



**GEORGE LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## General Information

---

### Mayoral committee

Executive Mayor	MG Naik
Deputy Executive Mayor	C Clarke
Speaker	G Pretorius
Chief Whip	M Barnardt
Councillors	
Ward	
1	J Säfers
2	DL Cronje
3	E Brown (Appointed November 2018) EP De Villiers (Resigned August 2018)
4	M Barnardt
5	P Louw
6	HH Ingo
7	S Rooiland
8	AD Willemse
9	S Dlikilile
10	BH Henge
11	CI Lesele
12	B Plata
13	LK Langa
14	EC Bussack
15	NF Mdaka
16	CH Noble
17	V Muller
18	D Gultig (Appointed April 2019) J van der Westhuizen (Resigned January 2019)
19	S Snyman
20	R Windwaai (Appointed July 2019) M Draghoender (Moves to another political party and becomes a PR councillor)
21	NR James
22	G Pretorius
23	GJ Stander
24	MP Daniels
25	JD Esau
26	J Von Brandis
27	BM Cornelius

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## GENERAL INFORMATION

---

Proportionally elected councillors

L Arries (Resigned May 2019)  
JP Buys  
CM Clarke  
M Draghoender  
J Du Toit  
RG Figland  
J Fry  
V Gericke  
WT Harris  
N Jantjies-Gushman  
A Kiwit (Resigned November 2018)  
IC Kritzinger  
H Loff  
N Mbete  
K Mkondo (Appointed January 2019)  
MG Naik  
J Ncamazana  
P Nosana  
MM Nyakati  
B Petrus (Resigned April 2018)  
I Stemela  
EH Stroebel  
T Teyisi  
GJ Van Niekerk  
LD Van Wyk  
PJ Van der Hoven  
DJ Wessels  
CT Williams

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## GENERAL INFORMATION

---

<b>Auditor</b>	The Auditor General of South Africa
<b>Bankers</b>	ABSA Bank Limited
<b>Registered office</b>	Civic Centre York Street 77 George 6530
<b>Postal address</b>	PO Box 19 George 6530
<b>Accounting Officer</b>	T Botha
<b>Chief Finance Officer (CFO)</b>	K Jordaan
<b>Website</b>	<a href="http://www.george.gov.za">www.george.gov.za</a>
<b>E-mail</b>	<a href="mailto:post@george.gov.za">post@george.gov.za</a>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2019

**Index**

---

<b>Index</b>	<b>Page</b>
Accounting Officer's Approval of the Financial Statements	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 11
Appropriation Statement	12 - 15
Accounting Policies	16 - 43
Notes to the Annual Financial Statements	44 - 115

**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

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Officer's Approval of the Financial Statements

---

The Accounting Officer is responsible for the preparation and fair presentation of the annual financial statements of the municipality for the year ending 30 June 2019, comprising of the Statement of Financial Position as at 30 June 2019, the Statement of Financial Performance for the year ended 30 June 2019, the Statement of Changes in Net Assets and the Cash Flow Statement. for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

The Accounting Officer's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Accounting Officer's responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as preparation of the supplementary schedules included in these financial statements.

The Accounting Officer has made an assessment of the municipality's ability to continue as a going concern and has no reason to believe that the municipality will not be a going concern in the year ahead.

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

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.

I certify that 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 note 30 for the disclosure of Councillor remuneration.



