	1,115,953
Project Management	1,239,806	406,871
Quality Control	317,750	263,001
Valuer and Assessors	869,366	1,580,307

Infrastructure and Planning

Engineering	5,206,639	4,966,928
Town Planner	258,080	1,456,455
Other	80,171	102,257

Other

Laboratory Services	12,125	107,301
Legal Cost	8,510,726	9,542,468

Contractors

Artists and Performers	1,475,207	567,883
Audio-visual Services	223,781	331,442
Building	17,823,844	63,357,402
Catering Services	1,978,940	2,080,542
Electrical	1,963,292	8,077,040
Employee Wellness	2,314,948	336,180
Event Promoters	12,835,930	11,382,990
Fire Protection	82,421	251,216
First Aid	1,063,913	429,805
Haulage	4,504,388	1,755,077
Inspection Fees	1,371,569	107,262
Maintenance of Buildings and Facilities	12,561,309	12,547,885
Maintenance of Equipment	6,374,246	6,850,737
Maintenance of Unspecified Assets	82,341,164	72,207,452
Management of Informal Settlements	4,947,386	4,858,750
Prepaid Electricity Vendors	17,815,538	18,885,262
Safeguard and Security	1,072,773	1,164,513
Traffic and Street Lights	48,014	554,168
Other	164,123	87,865



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39. Contracted services (continued)		
Outsourced Services		
<i>Business and Advisory</i>		
Accounting and Auditing	14,405	417,665
Business and Financial Management	951,944	823,873
Communications	3,259,324	1,681,505
Human Resources	819,321	96,614
Organisational	217,571	2,076,596
<i>Other</i>		
Administrative and Support Staff	1,486,084	1,311,688
Animal Care	2,600,000	2,584,265
Clearing and Grass Cutting Services	3,134,764	2,707,273
Illegal Dumping	905,356	-
Internal Auditors	3,637,134	3,482,240
Legal Cost	680,154	-
Meter Management	1,715,626	1,911,184
Refuse Removal	6,976,314	4,868,650
Printing Services	1,105,678	-
Security Services	18,869,330	20,987,505
Sewerage Services	77,901	1,291,807
Traffic Fines Management	2,906,610	3,374,099
Transport Services	175,923,251	140,957,846
Other	168,975	437,957
	418,293,331	419,778,554
40. Grants and subsidies paid		
Other subsidies		
Bursary Grants	-	577,851
Merit Grants and Donations	-	39,835
Provincial Department of Transport	83,377,884	64,907,786
	83,377,884	65,525,472

The Bursary grants are in respect of providing bursaries for further tertiary education.

Merit Grants and Donations are given to schools and non-profit organisations in the community.

The municipality receives a grant from the National Department of Transport to fund expenditure of the GIPTN bus service. A portion of this grant is paid over to the Provincial Department of Transport for expenditure they procure on behalf of the municipality in terms of section 17(2) of the Division of Revenue Act (2019).

41. Loss / (profit) on disposal of assets

Property, plant and equipment	193,857	764,629
Investment property	1,469,370	-
Inventory	(187,074)	(55,223)
	1,476,153	709,406



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Figures in Rand	2020	2019
42. Inventories losses/write downs		
Net realisable value adjustments:		
GIPTN Smart Cards for electronic fare revenue system	-	917,768
Unsold properties held for resale	-	6,917,896
	-	7,835,664
Refer to note 2 for details of inventories held by the municipality.		
43. Other materials / Inventory		
Fuel	12,966,044	13,351,999
Chemicals	17,825,228	13,926,591
Other	28,562,699	6,264,176
	59,353,971	33,542,766
44. General expenses		
Advertising, publicity and marketing	1,902,171	3,235,156
Auditors remuneration	5,343,589	5,696,439
Bank charges	2,327,049	2,789,800
Bargaining Council	5,227,867	4,919,188
Commission Third Party Vendors	2,338,066	2,398,960
Contribution / (Reversal) to the rehabilitation of the landfill sites provision	(5,276,411)	31,038,854
External computer services	12,740,331	7,678,847
Insurance	9,797,303	8,367,447
Learnerships and interns	1,135,412	1,382,526
Lease rentals on operating leases	5,578,371	5,486,431
Other general expenses	7,263,055	6,367,413
Postage, courier and delivery services	104,264	1,800,513
Printing and publications	2,876,484	3,262,797
Refuse	7,848,252	7,025,637
Skills Development Levy	4,424,229	5,004,693
Telephone and fax	2,432,194	2,393,282
Travel - local	15,642,176	14,590,449
Travel - overseas	78,554	-
Uniforms	3,680,389	3,071,305
Vehicle Tracking	1,596,619	326,929
Workmen's Compensation Fund	2,659,998	2,433,584
	89,719,962	119,270,250



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Figures in Rand	2020	2019
45. Net cash flows from operating activities		
Surplus for the year	142,946,462	94,350,121
Adjustments for:		
Depreciation and amortisation	158,186,241	142,899,550
Loss on sale of assets and liabilities	267,508	709,406
Donated asset receipts included in other income	(2,915,000)	-
Net realisable value adjustment of inventory	-	7,835,664
Finance costs - Finance leases	255,822	632,992
Impairment of assets	125,303,665	96,718,842
Movements in bonus provision	1,400,624	1,947,653
Movements in provisions	(5,447,871)	32,890,656
Provisions utilised during the year	(6,841,896)	(3,503,025)
Movement in Employee benefit asset and liabilities - Medical Aid, Pension and Long Service Awards	1,482,080	25,156,108
Movement in Employee benefit asset and liabilities - Staff leave	13,113,487	3,664,906
Receipts from principal	-	9,805,071
Payments on behalf of principal	(5,433,714)	(10,114,687)
Benefits paid in terms of employee benefits obligations	(8,817,736)	(9,190,357)
Construction contracts receipts	4,761,060	22,985,589
Construction contracts	(18,895)	(180,057)
Unspent conditional grants received	675,702,960	506,089,223
Repayments of unspent conditional grants	(14,347,996)	(45,000)
Payments from unspent conditional grants	(611,561,953)	(509,361,961)
Non-cash movements in unspent conditional grants	-	(92,998)
Construction contracts revenue	(19,983,773)	(41,409,863)
Changes in working capital:		
(Increase) / Decrease in Inventories	4,862,828	7,984,043
Other receivables from non-exchange transactions	(83,804,535)	(84,380,010)
(Increase) / Decrease in Prepayments	16,147,448	(10,904,638)
(Increase) / Decrease in Receivables from exchange transactions	(47,028,287)	(41,861,909)
Increase / (Decrease) in Trade and other payables from exchange transactions	18,266,412	(9,402,045)
(Increase) / Decrease in VAT	90,067	(946,103)
Increase / (Decrease) in Consumer deposits	2,055,290	428,605
	358,640,298	232,705,776



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25 March 2021

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46. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	53,551,093	80,294,899
• Community	1,573,909	720,652
• Other	1,278,771	1,690,860
	56,403,773	82,706,411
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	1,621,539	1,518,361
- in second to fifth year inclusive	3,575,698	520,501
	5,197,237	2,038,862

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

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47. Contingencies		
Compensation for damages		
Magnolia Ridge Properties 77 (Pty) Ltd	750,000	350,000
Cape Estates Properties Outeniqua (Pty) Ltd (formerly Reigate Development Projects (Pty) Ltd)	-	2,500,000
T Klaasen	150,000	-
Acme Tool Hire	528,438	1,963,793
Coastal Armature Winders and Supplies	225,000	200,000
R Wesso	150,000	-
Plaaslike Besorgde Inwoners	500,000	-
N Landu	-	2,307,000
Western Purification Chemical & Plant CC	1,000,000	-
Southern Cape Brick	-	120,000
	3,303,438	7,440,793

Magnolia Ridge Properties 77 (Pty) Ltd: Claimant brought a review application against the George Municipality regarding a decision made to claimant's application for and uses of erven 25538 and 25541 which was refused. The company appealed against the decision and the appeal was dismissed by the Appeal Authority after which the company lodged a revised application which was heard in the High Court of South Africa but the High Court referred the matter back to the Appeals Authority for consideration. There was an oral hearing on 1 April 2019 at the offices of the municipality and at this hearing, written and oral submissions were made. After the hearing, the Appeals Authority met with independent technical advisors for assistance and advice. The Appeals Authority dismissed the appeal in May 2019. The municipality paid R503,399 for legal costs in this matter. Magnolia Ridge Properties 77 (Pty) Ltd indicated that they intend to take the decision under review. To date the municipality did not receive any further communication from them on this matter.