Accounting Officer

30 August 2019

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	126,566,459	142,330,943
Receivables from exchange transactions	3	111,798,090	88,880,663
Receivables from non-exchange transactions	4	48,247,354	38,268,554
Prepayments	5	22,105,394	13,071,612
VAT receivable	6	4,256,357	3,310,255
Loans and receivables	7	228,676	161,391
Cash and cash equivalents	8	562,603,736	617,784,461
		<b>875,806,066</b>	<b>903,807,879</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	2,970,101,870	2,871,374,678
Intangible assets	10	2,136,778	1,355,437
Heritage assets	11	4,236,000	4,236,000
Investment property	12	151,982,744	152,151,814
Prepayments	5	1,870,856	-
Loans and receivables	7	507,608	681,180
		<b>3,130,835,856</b>	<b>3,029,799,109</b>
<b>Total Assets</b>		<b>4,006,641,922</b>	<b>3,933,606,988</b>
<b>Current Liabilities</b>			
Loans and borrowings	13	33,223,320	39,621,253
Finance lease obligation	14	2,412,747	4,717,554
Payables from exchange transactions	15	222,473,760	233,235,909
Consumer deposits	16	27,596,642	27,168,038
Employee benefit obligation	17	58,911,246	55,172,826
Provisions	18	13,611,170	2,388,295
Unspent conditional grants and receipts	19	33,285,833	75,143,780
		<b>391,514,718</b>	<b>437,447,655</b>
<b>Non-Current Liabilities</b>			
Loans and borrowings	13	256,997,622	290,220,942
Finance lease obligation	14	1,025,266	3,435,551
Employee benefit obligation	17	161,761,655	145,423,283
Provisions	18	108,605,758	90,453,253
Payables from exchange transactions	15	4,620,168	2,796,362
		<b>533,010,469</b>	<b>532,329,391</b>
<b>Total Liabilities</b>		<b>924,525,187</b>	<b>969,777,046</b>
<b>Net Assets</b>			
Net Assets		<b>3,082,116,735</b>	<b>2,963,829,942</b>
Housing development fund	20	61,588,902	62,941,145
Accumulated surplus		3,020,527,833	2,900,888,797
<b>Total Net Assets</b>		<b>3,082,116,735</b>	<b>2,963,829,942</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges - Electricity	21	623,449,586	603,331,974
Service charges - Water	21	129,255,985	117,656,763
Service charges - Sewerage and sanitation charges	21	98,989,249	87,951,733
Service charges - Refuse removal	21	81,726,654	69,777,667
Rental of facilities and equipment		3,130,158	3,271,235
Income from agency services	22	11,140,288	11,257,883
Licences and permits		2,322,083	2,741,849
Sale of erven		16,237,315	9,041,869
GIPTN Fare Revenue	23	44,197,337	39,419,283
Other income	24	32,529,036	41,410,859
Interest received - Outstanding Debtors	25	4,079,780	4,676,862
Interest received - External Investments	25	46,245,723	50,165,612
<b>Total revenue from exchange transactions</b>		<b>1,093,303,194</b>	<b>1,040,703,589</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	270,172,862	235,053,760
<b>Transfer revenue</b>			
Government grants & subsidies - Operating	27	452,232,725	402,554,545
Government grants & subsidies - Capital	27	122,153,099	202,852,847
Fines, penalties and forfeits	28	94,581,388	81,503,236
<b>Total revenue from non-exchange transactions</b>		<b>939,140,074</b>	<b>921,964,388</b>
<b>Total revenue</b>		<b>2,032,443,268</b>	<b>1,962,667,977</b>
<b>Expenditure</b>			
Employee related costs	29	518,622,973	468,427,937
Remuneration of Councillors	30	22,017,242	21,519,465
Depreciation and amortisation	31	142,899,550	161,537,374
Impairment loss	32	97,354,417	111,775,999
Finance costs	33	42,264,372	44,140,410
Bulk purchases	34	428,852,191	397,810,247
Contracted services	35	430,073,297	404,753,232
Grants and subsidies paid	36	65,525,472	56,384,007
Cost of housing sold		16,195,879	7,566,330
Loss on disposal of assets	37	709,406	2,762,626
Inventories losses/write-downs	38	7,835,664	-
Other materials / Inventory	39	33,542,766	31,268,648
General Expenses	40	119,270,250	76,355,120
<b>Total expenditure</b>		<b>1,925,163,479</b>	<b>1,784,301,395</b>
<b>Surplus for the year</b>		<b>107,279,789</b>	<b>178,366,582</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	63,214,982	2,721,022,129	2,784,237,111
Adjustments:			
Prior year adjustments - Refer to Note 46	-	1,226,249	1,226,249
<b>Balance at 01 July 2016 as restated</b>	<b>63,214,982</b>	<b>2,722,248,378</b>	<b>2,785,463,360</b>
Changes in net assets:			
Surplus for the year	-	178,366,582	178,366,582
Transfer to/(from) the Housing Development Fund	(273,837)	273,837	-
Total changes	(273,837)	178,640,419	178,366,582
<b>Balance at 01 July 2018</b>	<b>62,941,145</b>	<b>2,900,888,797</b>	<b>2,963,829,942</b>
Changes in net assets:			
Surplus for the year	-	107,279,789	107,279,789
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 19			
Total changes	(1,352,243)	119,639,036	118,286,793
<b>Balance at 30 June 2019</b>	<b>61,588,902</b>	<b>3,020,527,833</b>	<b>3,082,116,735</b>
Note(s)	20		

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2019

**Cash Flow Statement**

Figures in Rand	Note(s)	2019	2018
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		278,519,137	244,205,691
Sale of goods and services		941,562,253	889,113,034
Grants		538,879,884	600,769,491
Interest income		46,245,723	50,165,612
Other receipts		50,419,970	57,687,725
		<u>1,855,626,967</u>	<u>1,841,941,553</u>
<b>Payments</b>			
Employee costs		(520,563,423)	(477,762,791)
Suppliers		(1,060,726,388)	(918,463,742)
Finance costs		(41,631,380)	(43,153,884)
		<u>(1,622,921,191)</u>	<u>(1,439,380,417)</u>
<b>Net cash flows from operating activities</b>	41	<u><b>232,705,776</b></u>	<u><b>402,561,136</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(242,064,594)	(267,337,144)
Proceeds on disposal of property, plant and equipment	9	220,055	2,284,522
Purchase of intangible assets	10	(1,171,355)	(638,570)
Proceeds from loans and receivables		98,730	54,718
<b>Net cash flows from investing activities</b>		<u><b>(242,917,164)</b></u>	<u><b>(265,636,474)</b></u>
<b>Cash flows from financing activities</b>			
Repayment of loans and borrowings	13	(39,621,253)	(18,985,435)
Repayment of finance lease liabilities		(5,348,084)	(5,595,533)
<b>Net cash flows from financing activities</b>		<u><b>(44,969,337)</b></u>	<u><b>(24,580,968)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(55,180,725)</b></u>	<u><b>112,343,694</b></u>
Cash and cash equivalents at the beginning of the year		617,784,461	505,440,767
<b>Cash and cash equivalents at the end of the year</b>	8	<u><b>562,603,736</b></u>	<u><b>617,784,461</b></u>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## 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						
<b>Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Property rates	254,955,490	5,149,540	<b>260,105,030</b>	270,172,862	<b>10,067,832</b>	Difference less than 10%
Service charges	949,026,230	(8,827,222)	<b>940,199,008</b>	933,421,474	<b>(6,777,534)</b>	Difference less than 10%
Investment revenue	44,415,665	5,456,501	<b>49,872,166</b>	46,245,723	<b>(3,626,443)</b>	Difference less than 10%
Transfers recognised - operational	473,230,342	11,769,813	<b>485,000,155</b>	452,162,990	<b>(32,837,165)</b>	Difference less than 10%
Other own revenue	196,947,116	(8,935,128)	<b>188,011,988</b>	208,217,390	<b>20,205,402</b>	56.1
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,918,574,843</b>	<b>4,613,504</b>	<b>1,923,188,347</b>	<b>1,910,220,439</b>	<b>(12,967,908)</b>	
<b>Expenditure by type</b>						
Employee costs	538,850,547	21,158,587	<b>560,009,134</b>	518,622,973	<b>(41,386,161)</b>	Difference less than 10%
Remuneration of Councillors	18,649,070	2,900,000	<b>21,549,070</b>	22,017,242	<b>468,172</b>	Difference less than 10%
Debt impairment	67,986,870	-	<b>67,986,870</b>	97,354,417	<b>29,367,547</b>	56.2
Depreciation and asset impairment	162,428,729	-	<b>162,428,729</b>	142,899,550	<b>(19,529,179)</b>	56.3
Finance charges	32,340,016	-	<b>32,340,016</b>	42,264,372	<b>9,924,356</b>	56.4
Materials and bulk purchases	478,468,890	(7,307,247)	<b>471,161,643</b>	486,426,501	<b>15,264,858</b>	Difference less than 10%
Transfers and grants	212,000	67,517,369	<b>67,729,369</b>	65,525,472	<b>(2,203,897)</b>	Difference less than 10%
Other expenditure	657,259,246	(77,286,884)	<b>579,972,362</b>	550,052,953	<b>(29,919,409)</b>	Difference less than 10%
<b>Total expenditure</b>	<b>1,956,195,368</b>	<b>6,981,825</b>	<b>1,963,177,193</b>	<b>1,925,163,480</b>	<b>(38,013,713)</b>	
<b>Surplus / (Deficit)</b>	<b>(37,620,525)</b>	<b>(2,368,321)</b>	<b>(39,988,846)</b>	<b>(14,943,041)</b>	<b>25,045,805</b>	
Transfers recognised - capital	175,957,898	(39,778,015)	<b>136,179,883</b>	122,222,830	<b>(13,957,053)</b>	56.5
<b>Surplus for the year</b>	<b>138,337,373</b>	<b>(42,146,336)</b>	<b>96,191,037</b>	<b>107,279,789</b>	<b>11,088,752</b>	