Magnolia Ridge Properties 77 (Pty) Ltd also lodged an further application to change the zoning of erf 25541 in March 2019 for setting aside the decision of the Appeals Authority against the refusal of the company's request for rectification of a reported error on the municipality's zoning scheme map. The company requested an order that the entire extent of the property be rezoned and a cost order was also requested against the municipality. The municipality indicated that they would oppose this matter and filed the necessary documentation in June 2019. The appeal of the claimant was dismissed, but the claimant subsequently brought a review application in the High Court for the setting aside of the decision of the Appeal Authority.

The matter is currently pending a court date and the cost exposure for the municipality will be approximately R750,000 if the company is successful.

Cape Estates Properties Outeniqua (Pty) Ltd (formerly Reigate Development Projects (Pty) Ltd): The municipality was successful in an arbitration process relating to the services agreement on the Welgelegen Estate property development. The company has noted an appeal against the arbitration award and the hearing was set for October 2019. The appeal of the application was dismissed with costs. The matter is therefore concluded and no longer a contingent liability.

T Klaasen: Alleged unfair dismissal referred to the Bargaining Council. Awaiting date for arbitration in Bargaining Council. Possible legal cost payable by the municipality could be R150,000.

Southern Cape Brick: The municipality instituted a claim against Southern Cape Brick for illegal mining activities in Thembaletu. The company is busy with closure proceedings with the municipality monitoring the process. Possible legal costs payable by the municipality could be R120,000. The matter have been finalised during the year and no longer a contingent liability.



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47. Contingencies (continued)

Acme Tool Hire: A summons amounting to R528,438 was issued against the municipality for lost equipment. This matter was referred to Goussard Attorneys. The attorneys filed documentation against the summons after which the company has to resubmit their claim against that municipality and the attorneys responded on the new documentation submitted. Extensive consultations were held with the various role players in this matter. Charges are limited by not using the services of an attorney at this time. The matter is still in progress.

Coastal Armature Winders and Supplies: The applicant took the municipality to court for the setting aside of a tender award. The court awarded a partial cost order against the municipality. The costs have not been claimed by the opposing side and must still be taxed. Possible legal cost payable by the municipality could be R225,000.

R Wesso: Alleged unfair labour practice referred to the Bargaining Council, potentially leading to a Labour Court dispute. Awaiting date for arbitration in bargaining council. Possible legal costs payable by the municipality could be R150,000.

Plaaslike Bersorgde Inwoners: Opposing an application for the election of the current mayor of council to be set aside. Matter to be heard on 7 August 2020. Possible legal cost payable by the municipality could be R500,000.

N Landu: Acting on behalf of a minor, S Landu, he instituted a claim for damages of R2,307,000 against the municipality as a result of an incident when the minor's hand was injured when the rear loading mechanism of one of the municipality's refuse compactors allegedly closed on the minor's left hand. The municipality's attorneys indicated that the facts barely support a positive defence and the matter has been referred to the municipality's insurance.

Western Purification Chemical & Plant CC: Dispute about the cancellation of a tender agreement. First phase of dispute resolution in terms of FIDIC. The opposing party may claim for damages for unlawful termination of contract. Potential legal costs payable by the municipality could be R1,000,000.



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48. Prior period errors and reclassifications

STATEMENT OF FINANCIAL POSITION	2019 previously reported	Reclassifi- cation	Prior year error	2019 restated
Assets				
Current Assets				
Inventories	126,566,459	-	-	126,566,459
Trade receivables from exchange transactions - 48.2	111,798,090	-	1,255,529	113,053,619
Trade and other receivables from non-exchange transactions - 48.1;48.2;48.3	48,247,354	-	(3,512,860)	44,734,494
Prepayments	22,105,394	-	-	22,105,394
VAT receivable	4,256,357	-	-	4,256,357
Loans and receivables	228,676	-	-	228,676
Principle agent arrangement: amounts due - 48.3	-	2,799,502	-	2,799,502
Cash and cash equivalents	562,603,736	-	-	562,603,736
	875,806,066	2,799,502	(2,257,331)	876,348,237
Non-current Assets				
Property, plant and equipment	2,970,101,870	-	-	2,970,101,870
Intangible assets	2,136,778	-	-	2,136,778
Heritage assets	4,236,000	-	-	4,236,000
Investment property	151,982,744	-	-	151,982,744
Prepayments	1,870,856	-	-	1,870,856
Loans and receivables	507,608	-	-	507,608
	3,130,835,856	-	-	3,130,835,856
Total Assets	4,006,641,922	2,799,502	(2,257,331)	4,007,184,093
Liabilities				
Current Liabilities				
Construction contracts and receivables/(payables) - 48.3	-	-	6,412,649	6,412,649
Loans and borrowings	33,223,320	-	-	33,223,320
Finance lease obligation	2,412,747	-	-	2,412,747
Payables from exchange transactions - 48.1	222,473,759	-	(1,287,349)	221,186,410
Consumer deposits	27,596,642	-	-	27,596,642
Employee benefits	60,412,764	-	-	60,412,764
Provisions	13,611,170	-	-	13,611,170
Unspent conditional grants and receipts - 48.3	33,285,833	(1,250,863)	12,587,988	44,622,958
Principle agent arrangement: advance received - 48.3	-	4,050,366	-	4,050,366
	393,016,235	2,799,503	17,713,288	413,529,026
Non-Current Liabilities				
Loans and borrowings	256,997,622	-	-	256,997,622
Finance lease obligation	1,025,266	-	-	1,025,266
Employee benefits	161,761,655	-	-	161,761,655
Provisions	108,605,758	-	-	108,605,758
Trade and other payables from exchange transactions	4,620,168	-	-	4,620,168
	533,010,469	-	-	533,010,469



George Local Municipality

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Notes to the Annual Financial Statements

48. Prior period errors and reclassifications (continued)

Total Liabilities	926,026,704	2,799,503	17,713,288	946,539,495
Total Net Assets	3,080,615,218	-	(19,970,620)	3,060,644,598
Net Assets	2019 previously reported	Reclassification	Prior year error	2019 restated
Housing development fund	61,588,902	-	-	61,588,902
Accumulated surplus	3,019,026,315	-	(19,970,620)	2,999,055,695
	3,080,615,217	-	(19,970,620)	3,060,644,597

STATEMENT OF FINANCIAL PERFORMANCE

	2019 previously reported	Reclassification	Prior year error	2019 restated
Revenue from exchange transactions	1,093,303,194	-	1,255,529	1,094,558,723
Service charges - Electricity - 48.2	623,449,586	-	1,255,529	624,705,115
Service charges - Water	129,255,985	-	-	129,255,985
Service charges - Sewerage and sanitation charges	98,989,249	-	-	98,989,249
Service charges - Refuse removal	81,726,654	-	-	81,726,654
Rental of facilities and equipment	3,130,158	-	-	3,130,158
Income from agency services - 48.4	11,140,288	2,299,694	-	13,439,982
Licences and permits - 48.4	2,322,083	(2,299,694)	-	22,389
Sale of erven	16,237,315	-	-	16,237,315
GIPTN Fare Revenue	44,197,337	-	-	44,197,337
Other income	32,529,036	-	-	32,529,036
Interest received - Outstanding Debtors	4,079,780	-	-	4,079,780
Interest received - External Investments	46,245,723	-	-	46,245,723
Revenue from non-exchange transactions	939,140,074	(10,114,687)	(13,499,309)	915,526,078
Property rates	270,172,862	-	-	270,172,862
Construction contract revenue - 48.3	-	-	41,409,863	41,409,863
Government grants and subsidies - Operating - 48.3	452,232,725	(10,114,687)	(54,909,172)	387,208,866
Government grants and subsidies - Capital	122,153,099	-	-	122,153,099
Fines, penalties and forfeits	94,581,388	-	-	94,581,388
	2,032,443,268	(10,114,687)	(12,243,780)	2,010,084,801