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## 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						
<b>Capital expenditure</b>						
<b>Capital expenditure by vote</b>						
Executive and Council	978,500	-	<b>978,500</b>	563,767	<b>(414,733)</b>	56.6
Finance and administration	10,448,500	(132,323)	<b>10,316,177</b>	8,928,430	<b>(1,387,747)</b>	56.7
Internal audit	100,000	-	<b>100,000</b>	67,297	<b>(32,703)</b>	56.8
Community and social services	6,027,555	223,704	<b>6,251,259</b>	3,402,841	<b>(2,848,418)</b>	56.9
Sport and recreation	13,009,681	3,023,152	<b>16,032,833</b>	4,777,038	<b>(11,255,795)</b>	56.10
Public safety	11,172,500	934,494	<b>12,106,994</b>	9,022,168	<b>(3,084,826)</b>	56.11
Housing	1,376,500	(88,712)	<b>1,287,788</b>	532,310	<b>(755,478)</b>	56.12
Health	350,000	-	<b>350,000</b>	255,361	<b>(94,639)</b>	56.13
Planning and development	1,618,000	(955,000)	<b>663,000</b>	534,718	<b>(128,282)</b>	56.14
Road transport	121,619,301	(10,466,865)	<b>111,152,436</b>	90,478,971	<b>(20,673,465)</b>	56.15
Energy sources	49,412,110	3,451,208	<b>52,863,318</b>	46,329,659	<b>(6,533,659)</b>	56.16
Water management	63,862,491	(29,232,123)	<b>34,630,368</b>	18,067,322	<b>(16,563,046)</b>	56.17
Waste water management	138,709,027	(72,369,468)	<b>66,339,559</b>	48,725,754	<b>(17,613,805)</b>	56.18
Waste management	10,164,000	10,505,470	<b>20,669,470</b>	11,401,953	<b>(9,267,517)</b>	56.19
Other	262,500	-	<b>262,500</b>	148,359	<b>(114,141)</b>	56.20
	<b>429,110,665</b>	<b>(95,106,463)</b>	<b>334,004,202</b>	<b>243,235,948</b>	<b>(90,768,254)</b>	
<b>Sources of Capital Funds</b>						
Other transfers and grants	186,705,211	(50,639,000)	<b>136,066,211</b>	113,832,965	<b>(22,233,246)</b>	
Borrowings	81,544,397	(56,536,394)	<b>25,008,003</b>	18,776,017	<b>(6,231,986)</b>	
Internally generated funds	160,861,057	12,068,931	<b>172,929,988</b>	110,626,967	<b>(62,303,021)</b>	
	<b>429,110,665</b>	<b>(95,106,463)</b>	<b>334,004,202</b>	<b>243,235,949</b>	<b>(90,768,253)</b>	
<b>Capitalisation consist of the following:</b>						
Property, plant and equipment additions				242,064,594		9
Intangible assets				1,171,355		10
				<b>243,235,949</b>		