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48. Prior period errors and reclassifications (continued)

	2019 previously reported	Reclassifi- cation	Prior year error	2019 restated
Expenditure				
Employee related cost	520,124,491	-	-	520,124,491
Remuneration of councillors	22,017,242	-	-	22,017,242
Depreciation and amortisation	142,899,550	-	-	142,899,550
Impairment losses - 48.1	97,354,418	(635,575)	-	96,718,843
Finance cost	42,264,372	-	-	42,264,372
Bulk purchases	428,852,191	-	-	428,852,191
Contracted services - 48.3	430,073,297	(10,114,687)	(180,057)	419,778,553
Grants and subsidies paid	65,525,472	-	-	65,525,472
Cost of housing sold	16,195,879	-	-	16,195,879
Loss on disposal of assets	709,406	-	-	709,406
Inventories losses / write-downs	7,835,664	-	-	7,835,664
Other materials / Inventory	33,542,766	-	-	33,542,766
General Expenses	119,270,250	-	-	119,270,250
	1,926,664,998	(10,750,262)	(180,057)	1,915,734,679
Surplus / (Deficit) for the year	105,778,270	635,575	(12,063,723)	94,350,122

CASH FLOW STATEMENT	2019 previously reported	Reclassifi- cation	Prior year error	2019 restated
Net cash from operating activities	232,705,776	-	-	232,705,776
Net cash from investing activities	(242,917,164)	-	-	(242,917,164)
Net cash from financing activities	(44,969,337)	-	-	(44,969,337)
Total cash movement for the year	(55,180,725)	-	-	(55,180,725)
Cash and cash equivalents at the beginning of the year	617,784,461	-	-	617,784,461
	562,603,736	-	-	562,603,736

48.1 Prior period error: Deposits on traffic fines incorrectly recognised as unidentified deposits

In the prior year, the municipality received deposits for traffic fines which were incorrectly allocated to unidentified deposits. A correction was made during the year of deposits received with available notice numbers; these deposits were allocated against the outstanding fine debtor and the impairment was recalculated.

The effect of this correction is as follows:

Increase / (Decrease) in Receivables from non-exchange transactions	238,488
(Increase) / Decrease in Payables from exchange transactions	1,287,349
(Increase) / Decrease in Impairment losses	(635,574)
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2018	(890,263)
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2019	(1,525,837)

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48. Prior period errors and reclassifications (continued)

48.2 Prior period error: Prepaid electricity sales not recognised as Receivables from exchange transactions

In the prior year, the municipality sold prepaid electricity at year end but the deposit for the prepaid electricity was only received after year end. These sales were not accounted for as receivables from exchange transactions.

The effect of this correction is as follows:

Increase / (Decrease) in Receivables from exchange transactions	1,255,529
(Increase) / Decrease in Service charges - Electricity	(1,255,529)
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2019	(1,255,529)

48.3 Prior period error and reclassifications: Housing Arrangements

In the prior year, the municipality did not account for construction contracts as required by GRAP 11. A correction was made during the current year to account for the construction contracts.

GRAP 109 Accounting by Principal and Agents came into effect during the financial year. The municipality accounted for the principal agent arrangements as a change in accounting policy.

With the implementation of the Guideline on Accounting for Arrangements Undertaken in Terms of the National Housing Programme, the following items were reclassified and corrected:

Reclassification: Principle / Agent Arrangement

Increase / (Decrease) in Amounts due from principle	2,799,502
(Increase) / Decrease in Advance received from principle	(4,050,366)
(Increase) / Decrease in Unspent conditional grants and receipts	1,250,864
(Increase) / Decrease in Government grants and subsidies	10,114,687
Increase / (Decrease) in Contracted services	(10,114,687)
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2019	-

Prior period error: Construction contracts

(Increase) / Decrease in Construction contracts and receivables/(payables)	(6,412,649)
(Increase) / Decrease in Unspent conditional grants and receipts	(12,587,988)
Increase / (Decrease) in Receivables from non-exchange transactions	(3,751,348)
(Increase) / Decrease in Government grants and subsidies - operating	54,729,115
(Increase) / Decrease in Construction contract revenue	(41,409,863)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2018	9,432,733
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2019	13,319,252

48.4 Reclassifications: Provincial drivers licenses

GRAP 109 Accounting by Principal and Agents came into effect during the financial year. The municipality accounted for the principal agent arrangements as a change in accounting policy.

With the implementation of GRAP 109 Accounting by Principle and Agents, the following items were reclassified:

Principle / Agent Arrangement

(Increase) / Decrease in Income from agency services	(2,299,694)
(Increase) / Decrease in Licences and permits	2,299,694
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2019	-

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49. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

Loans and receivables

Housing Scheme Loans	293,181	414,774
Sale of Erven Loans	71,340	71,340
Actaris Meter Debt	56,348	250,170

Trade and other receivables from exchange transactions

Service debtors	107,099,952	101,991,908
Other debtors	9,068,938	11,061,711

Other receivables from non-exchange transactions

Other debtors	8,539,620	2,452,077
Construction contracts and receivables/(payables)	8,828,958	-
Principle agent arrangement: amounts due from principle	8,003,564	2,799,502

Cash and cash equivalents

Cash and cash equivalents	799,505,640	562,603,736
	941,467,541	681,645,218

Financial liabilities

Loans and borrowings

Annuity loans	321,522,828	290,040,098
Other loans	-	180,844

Finance lease obligations

Finance lease obligation	1,025,266	3,438,013
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Consumer deposits

Electricity and water deposits	29,651,932	27,596,642
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Trade and other payables

Trade payables	216,980,707	197,267,102
Construction contracts and receivables/(payables)	-	6,412,649
Principle agent arrangement: advance received from principle	3,820,712	4,050,366

	573,001,445	528,985,714
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50. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's Treasury function provides services to the business, co-ordinates access to domestic markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk.

The municipality seeks to minimise the effects of these risks in accordance with its policies approved by the Council. The policies provide written principles on interest rate risk, credit risk and in the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Director Financial Services on a continuous basis. The municipality does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The Treasury function reports periodically to the municipality's finance committee, that monitors risks and policies implemented to mitigate risk exposures.



George Local Municipality

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50. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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 timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	73,256,424	67,707,167	185,805,648	144,474,647
Finance lease obligations	558,419	428,247	180,451	-
Consumer deposits	29,651,932	-	-	-
Trade and other payables	214,374,787	4,026,021	2,400,611	-

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	63,187,807	60,547,506	159,879,730	157,090,899
Finance lease obligations	2,668,569	558,419	606,236	-
Consumer deposits	27,596,642	-	-	-
Trade and other payables	203,109,949	1,433,837	3,181,469	4,862

Interest rate risk

The municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

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.

The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings and finance leases are therefore usually at fixed rates.

This risk is managed on an ongoing basis.

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial loss.

Potential concentrations of credit rate risk consist mainly of investments, loans and receivables, trade receivables, other receivables, short-term investment deposits and cash and cash equivalents.



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50. Risk management (continued)

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.

Trade receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers. Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply.

In the case of customers 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.

Non-current Receivables and Other Receivables are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of customers is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

The municipality only deposits with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure is disclosed below.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Financial instruments	2020	2019
Loans and receivables	420,869	736,284
Trade and other receivables from exchange transactions	116,168,890	113,053,619
Other receivables from non-exchange transactions	25,372,142	5,251,579
Cash and cash equivalents	799,505,640	562,603,736
	941,467,541	681,645,218

The method for determining the credit quality of the different financial instruments is disclosed in their individual notes.

Consumer deposits and guarantees held in lieu of service accounts are disclosed in note 19.

Price risk

The effect of any price risk in the foreseeable future is regarded as minimal given the fact that amounts receivable from the municipality's customers are levied in terms of the relevant statutes. It is not anticipated that given the nature of the municipality's business that changes in market prices will have a material impact on the trading results of the municipality.

There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.