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. 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
<b>Financial Performance</b>											
Property rates	254,955,490	5,149,540	260,105,030	-	-	260,105,030	270,172,862		10,067,832	104 %	106 %
Service charges	949,026,230	(8,827,222)	940,199,008	-	-	940,199,008	933,421,474		(6,777,534)	99 %	98 %
Investment revenue	44,415,665	5,456,501	49,872,166	-	-	49,872,166	46,245,723		(3,626,443)	93 %	104 %
Transfers recognised - operational	473,230,342	11,769,813	485,000,155	-	-	485,000,155	452,162,990		(32,837,165)	93 %	96 %
Other own revenue	196,947,116	(8,935,128)	188,011,988	-	-	188,011,988	208,217,390		20,205,402	111 %	106 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1,918,574,843</b>	<b>4,613,504</b>	<b>1,923,188,347</b>	<b>-</b>	<b>-</b>	<b>1,923,188,347</b>	<b>1,910,220,439</b>		<b>(12,967,908)</b>	<b>99 %</b>	<b>100 %</b>
Employee costs	538,850,547	18,302,905	557,153,452	-	2,855,682	560,009,134	518,622,973		(41,386,161)	93 %	96 %
Remuneration of Councillors	18,649,070	1,800,000	20,449,070	-	1,100,000	21,549,070	22,017,242	468,172	468,172	102 %	118 %
Debt impairment	67,986,870	-	67,986,870			67,986,870	97,354,417	29,367,547	29,367,547	143 %	143 %
Depreciation and asset impairment	162,428,729	-	162,428,729			162,428,729	142,899,550	-	(19,529,179)	88 %	88 %
Finance charges	32,340,016	-	32,340,016	-	-	32,340,016	42,264,372	9,924,356	9,924,356	131 %	131 %
Materials and bulk purchases	478,468,890	(8,365,106)	470,103,784	-	1,057,859	471,161,643	486,426,501	15,264,858	15,264,858	103 %	102 %
Transfers and grants	212,000	63,702,471	63,914,471	-	3,814,898	67,729,369	65,525,472	-	(2,203,897)	97 %	30,908 %
Other expenditure	657,259,246	(68,458,445)	588,800,801	-	(8,828,439)	579,972,362	550,052,953	-	(29,919,409)	95 %	84 %
<b>Total expenditure</b>	<b>1,956,195,368</b>	<b>6,981,825</b>	<b>1,963,177,193</b>	<b>-</b>	<b>-</b>	<b>1,963,177,193</b>	<b>1,925,163,480</b>	<b>55,024,933</b>	<b>(38,013,713)</b>	<b>98 %</b>	<b>98 %</b>
<b>Surplus/(Deficit)</b>	<b>(37,620,525)</b>	<b>(2,368,321)</b>	<b>(39,988,846)</b>	<b>-</b>	<b>-</b>	<b>(39,988,846)</b>	<b>(14,943,041)</b>		<b>25,045,805</b>	<b>37 %</b>	<b>40 %</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget (i.t.o. s28 and s31 of the MFMA)	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	175,957,898	(39,778,015)	136,179,883	-	-	136,179,883	122,222,830		(13,957,053)	90 %	69 %
<b>Surplus/(Deficit) for the year</b>	<b>138,337,373</b>	<b>(42,146,336)</b>	<b>96,191,037</b>	-	-	<b>96,191,037</b>	<b>107,279,789</b>		<b>11,088,752</b>	<b>112 %</b>	<b>78 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	429,110,665	(95,106,463)	334,004,202	-	-	334,004,202	243,235,949		(90,768,253)	73 %	57 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	186,705,211	(50,639,000)	136,066,211	-	-	136,066,211	113,832,965		(22,233,246)	84 %	61 %
Borrowing	81,544,397	(56,536,394)	25,008,003	-	-	25,008,003	18,776,017		(6,231,986)	75 %	23 %
Internally generated funds	160,861,057	12,068,931	172,929,988	-	-	172,929,988	110,626,967		(62,303,021)	64 %	69 %
<b>Total sources of capital funds</b>	<b>429,110,665</b>	<b>(95,106,463)</b>	<b>334,004,202</b>	-	-	<b>334,004,202</b>	<b>243,235,949</b>		<b>(90,768,253)</b>	<b>73 %</b>	<b>57 %</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## 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
<b>Cash flows</b>											
Net cash from (used) operating	384,577,703	2,264,947	386,842,650	-	-	386,842,650	232,705,776		(154,136,874)	60 %	61 %
Net cash from (used) investing	(386,332,810)	52,293,153	(334,039,657)	-	-	(334,039,657)	(242,917,164)		91,122,493	73 %	63 %
Net cash from (used) financing	33,746,726	(43,954,904)	(10,208,178)	-	-	(10,208,178)	(44,969,337)		(34,761,159)	441 %	(133)%
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>31,991,619</b>	<b>10,603,196</b>	<b>42,594,815</b>	<b>-</b>	<b>-</b>	<b>42,594,815</b>	<b>(55,180,725)</b>		<b>(97,775,540)</b>	<b>(130)%</b>	<b>(172)%</b>
Cash and cash equivalents at the beginning of the year	617,784,461	-	617,784,461	-	-	617,784,461	617,784,461		-	100 %	100 %
<b>Cash and cash equivalents at year end</b>	<b>649,776,080</b>	<b>10,603,196</b>	<b>660,379,276</b>	<b>-</b>	<b>-</b>	<b>660,379,276</b>	<b>562,603,736</b>		<b>97,775,540</b>	<b>85 %</b>	<b>87 %</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2018</b>				
<b>Financial Performance</b>				
Property rates				235,053,760
Service charges				878,718,137
Investment revenue				54,842,474
Transfers recognised - operational				402,554,545
Other own revenue				188,646,214
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>1,759,815,130</b>
Employee costs	-	-	-	(468,427,937)
Remuneration of councillors	-	-	-	(21,519,465)
Debt impairment	(47,637,439)	-	(47,637,439)	(111,775,999)
Depreciation and asset impairment	(5,027,981)	-	(5,027,981)	(161,537,374)
Finance charges	(6,030,588)	-	(6,030,588)	(44,140,410)
Bulk purchases	-	-	-	(397,810,247)
Other Materials	-	-	-	(38,834,978)
Transfers and grants	-	-	-	(56,384,007)
Other expenditure	-	-	-	(483,870,978)
<b>Total expenditure</b>	<b>(58,696,008)</b>	-	<b>(58,696,008)</b>	<b>1,784,301,395</b>
<b>Surplus/(Deficit)</b>				<b>(24,486,265)</b>
Transfers recognised - capital				202,852,847
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>178,366,582</b>
<b>Surplus/(Deficit) for the year</b>				<b>178,366,582</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				269,131,364
<b>Sources of capital funds</b>				
Transfers recognised - capital				196,287,730
Borrowing				19,525,259
Internally generated funds				53,318,375
<b>Total sources of capital funds</b>				<b>269,131,364</b>
<b>Cash flows</b>				
Net cash from (used) operating				402,561,136
Net cash from (used) investing				(265,636,474)
Net cash from (used) financing				(24,580,968)
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>112,343,694</b>
Cash and cash equivalents at the beginning of the year				505,440,767
<b>Cash and cash equivalents at year end</b>				<b>617,784,461</b>