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51. Unauthorised expenditure

Unauthorised expenditure for the current year is disclosed in terms of Municipal Vote as per the MFMA definition of Vote.

Budget Comparison by Municipal Vote in total	2020 (Actual)	2020 (Budget)	2020 (Variance)	2020 (Unauthorised)
Civil Engineering Services	450,833,525	555,437,193	(104,603,668)	-
Community Services	168,417,408	191,726,704	(23,309,296)	-
Corporate Services	68,164,803	73,851,922	(5,687,119)	-
Electro-Technical services	659,845,378	699,329,605	(39,484,227)	-
Financial Services	109,516,201	121,038,648	(11,522,447)	-
Human Settlements	51,669,920	268,368,316	(216,698,396)	-
Office of the Municipal Manager	85,060,851	127,726,270	(42,665,419)	-
Planning and Development	44,244,389	46,583,427	(2,339,038)	-
Protection Services	624,252,959	633,843,107	(9,590,148)	-
	2,262,005,434	2,717,905,192	(455,899,758)	-

Budget Comparison by Municipal Vote - Operating Expenditure	2020 (Actual)	2020 (Budget)	2020 (Variance)	2020 (Unauthorised)
Civil Engineering Services	351,168,594	361,611,044	(10,442,450)	-
Community Services	159,888,783	168,692,145	(8,803,362)	-
Corporate Services	66,467,578	70,784,667	(4,317,089)	-
Electro-Technical services	631,380,866	654,138,112	(22,757,246)	-
Financial Services	108,591,434	119,207,148	(10,615,714)	-
Human Settlements	47,765,136	265,344,266	(217,579,130)	-
Office of the Municipal Manager	84,363,521	125,153,770	(40,790,249)	-
Planning and Development	41,693,445	43,739,927	(2,046,482)	-
Protection Services	614,667,610	617,183,548	(2,515,938)	-
	2,105,986,967	2,425,854,627	(319,867,660)	-

Budget Comparison by Municipal Vote - Capital Expenditure	2020 (Actual)	2020 (Budget)	2020 (Variance)	2020 (Unauthorised)
Civil Engineering Services	99,664,931	193,826,149	(94,161,218)	-
Community Services	8,528,625	23,034,559	(14,505,934)	-
Corporate Services	1,697,225	3,067,255	(1,370,030)	-
Electro-Technical services	28,464,512	45,191,493	(16,726,981)	-
Financial Services	924,767	1,831,500	(906,733)	-
Human Settlements	3,904,784	3,024,050	880,734	880,734
Office of the Municipal Manager	697,330	2,572,500	(1,875,170)	-
Planning and Development	2,550,944	2,843,500	(292,556)	-
Protection Services	9,585,349	16,659,559	(7,074,210)	-
	156,018,467	292,050,565	(136,032,098)	880,734



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51. Unauthorised expenditure (continued)

Unauthorised expenditure of the previous year were approved as follows:

Depreciation

Reconciliation of unauthorised expenditure

Opening balance	5,027,981	5,027,981
Approved by Council	(5,027,981)	-
	<u>-</u>	<u>5,027,981</u>

Council approved the unauthorised expenditure amounting to R5,027,981 on 30 January 2020.

Impairment losses

Reconciliation of unauthorised expenditure

Opening balance	93,813,261	90,781,179
Unauthorised expenditure current year	-	29,367,547
Approved by Council	(93,813,261)	(26,335,465)
	<u>-</u>	<u>93,813,261</u>

Council approved the unauthorised expenditure amounting to R93,813,261 on 30 January 2020. The prior year amount of R26,335,465 was approved by Council on 6 November 2018.

Finance charges

Reconciliation of unauthorised expenditure

Opening balance	15,954,944	10,641,123
Unauthorised expenditure current year	-	9,924,356
Approved by Council	(15,954,944)	(4,610,535)
	<u>-</u>	<u>15,954,944</u>

Council approved the unauthorised expenditure amounting to R15,954,944 on 30 January 2020. The prior year amount of R4,610,535 was approved by Council on 6 November 2018.

Materials & bulk purchases

Reconciliation of unauthorised expenditure

Opening balance	15,264,858	-
Unauthorised expenditure current year	-	15,264,858
Approved by Council	(15,264,858)	-
	<u>-</u>	<u>15,264,858</u>

Council approved the unauthorised expenditure amounting to R15,264,858 on 30 January 2020.

Remuneration of councillors

Reconciliation of unauthorised expenditure

Opening balance	468,172	-
Unauthorised expenditure current year	-	468,172
Approved by Council	(468,172)	-
	<u>-</u>	<u>468,172</u>

Council approved the unauthorised expenditure amounting to R468,172 on 30 January 2020.



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51. Unauthorised expenditure (continued)		
Capital expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	-	2,350,696
Approved by Council	-	(2,350,696)
	<u>-</u>	<u>-</u>

The amount approved by Council of R2,350,696 was disclosed as being approved by Council in the prior year's financial statements, but the approval was only obtained on 6 November 2018.

52. Irregular expenditure

Opening balance	632,613,600	11,846,408
Add: Irregular Expenditure - current year	3,527,769	262,998,487
Add: Irregular Expenditure - identified in current year for prior years	-	357,893,535
Less: Amounts certified by Council	(632,613,600)	(124,830)
	<u>3,527,769</u>	<u>632,613,600</u>

Council approved the irregular expenditure amounting to R632,613,600 on 24 August 2020.

Details of irregular expenditure

Identified during 30 June 2018 financial year

3 quotations not obtained	-	595,608
PPPFA Points System	-	795,687
Deviations not valid	-	4,464,284
Declaration of interest (MBD4) not obtained	-	509,607
Unfair awarding of points to the winning bidder during functionality test	-	5,356,392

Identified during 30 June 2019 financial year

Section 80 committee / councillors involved in tender process - 2018/2019 expenditure	-	261,641,678
Section 80 committee / councillors involved in tender process - 2017/2018 expenditure	-	207,847,230
Section 80 committee / councillors involved in tender process - 2016/2017 expenditure	-	98,116,464
Section 80 committee / councillors involved in tender process - 2015/2016 expenditure	-	41,217,017
Section 80 committee / councillors involved in tender process - 2014/2015 expenditure	-	10,712,824
Regulation 32 deviations - 2018/2019 expenditure	-	1,316,809
Tax clearance certificate not obtained - 2018/2019 expenditure	-	40,000

Identified during 30 June 2020 financial year

Regulation 32 deviations - 2019/2020 expenditure	3,527,769	-
	<u>3,527,769</u>	<u>632,613,600</u>



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53. Fruitless and wasteful expenditure		
Opening balance	518,903	687,271
Less: Amounts certified by Council	(518,903)	(168,368)
	-	518,903
Fruitless and wasteful expenditure consist out of the following:		
GO George bus tickets: Cost price of old bus tickets destroyed after bus tariff increase	-	518,903

Council approved the fruitless and wasteful expenditure amounting to R518,903 on 24 August 2020.

54. Material losses

Electricity distribution

Units purchased (KWh)	459,873,065	473,073,479
Units lost during distribution	32,740,738	25,502,732
Percentage lost during distribution	7.12	5.39

Water distribution

Kilolitres purified	11,203,972	11,692,348
Kilolitres lost during distribution	2,271,443	2,717,537
Percentage lost during distribution	20.27	23.24

The prior year figures for water distribution were restated due to an error in the calculation of kilolitres purified.



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55. Municipal Land Transport Fund		
Included in the Accumulated surplus is the Municipal Land Transport Fund for the George Integrated Public Transport Network as required by the National Land Transport Act, (Act No. 5 of 2009). Refer to accounting policy 1.29 for more information on the fund.		
The transactions for the year were:		
Opening balance	20,538,572	19,633,908
National grants	192,304,158	114,836,159
Provincial grants	168,901,989	101,243,886
Fare revenue	41,133,084	44,197,337
Other income	13,815	256,681
Less: Expenses	(404,585,544)	(259,629,399)
Surplus	18,306,074	20,538,572

The Municipal Land Transport Fund was established by the Municipality as required by the National Land Transport Act, No 5 of 2009. All fare revenues and other income from the operation of the GIPTN is received in the fund as well as grants received for the payment of operational contracts and related costs.

The following items did not form part of the MLTF:

National grants	3,351,666	52,656,553
Less: Expenses (depreciation and compensation adjustment)	(29,545,456)	(29,068,014)
Surplus / (Loss)	(26,193,790)	23,588,539
Total GIPTN Surplus / (Loss)	(7,887,716)	44,127,111

56. Service concession arrangements

George Municipality has entered into a service concession arrangement with one Vehicle Operating Company (VOC) for the George Integrated Public Transport Network (GIPTN). Included in this arrangement is the bus fleet.

The objective of the concession arrangement is to support the National Land Transport Act (Act No. 5 of 2009) and Public Transport Strategy (PTS) and Action Plan in promoting the provision of accessible, reliable, and affordable integrated municipal public transport network services. The overall objective of the GIPTN project is to ensure that all members of the George community can use safe, affordable, accessible, and reliable public transport to access social, economic and employment opportunities. This is being achieved through the transformation of the existing local bus and minibuss taxi industries, as well as through the support of non-motorised transport.

The Municipality and the VOC entered into a negotiated operator agreement which commenced 8 December 2014 with a termination date of 12 years after the commencement date. The contract does not contain a renewal clause.

The GIPTN bus fleet consists of 104 vehicles (Initial Vehicle Fleet) with the useful life ranging from six (6) to (12) years, split as per the table below:



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56. Service concession arrangements (continued)

Bus type	Quantity	Useful life
Standard	36	12 years
Midi	33	12 years
Mini	35	6 years
	104	

The asset may only be used for scheduled public transport services in the area as agreed between the parties. It is the intention of the municipality to transfer the Initial Vehicle Fleet to the VOC as soon as possible at a nominal value in terms of the operator agreement. All vehicles must be compliant with the Vehicle Schedule , Vehicle Specifications as well as be maintained in terms of the Vehicle Operation and Maintenance Standards and Conditions to the Operator Contract.

The municipality retains full control over the nature, timing and extent of the services that the operator must perform. Routes, timetables and fare rates are determined by the municipality. Fare's are increased annually.

The initial fleet of buses forms part of Property, plant and equipment and was reclassified within the note from other assets to service concession assets. Refer to note 12 for detail.

Fare revenue received by the municipality is disclosed in note 26.

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57. Accounting by principals and agents

The entity is a party to the following principal-agent arrangements.

Municipality as agent

Motor Vehicle Registrations Arrangement

As per Circular R12.1994 the executive committee of the Provincial Administration of the Cape of Good Hope and the Department of State Expenditure granted authority that a new agency fee be paid to local authorities who have been appointed as registering authorities in the Cape Province for the registration and licensing of motor vehicles in terms of the National Road Traffic Act 93 of 1996.

The municipality is the agent in this binding agreement and uses its own resources in performing the service delivery and capturing the information on the ENATIS (Electronic National Administration Traffic Information System).

Agency Fee Circular R5.2005 further states that all municipalities must perform weekly pay-over in terms of MFMA 56 of 2003 section 64 (4).

Revenue and expenses from principal-agent transactions:

2020

	Drivers licences	Vehicle registrations	Total
Revenue received from third parties	2,525,568	56,714,746	59,240,314
Payment to provincial traffic department	(853,969)	(46,116,185)	(46,970,154)
Agency fee income	1,671,599	10,598,561	12,270,160
Depreciation	-	(153,882)	(153,882)
Employee cost	(2,397,763)	(3,193,791)	(5,591,554)
Contracted services	(17,122)	(381,020)	(398,142)
General expenses	(483,798)	(807,117)	(1,290,915)
	(1,227,084)	6,062,751	4,835,667

2019

	Drivers licences	Vehicle registrations	Total
Revenue received from third parties	3,364,961	64,347,734	67,712,695
Payment to provincial traffic department	(1,065,267)	(53,207,446)	(54,272,713)
Agency fee income	2,299,694	11,140,288	13,439,982
Depreciation	-	(118,771)	(118,771)
Employee cost	(2,507,487)	(3,057,310)	(5,564,797)
Contracted services	(3,379)	(206,120)	(209,499)
General expenses	(375,015)	(683,123)	(1,058,138)
	(586,187)	7,074,964	6,488,777



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57. Accounting by principals and agents (continued)

Municipality as the principal

Arrangement with George Link (Pty) Ltd to provide public transport service

There is a contractual arrangement between George Link (Pty) Ltd and the Municipality for operating the buses and collecting fare revenue from passengers. The arrangement between the two parties is a service concession arrangement (refer to note 56 for details).

George Link (Pty) Ltd operates the busses on the time tables, routes and at fares determined by the Municipality and collects the fare revenue from passengers entering the buses. The buses are owned by the municipality and the operator uses these buses to perform the service.

The municipality paid R 176,284,891 to the operator for providing the service on their behalf.

In the event that the arrangement is terminated and the municipality decides to provide the service and not make use of a contractor, the municipality will as a minimum have to procure additional busses, employ bus operators and administrative personell.

Distribution of prepaid electricity

The municipality entered into an agreement with Ontech Systems (Pty) Ltd to provide the hosting, vending, data management and supplementary support services to the municipality. Ontech Systems (Pty) Ltd distributes the prepaid electricity (by way of vendors) to third parties and pays the revenue received over to the municipality. The company does not use any of the municipality's resources.

The fees paid to Ontech Systems (Pty) Ltd during the year were R 17,815,538.

In the event that the arrangement is terminated and the municipality decides to provide the service and not make use of a contractor, the municipality will as a minimum have to procure software, computer infrastructure and additional employees.

58. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	(5,050,239)	(4,504,678)
Current year subscription / fee	5,050,239	4,504,678
Amount paid - current year	(5,958,216)	(5,050,239)
Prepayment - Refer to note 6	(5,958,216)	(5,050,239)

The municipality pays the SALGA membership fees annually in May for the following financial year in order to receive a 5% discount. Refer to note 6 for more detail.

Audit fees

Current year subscription / fee	5,343,589	5,696,439
Amount paid - current year	(5,343,589)	(5,696,439)
	-	-



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58. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE and UIF

Current year subscription / fee	82,596,606	76,250,538
Amount paid - current year	(82,596,606)	(76,250,538)
	<u>-</u>	<u>-</u>

Pension and Medical Aid Deductions

Current year subscription / fee	114,669,786	105,680,208
Amount paid - current year	(114,669,786)	(105,680,208)
	<u>-</u>	<u>-</u>

VAT

VAT receivable / (payable)	<u>4,166,291</u>	<u>4,256,357</u>
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VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at any point in time during the year ended 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
CH Noble	<u>4,503</u>	<u>27,448</u>	<u>31,951</u>
30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
CH Noble	<u>3,138</u>	<u>33,778</u>	<u>36,916</u>



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58. Additional disclosure in terms of Municipal Finance Management Act (continued)

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council. Deviations from the Supply Chain Management processes were identified for the following categories and have been approved by the Accounting Officer and reported to Council.