## 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.

The municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b> (Year starting on)
GRAP 20	Related Party Disclosure	1 April 2019

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

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b> (Year starting on)
GRAP 18	Segment Reporting Presentation of the financial statements will be affected by this standard.	1 April 2020
GRAP 32	Service Concession Arrangements : Grantor No significant impact is expected.	1 April 2019
GRAP 34	Separate Financial Statements No significant impact is expected.	Unknown
GRAP 35	Consolidated Financial Statements No significant impact is expected.	Unknown
GRAP 36	Investments in Associates and Joint Ventures No significant impact is expected.	Unknown
GRAP 37	Joint Arrangements No significant impact is expected.	Unknown

## Accounting Policies

Standard	Description	Effective Date (Year starting on)
GRAP 38	Disclosure of interest in Other Entities No significant impact is expected.	Unknown
GRAP 108	Statutory Receivables Disclosure of information in the notes to the financial statements will be affected.	1 April 2019
GRAP 109	Accounting by Principals and Agents Disclosure of information in the notes to the financial statements will be affected.	1 April 2019
GRAP 110	Living and non-living resources No significant impact is expected.	1 April 2020
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset No significant impact is expected.	1 April 2019
IGRAP 18	Recognition and derecognition of land No significant impact is expected.	1 April 2019
IGRAP19	Liabilities to pay levies No significant impact is expected.	1 April 2019
IGRAP20	Accounting for Adjustments to Revenue No significant impact is expected.	Unknown
Guideline	Accounting for Arrangements Undertaken in terms of the National Housing Program No significant impact is expected.	1 April 2019

### 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.

#### **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.

#### **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 18 and 44.

#### **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 17.

#### **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.

## **Accounting Policies**

---

### **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.

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.

## Accounting Policies

---

### 1.5 Property, plant and equipment (continued)

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:

<b>Item</b>	<b>Average useful life in years</b>
Infrastructure	
• Electricity	20 - 30
• Roads and paving	10 - 30
• Water	15 - 20
• Gas	20
• 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.

Items of property, plant and equipment 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.

## **Accounting Policies**

---

### **1.5 Property, plant and equipment (continued)**

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.

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

## **Accounting Policies**

---

### **1.6 Investment property (continued)**

#### **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.

### **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.

## **Accounting Policies**

---

### **1.8 Intangible assets**

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

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. (2018: 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 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:

<b>Class</b>	<b>Category</b>
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

## **Accounting Policies**

---

### **1.9 Financial instruments (continued)**

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:

<b>Class</b>	<b>Category</b>
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.