2020

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,000
Office of the Municipal Manager	58,672	247,336	851,236	-
Civil Engineering Services	289,973	2,457,313	1,679,588	-
Community Services	182,082	688,943	-	-
Corporate Services	127,753	317,509	-	-
Electro- Technical Services	444,270	927,374	1,602,827	-
Financial Services	-	50,000	-	-
Human Settlement	37,964	279,079	-	-
Planning and Development	36,473	145,390	-	-
Protection Services	120,650	1,200,053	719,396	-
	1,297,837	6,312,997	4,853,047	-

2019

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,000
Office of the Municipal Manager	82,329	1,353,316	477,480	-
Civil Engineering Services	367,867	2,659,010	2,398,768	-
Community Services	418,453	155,557	235,753	-
Corporate Services	114,529	292,324	-	-
Electro- Technical Services	352,407	1,307,096	1,452,751	-
Financial Services	66,261	261,079	-	-
Human Settlement	24,337	-	-	-
Planning and Development	104,883	131,093	-	-
Protection Services	248,496	1,282,954	481,488	-
	1,779,562	7,442,429	5,046,240	-



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58. Additional disclosure in terms of Municipal Finance Management Act (continued)

The major deviations were as follows:

2020

Awarded	Amount	Reason / Explanation
Transformer Field Services	1,602,827	Exceptional case and impossible to follow the official procurement process. When TFS open the transformer for inspection and cleaning it was discovered that the internet ports of the transformer had considerable wear and need to be re-wired.
Community Systems	851,236	Sole Supplier
Delacom Solutions	646,010	Emergency
Electrical Pro	316,250	Emergency
Marce Fire Fighting	299,638	Impossible to follow the official procurement process. Sole supplier of specific pump.
Civil Designer	286,224	Impossible to follow the official procurement process. Civil Designer is the sole supplier of this specific software.
Huber Technology	229,276	Sole Supplier
Algoa FM	210,105	Impossible to follow the official procurement process. Single source.
Group Editors	209,653	Impossible to follow the official procurement process. Single source.
Barloworld Equipment - CAT	201,829	Impossible to follow the official procurement process. The CAT machine can only be fitted with a CAT broom.
	4,853,048	

2019

Awarded	Amount	Reason / Explanation
KBK Power Solutions	1,452,751	Sole Supplier.
Chlorcape	1,357,920	Impossible to follow the official procurement process. Awaiting BAC final approval of tender.
Eden FM	477,479	Sole Supplier.
Metsi Chem iKapa	476,238	Impossible to follow the official procurement process. Awaiting BAC final approval of tender.
East Coast Irrigation	294,360	Impossible to follow the official procurement process. Work needs to be done by contractor on site, as the work is directly linked.
Group Editors	281,388	Impossible to follow the official procurement process. Only local paper.
Huber Technology	270,250	Sole Supplier of Huber equipment.
Arena Group	235,753	Emergency.
Algoa	200,100	Sole Supplier.
	5,046,239	



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58. Additional disclosure in terms of Municipal Finance Management Act (continued) Purchases from persons in service of the state

The municipality made the following payments to companies / persons in service of the state:

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
Aurecon SA	Various	Various	Various	Various	9,136,735	9,814,947
	ZB Ebrahim	Non-Executive Director	Social Housing Regulatory	Various		
Royal Haskoning DHV	JD van Eeden	Member	Councillor - Langeberg	Brother	7,730,826	1,242,677
			Department of Water Affairs	Nephew		
SMEC South Africa (Pty) Ltd	M Phosa	Member	Finance - Mpumalanga Provincial Government	Spouse	7,028,399	6,884,592
Moreki Distributors	MD Moreki	Director	Palm Springs Magistrates Court	Spouse	5,878,570	6,802,938
WTW Civil (Pty) Ltd	DL Wasserman	Director	Various	Interest in related companies: Africa Resurfacing & Asphalt and Supa Asphalt	3,988,146	28,829,379
Willvest Twenty Three (Pty) Ltd t/a Urhwebo E-transand	Various	Various	Various	Various	3,696,996	3,870,771
Minolta SA: George	KR Mthimunye	Non-Executive director	Mintek	Various	2,251,680	2,098,423
Delacom	VV Zwane	Director	Social Worker	Spouse	1,963,451	3,934,743
GLS Consulting	Various	Various	Various	Various	1,949,219	2,429,024
iKapa Reticulation and flow CC	SFA Davids	Director	Western Cape Education Department - Teacher	Spouse	1,917,940	2,179,490
Bidvest Waltons	KB Wakeford	Director	Various	Various	1,667,130	-
	GC McMahon	Director	Various	Various		
	NT Madisa	Director	Various	Various		
Trentyre	NP Mona	Member	SA Forestry Company	Not Indicated	1,153,826	1,122,087
	A Sing	Non-Executive Director	DBSA	Not Indicated		



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58. Additional disclosure in terms of Municipal Finance Management Act (continued)

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
Conlog	L Moodley	Commercial Director	Provincial Health Department of KZN - Director of Informatics - GIS	Spouse	865,481	781,080
	L Gaxeni	Quality Manager	Eskom KZN - Deductor Manager	Spouse		
Elster Kent Metering	NY Nkabinde	Director	Competition Commissioner	Not Indicated	804,540	952,718
Redrin Services CC	A Dumaphi	Director	Passenger Rail Agency of South Africa - Manager of Security	Father	802,107	-
Misizipa General Grading	S Toto	Director	George Municipality - Youth Office	Former-Girlfriend (Mother of his Son)	629,960	145,230
2 Brothers Enterprise	J Booysen	Owner	George Municipality - Cleaner/Tea Lady	Sister-In-Law	498,243	567,473
Vilconsec	C Viljoen	Owner	Official at George Municipality	Sister	447,177	15,870
ISHS	CM Willems	Director	Teacher	Parent	429,091	1,405,294
First Technology Western Cape	A Sharp	Director	Various	Various	402,008	358,090
Tuiniqua Consulting Engineers	E Huistra	Member	WC Education	Spouse	376,437	674,908
Garden Route Sales & Suppliers	N Louw	Owner	Official at George Municipality	Spouse	286,653	-
Agate and Beryl Trading t/a Rock Solutions	L Coetzee	Owner	Official at George Municipality	Mother-in-law	285,029	425,080
	A Swartbooi			Daughter		
Bearing Warehouse	FC Zeelie	Member	Department of Agriculture	Spouse	234,712	194,278
Total Client Services	V Zitumane	Member	EC Parks & Tourism	Not Indicated	205,706	274,275
	BKD Mafu	Non-executive director	EC Liquor Board	Not Indicated		
Adenco Construction	V Machimana	Director	Department of Health	Parent	117,256	705,141
	DCC Jackson	Director	Teacher	Parent		
Inca Portfolio Managers	M Mokoene	Non-Executive Director	Gautrain Management Agency	Not Indicated	107,350	101,080

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58. Additional disclosure in terms of Municipal Finance Management Act (continued)

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
Ruwacon (Pty) Ltd	PP Rantsoareng	Director	Various	Various	96,704	-
	KA Michael	Director	Various	Various		
	PB Ruthven	Director	Various	Various		
	HP van H Badenhorst	Director	Various	Various		
	FJ Prinsloo	Director	Various	Various		
	JL De Bruin	Director	Various	Various		
	JHJ Rheeder	Director	Various	Various		
	GF Le Roux	Director	Various	Various		
	D Plekker	Director	Various	Various		
		Director	Various	Various		
DFN Construction	DF Noemdoe	Owner	George Municipality Planning Department	Brother	94,350	173,868
			Department of Justice	Sister		
Raubenheims Attorneys	WM Luttig	Director	Teacher	Spouse	91,809	2,012,807
Wolfe Pack Race	K Langeveldt	Owner	Official at George Municipality	Spouse	74,026	105,756
			Official at George Municipality	Brother		
Capstone VMG Enterprises (Pty) Ltd	V Sambokwe	Owner	Garden Route District Municipality - Administrative Clerk	Spouse	71,839	-
Wesso Construction (Pty) Ltd	D Wesso	Director	Official at George Municipality	Brother	47,818	-
Avela General Service and Construction	Nimrod Nongogo	Owner	Department of Health: Ambulance Assistant	Son	45,551	53,588
	Phelo Nongogo	Owners	Department of Health: Admin Clerk	Daughter		
Seebosrand Catering	ME Classen	Owner	Official at George Municipality	Daughter	34,880	168,978
On Target Shooting Range	DJ van Rooyen	Director	Various	Various	31,270	-
D and D Pumps	WP du Preez	Member	City of Cape Town Municipality	Spouse	11,591	11,146

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58. Additional disclosure in terms of Municipal Finance Management Act (continued)

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
South African Bureau of Standards	Various	Various	Various	Various	4,830	-
Arms & Tackle Outdoor	C Rhode	Employee	George Municipality - Traffic Department	Sister	4,143	-
SAPO Speed Services - Western Cape	Various	Various	Various	Various	3,630	-
Genela Security Training and Projects (Pty) Ltd	Morton Gericke	Not Indicated	Councillor - George Municipality	Brother	-	925,292
SMS ICT Choice (Pty) Ltd	Similingene Sydwell Maqula	Director	Eastern Cape - Department of Human Settlements (Director)	Spouse	-	268,536
Max21st Century Projects & Events	M Meas	Director	Former employee of George Municipality	Not Indicated	-	125,727
CSM Consulting Services	CAJ Vancoillie	Not Indicated	Western Cape Provincial Government Department of Environmental Affairs and Development Planning (Chief Town & Regional Planner)	Son	-	124,460
A Louw t/a Goossen Clough & Louw	A Louw	Director	Western Cape Education Department	Spouse	-	32,509
Omnisolar	JE Albert	Member	Not Indicated	Spouse	-	10,326
Jaji Bee Relocation and Honey Farming	QJ Jaji	Owner	Official at George Municipality	Daughter	-	3,600

55,467,109 79,826,181



George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

59. Related parties

Relationships

Councillors

Details of councillors are listed as part of General Information. Refer to page 1.

Directors

Directorate Financial Services
 Directorate Corporate Services
 Directorate Human Settlements
 Directorate Planning and Development
 Directorate Civil Engineering Services
 Directorate Electro- Technical Services
 Directorate Community Services
 Directorate Protection Services

LE Wallace - Acting
 S James
 C Lubbe
 D Power - Acting
 R Wesso
 S van der Merwe - Acting
 W Hendricks
 S Erasmus
 T Botha

Municipal Manager

Related party transactions

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.

The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the Municipal Manager and Section 57 personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of related parties

Compensation of Key Management Personnel and Councillors is set out in notes 33 and 34 to the Annual Financial Statements.

GIPTN Compensation Liability

I Stemela will be receiving another compensation payment of R267,149 with the roll out of the next phases of the George Integrated Public Transport Network. Refer to note 21 for more detail on the provision.

Payments made to related parties

Refer to note 58 for details of payments made to entities with persons in service of the state.

60. B-BBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

61. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	321,522,828	290,220,942
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date. Refer to note 16 for detail of long-term liabilities.

George Local Municipality
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62. Events after reporting date

The COVID-19 outbreak resulted in a global pandemic during the 2020 calendar year, which resulted in worldwide economic uncertainty. At this stage, we are unable to assess and quantify the impact the pandemic might have on the financial results of the company in the next 12 months.

The national state of disaster has been extended until 15 September 2020. Refer to note 63 whereby the financial impact of the COVID-19 pandemic on the Municipality is disclosed. Other than the COVID-19 pandemic, the Municipality had no other significant events after reporting date.

63. COVID-19 Response Expenditure

Although the coronavirus was international news since December 2019, it was only on 5 March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the national lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

Thus, there will not be any prior year information regarding expenditure in lieu of Covid-19.

The information below indicates the total Covid-19 response funding and expenditure for the period ending 30 June 2020.

Details of Funding for COVID-19 expenditure

Provincial: Local Government Support Grant - COVID-19
National: Municipal Disaster Relief Grant
Own funds

Total Funding for COVID-19 expenditure

**Period ending
30 June 2020**

1,000,000
506,000
7,467,682

8,973,682

George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

63. COVID-19 Response Expenditure (continued)

Details of COVID-19 expenditure

Summary per category

	Period ending 30 June 2020
General	2,388,317
Community and Social Services	3,270,672
Housing	13,500
Health	3,301,193
Total Covid-19 response expenditure	8,973,682

The expenditure per month from lockdown to the year end was:

General	April 2020	May 2020	June 2020	Total
Overtime	853,758	309,203	115,770	1,278,731
Sanitation of office building	-	667,319	248,420	915,739
Litigations related to Covid-19	-	4,970	108,636	113,606
Desktop sneeze screens	-	21,211	59,029	80,240
Sub-total: General	853,758	1,002,703	531,855	2,388,316
Community and social services	April 2020	May 2020	June 2020	Total
Chemical toilets	531,603	429,308	524,704	1,485,615
Feeding of Homeless/ Food distribution	894,257	448,013	386,990	1,729,260
Community and Awareness campaigns	6,425	25,252	20,220	51,897
Community and Social Services-Other	3,900	-	-	3,900
Sub-total: Community and Social Services	1,436,185	902,573	931,914	3,270,672
Housing	April 2020	May 2020	June 2020	Total
Quarantine facilities	13,500	-	-	13,500



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25 March 2021

George Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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63. COVID-19 Response Expenditure (continued)

Health	March 2020	April 2020	May 2020	June 2020	Total
Cost of Mobile Testing	-	9,900	-	-	9,900
Cost of Screening and Testing	-	1,800	-	18,950	20,750
Gloves, Sterile	100,419	74,400	2,516	777	178,111
Goggles/Face shield/Visor	52,242	-	-	-	52,242
Sanitizer	240,929	175,295	276,004	180,965	873,193
Masks	681,895	612,151	58,500	31,288	1,383,834
Disinfectants	-	8,210	-	49,300	57,510
Decontamination of infected premises	-	296,251	-	-	296,251
Gas cylinders	-	18,600	-	-	18,600
Thermometers	152,066	6,450	163,419	88,866	410,801
Sub-total:Health	1,227,551	1,203,057	500,439	370,146	3,301,192

The table below indicates the payables in terms of Covid-19 response expenditure:

	June 2020
General	170,192
Community and Social Services	351,481
Health	280,606
Total payables in lieu of Covid-19 response expenditure	802,279

64. Budget differences

64.1 Transfers recognised - operational

The difference between the final adjustments budget and the actual amounts is 31% and relates to under spending on expenditure relating to the day-to-day running of the municipality due to municipal offices being closed during the COVID-19 national lockdown period.

64.2 Other own revenue

The variance of 15% between the actual and budget amounts received consist out of the following items: Revenue of Community Halls and Facilities declined due to the impact of COVID-19 as the halls and facilities could not be rented out. No interest on outstanding debt were charged during the national lockdown period as a COVID-19 incentive to consumers. Under collection on transport fees due to the buses that could not run of full capacity during the lockdown period.

64.3 Employee costs

The difference between the final adjustments budget and the actual amounts is 11%. Variance due to vacant budgeted positions that was not filled during the financial year.



George Local Municipality
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64. Budget differences (continued)

64.4 Debt impairment

The difference between the final adjustments budget and the actual amounts is 76%. The differences consist of an increase in the impairment provision of traffic fines issued, receivables from exchange and non exchange transactions.

64.5 Finance charges

The difference between the final adjustments budget and the actual amounts is 26%. The differences consist the interest on the provisions for the rehabilitation of the landfill site and GIPTN compensation provision. Refer to note 21 for detail.

64.6 Transfers and grants

The difference between the final adjustments budget and the actual amounts is 43% . The variance relates to the contribution to SANRAL that has been paid in the following year.

64.7 Other expenditure

The variance of 39% between the actual amount spent is linked to the under spending on expenditure relating to the day-to-day running of the municipality due to offices being closed during the lockdown period.

64.8 Transfers recognised - capital

The difference between the final adjustments budget and the actual amounts is 73%. The variance is due to underspending on capital assets.

64.9 Contributions recognised - capital and contributed assets

The variance is due to assets donated to the municipality that was not budgeted for. Refer to note 32 for more detail.

64.10 Capital - Finance and administration

The difference between the final adjustments budget and the actual amounts is 47% and relates to Fleet management not being able to purchase vehicles during the COVID-19 national lockdown period. Fibre Connections and Switches projects tenders were advertised but needed to be stopped due to the implementation of the COVID-19 national lockdown. The Municipality has requested to roll-over these projects.

64.11 Capital - Community and social services

The difference between the final adjustments budget and the actual amounts is 57%. The variance is due to the palisade fence at Uniondale Community Hall, Isiseko Crech and Chris Nissen Crech and also the Lawaaikamp Old Age Home building extension that was not completed due to the COVID-19 national lockdown period.

64.12 Capital - Sport and recreation

The difference between the final adjustments budget and the actual amounts is 89% and consist of the Tartan track at Rosemoore sportsfield that was not completed. No suitable bidder due to non compliance as well as unverifiable references. The Municipality has requested to roll-over the project to the next financial year.