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.

## **Accounting Policies**

---

### **1.9 Financial instruments (continued)**

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.

#### **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.

## **Accounting Policies**

---

### **1.10 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.

### **1.11 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.

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.

## **Accounting Policies**

---

### **1.12 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.

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.

### **1.13 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.

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).

## **Accounting Policies**

---

### **1.13 Impairment of cash-generating assets (continued)**

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**

---

### **1.13 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.

### **1.14 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**

---

### **1.14 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 oversized or overcapacity asset. Oversized 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**

---

### **1.14 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.

### **1.15 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.

#### **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.

## **Accounting Policies**

---

### **1.15 Employee benefits (continued)**

#### **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 17 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.

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.

## **Accounting Policies**

---

### **1.15 Employee benefits (continued)**

#### **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.

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;

## **Accounting Policies**

---

### **1.15 Employee benefits (continued)**

- 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.

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).

## **Accounting Policies**

---

### **1.15 Employee benefits (continued)**

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.

### **1.16 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.

## **Accounting Policies**

---

### **1.16 Provisions, contingent liabilities and contingent assets (continued)**

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.

### **1.17 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.

### **1.18 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.

### **1.19 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.

## **Accounting Policies**

---

### **1.20 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.

##### **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.

## **Accounting Policies**

---

### **1.20 Revenue (continued)**

#### **Agency commission**

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

#### **Housing rental and instalments**

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 busses 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.

##### **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.

## **Accounting Policies**

---

### **1.20 Revenue (continued)**

#### **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.

### **1.21 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.

### **1.22 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 (14% up to 31 March 2018 and 15% from 1 April 2018) 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.

### **1.23 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.

## **Accounting Policies**

---

### **1.24 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.

### **1.25 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.

### **1.26 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.

### **1.27 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.

## **Accounting Policies**

---

### **1.28 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 2018/07/01 to 2019/06/30.

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 or amounts greater than R250,000. Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements - Refer to note 56.

### **1.29 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.

### **1.30 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.

### **1.31 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.

### **1.32 Comparative information**

#### **Prior year comparatives**

When the presentation or classification of items in the financial statements is amended, comparative amounts are restated or reclassified except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the amendment. The nature and reason for the restatement or reclassification is disclosed in note 46.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.33 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 46 of the financial statements for details of corrections of errors recorded during the period under review.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>2. Inventories</b>		
Consumable stores - at cost	8,076,473	5,825,317
GIPTN Smart Cards for electronic fare revenue system	1,153,232	-
Maintenance materials, chemicals and water reserve - at cost	10,188,656	7,045,176
Purified water	987,644	381,735
Property Developments - at cost	141,633	141,633
Unsold Properties Held for Resale - at net realisable value	106,018,821	128,937,081
	<b>126,566,459</b>	<b>142,330,943</b>

The cost of inventories recognised as an expense in the Statement of Financial Performance for stock issues was R22,226,974 (2018: R19,630,111) and R7,835,664 (2018: RNil) in respect of inventory written down to net realisable value. Refer to note 38 for details of items written down to net realisable value.

Even used for housing developments are measured as per accounting policy 1.12.

### 3. Trade receivables from exchange transactions

Service debtors	101,991,908	84,030,719
Other exchange receivables	9,806,182	4,849,944
Prepaid electricity	8,784,631	3,948,348
Rental debtors	428,367	582,006
GIPTN fare revenue	593,184	319,590
	<b>111,798,090</b>	<b>88,880,663</b>

**Service debtors consist of the following:**

#### Gross balances

Electricity	66,020,632	66,461,649
Water	107,290,372	88,028,362
Sewerage	28,808,007	27,214,558
Refuse	24,374,699	22,019,207
Housing loan instalments	483,739	532,119
Housing rental	227,192	125,702
Other consumer debtors	11,487,950	9,842,857
	<b>238,692,591</b>	<b>214,224,454</b>