George Local Municipality
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Notes to the Annual Financial Statements

64. Budget differences (continued)

64.13 Capital - Public safety

The difference between the final adjustments budget and the actual amounts is 37%. The variance is due to the Kleinkrantz Fire Station project. A consulting engineer have been appointed but the process has been delayed due to the COVID-19 national lockdown.

64.14 Capital - Housing

The difference between the final adjustments budget and the actual amounts is 73%. The variance relates to donated assets being recorded where no budgetary provision was made.

64.15 Capital - Planning and development

The difference between the final adjustments budget and the actual amounts is 70%. The variance relates to vehicles not purchased due to the COVID-19 national lockdown period.

64.16 Capital - Road transport

The difference between the final adjustments budget and the actual amounts is 35%. Information outstanding. The variance is due to the GIPTN Road rehabilitation project and the Thembaletu UISP Project not being completed due to the COVID-19 national lockdown period. The municipality has requested to roll-over these projects to the next financial year.

64.17 Capital - Energy sources

The difference between the final adjustments budget and the actual amounts is 37% and relates to the refurbishment of an existing 10MVA transformer where the project could not be completed due to the COVID-19 national lockdown. Energy efficient lighting could not be installed due to the COVID-19 national lockdown. The Cherry picker truck and the Crane truck could not be procured as there was no suitable vehicles on the state tender. The municipality has requested to roll-over these projects to the next financial year.

64.18 Capital - Water management

The difference between the final adjustments budget and the actual amounts is 49%. The variance is due to the extension of the waterworks projects that could not be completed due to the COVID-19 national lockdown.

64.19 Capital - Waste water management

The difference between the final adjustments budget and the actual amounts is 68% and relates the upgrading of the Outeniqua waste water treatment works, upgrading of the pump stations and storm water projects that could not be completed due to the COVID-19 national lockdown.

64.20 Capital - Waste management

The difference between the final adjustments budget and the actual amounts is 47% and relates to a Skip truck with skips and a Refuse truck with bin lifter that could not be purchased due to the COVID-19 national lockdown.



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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Property rates	279,613,000	10,000,000	289,613,000	-		289,613,000	302,109,389		12,496,389	104 %	108 %
Service charges	1,036,678,204	15,000,000	1,051,678,204	-		1,051,678,204	1,015,506,938		(36,171,266)	97 %	98 %
Investment revenue	49,275,533	3,881,790	53,157,323	-		53,157,323	48,170,832		(4,986,491)	91 %	98 %
Transfers recognised - operational	605,092,063	186,713,982	791,806,045	-		791,806,045	548,390,041		(243,416,004)	69 %	91 %
Other own revenue	246,290,830	(52,661,905)	193,628,925	-		193,628,925	165,349,908		(28,279,017)	85 %	67 %
Total revenue (excluding capital transfers and contributions)	2,216,949,630	162,933,867	2,379,883,497	-		2,379,883,497	2,079,527,108		(300,356,389)	87 %	94 %
Employee costs	597,372,068	964,042	598,336,110	-	-	598,336,110	533,149,697	-	(65,186,413)	89 %	89 %
Remuneration of Councillors	23,942,803	-	23,942,803	-	-	23,942,803	22,516,337	-	(1,426,466)	94 %	94 %
Debt impairment	71,386,200	-	71,386,200			71,386,200	125,303,665	-	53,917,465	176 %	176 %
Depreciation and asset impairment	162,816,890	-	162,816,890			162,816,890	158,186,241	-	(4,630,649)	97 %	97 %
Finance charges	36,143,780	(1,270,380)	34,873,400	-	-	34,873,400	43,771,579	-	8,898,179	126 %	121 %
Materials and bulk purchases	537,835,756	20,966,617	558,802,373	-	-	558,802,373	548,065,124	-	(10,737,249)	98 %	102 %
Transfers and grants	69,450,380	77,585,130	147,035,510	-	-	147,035,510	83,377,884	-	(63,657,626)	57 %	120 %
Other expenditure	770,385,057	57,602,124	827,987,181	-	-	827,987,181	508,013,294	-	(319,973,887)	61 %	66 %
Loss on disposal of PPE	674,160	-	674,160	-	-	674,160	1,476,153	-	801,993	219 %	219 %
Total expenditure	2,270,007,094	155,847,533	2,425,854,627	-	-	2,425,854,627	2,023,859,974	-	(401,994,653)	83 %	89 %
Surplus/(Deficit)	(53,057,464)	7,086,334	(45,971,130)	-		(45,971,130)	55,667,134		101,638,264	(121)%	(105)%

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	62,478,891	6,740,117	69,219,008	-		69,219,008	83,155,683		13,936,675	120 %	133 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	4,123,645		4,123,645	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	9,421,427	13,826,451	23,247,878	-		23,247,878	142,946,462		119,698,584	615 %	1,517 %

Capital expenditure and funds sources

Total capital expenditure	344,772,281	(52,721,716)	292,050,565	-		292,050,565	156,018,467		(136,032,098)	53 %	45 %
Sources of capital funds											
Transfers recognised - capital	61,220,697	48,093,608	109,314,305	-		109,314,305	56,450,194		(52,864,111)	52 %	92 %
Public contributions and donations	-	-	-	-		-	4,123,645		4,123,645	DIV/0 %	DIV/0 %
Borrowing	144,695,032	(121,879,557)	22,815,475	-		22,815,475	4,548,508		(18,266,967)	20 %	3 %
Internally generated funds	138,856,552	21,064,233	159,920,785	-		159,920,785	90,896,120		(69,024,665)	57 %	65 %
Total sources of capital funds	344,772,281	(52,721,716)	292,050,565	-		292,050,565	156,018,467		(136,032,098)	53 %	45 %

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	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	156,986,629	-	156,986,629	-		156,986,629	358,640,298		201,653,669	228 %	228 %
Net cash from (used) investing	(343,282,100)	-	(343,282,100)	-		(343,282,100)	(150,371,711)		192,910,389	44 %	44 %
Net cash from (used) financing	100,653,831	-	100,653,831	-		100,653,831	28,633,317		(72,020,514)	28 %	28 %
Net increase/(decrease) in cash and cash equivalents	(85,641,640)	-	(85,641,640)	-		(85,641,640)	236,901,904		322,543,544	(277)%	(277)%
Cash and cash equivalents at the beginning of the year	562,603,736	-	562,603,736	-		562,603,736	562,603,736		-	100 %	100 %
Cash and cash equivalents at year end	476,962,096	-	476,962,096	-		476,962,096	799,505,640		(322,543,544)	168 %	168 %

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	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2019				
Financial Performance				
Property rates				270,172,862
Service charges				934,687,003
Investment revenue				50,325,503
Transfers recognised - operational				387,208,866
Other own revenue				245,537,468
Total revenue (excluding capital transfers and contributions)				1,887,931,702
Employee costs	-	-	-	(520,124,491)
Remuneration of councillors	468,172	468,172	-	(22,017,242)
Debt impairment	93,813,261	93,813,261	-	(96,718,843)
Depreciation and asset impairment	5,027,981	5,027,981	-	(142,899,550)
Finance charges	15,954,944	15,954,944	-	(42,264,372)
Materials and bulk purchases	15,264,848	15,264,848	-	(462,394,957)
Bulk purchases	-	-	-	-
Transfers and grants	-	-	-	(65,525,472)
Other expenditure	-	-	-	(563,789,753)
Total expenditure	130,529,206	130,529,206	-	(1,915,734,680)
Surplus/(Deficit)				(27,802,978)
Transfers recognised - capital				122,153,099
Surplus (Deficit) after capital transfers and contributions				94,350,121
Surplus/(Deficit) for the year				94,350,121
Capital expenditure and funds sources				
Total capital expenditure				243,235,949
Sources of capital funds				
Transfers recognised - capital				113,832,965
Borrowing				18,776,017
Internally generated funds				110,626,967
Total sources of capital funds				243,235,949
Cash flows				
Net cash from (used) operating				232,705,776
Net cash from (used) investing				(242,917,164)
Net cash from (used) financing				(44,969,337)
Net increase/(decrease) in cash and cash equivalents				(55,180,725)
Cash and cash equivalents at the beginning of the year				617,784,461
Cash and cash equivalents at year end				562,603,736