#### Less: Allowance for impairment

Electricity	7,483,126	7,841,490
Water	85,210,770	78,501,700
Sewerage	18,338,308	19,451,156
Refuse	15,085,642	15,235,911
Housing loan instalments	443,807	464,208
Housing rental	169,172	81,012
Other consumer debtors	9,969,858	8,618,258
	<b>136,700,683</b>	<b>130,193,735</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Net balance</b>		
Electricity	58,537,506	58,620,159
Water	22,079,602	9,526,662
Sewerage	10,469,699	7,763,402
Refuse	9,289,057	6,783,296
Housing loan instalments	39,932	67,911
Housing rental	58,020	44,690
Other consumer debtors	1,518,092	1,224,599
	<b>101,991,908</b>	<b>84,030,719</b>
<b>The ageing of trade receivables from exchange transactions consist of the following:</b>		
<b>Electricity</b>		
Current (0 -30 days)	55,008,877	54,456,897
31 - 60 days	2,842,267	2,782,782
61 - 90 days	888,118	811,367
91 - 120 days	461,549	564,310
121 - 365 days	6,819,821	7,846,293
Less: Allowance for impairment	(7,483,126)	(7,841,490)
	<b>58,537,506</b>	<b>58,620,159</b>
<b>Water</b>		
Current (0 -30 days)	20,969,096	15,284,256
31 - 60 days	3,967,463	2,365,063
61 - 90 days	3,141,752	1,757,145
91 - 120 days	2,904,045	2,083,927
121 - 365 days	76,308,016	66,537,971
Less: Allowance for impairment	(85,210,770)	(78,501,700)
	<b>22,079,602</b>	<b>9,526,662</b>
<b>Sewerage</b>		
Current (0 -30 days)	10,119,385	8,691,957
31 - 60 days	1,593,300	1,599,180
61 - 90 days	1,034,108	968,133
91 - 120 days	762,905	739,859
121 - 365 days	15,298,309	15,215,429
Less: Allowance for impairment	(18,338,308)	(19,451,156)
	<b>10,469,699</b>	<b>7,763,402</b>
<b>Refuse</b>		
Current (0 -30 days)	8,855,725	7,497,938
31 - 60 days	1,521,762	1,394,624
61 - 90 days	991,074	882,848
91 - 120 days	749,649	671,517
121 - 365 days	12,256,489	11,572,280
Less: Allowance for impairment	(15,085,642)	(15,235,911)
	<b>9,289,057</b>	<b>6,783,296</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Housing loans instalments</b>		
Current (0 -30 days)	25,822	31,854
31 - 60 days	8,360	7,470
61 - 90 days	6,117	6,465
91 - 120 days	4,484	5,781
121 - 365 days	438,956	480,549
Less: Allowance for impairment	(443,807)	(464,208)
	<b>39,932</b>	<b>67,911</b>
<b>Housing rental</b>		
Current (0 -30 days)	47,708	41,945
31 - 60 days	23,268	15,754
61 - 90 days	14,675	11,278
91 - 120 days	13,119	10,369
121 - 365 days	128,422	46,356
Less: Allowance for impairment	(169,172)	(81,012)
	<b>58,020</b>	<b>44,690</b>
<b>Other consumer debtors</b>		
Current (0 -30 days)	1,609,637	1,106,093
31 - 60 days	65,668	689,269
61 - 90 days	660,286	330,608
91 - 120 days	347,209	251,273
121 - 365 days	8,805,150	7,465,614
Less: Allowance for impairment	(9,969,858)	(8,618,258)
	<b>1,518,092</b>	<b>1,224,599</b>
<b>Summary of debtors by customer classification</b>		
<b>Residential</b>		
Current (0 -30 days)	43,391,156	35,252,281
31 - 60 days	7,611,797	6,995,454
61 - 90 days	5,744,255	3,968,960
91 - 120 days	4,810,639	3,693,845
121 - 365 days	112,464,173	101,064,350
Less: Allowance for impairment	(128,668,520)	(122,347,439)
	<b>45,353,500</b>	<b>28,627,451</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	49,706,253	48,543,474
31 - 60 days	1,787,097	1,296,852
61 - 90 days	858,331	427,515
91 - 120 days	391,113	275,901
121 - 365 days	7,366,424	7,251,830
Less: Allowance for impairment	(8,032,163)	(7,846,296)
	<b>52,077,055</b>	<b>49,949,276</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018		
<b>3. Trade receivables from exchange transactions (continued)</b>				
<b>National and provincial government</b>				
Current (0 -30 days)	3,538,841	3,315,187		
31 - 60 days	623,192	561,837		
61 - 90 days	133,544	371,368		
91 - 120 days	41,208	357,289		
121 - 365 days	224,565	848,311		
	<b>4,561,350</b>	<b>5,453,992</b>		
<b>Total</b>				
Current (0 -30 days)	96,636,250	87,110,942		
31 - 60 days	10,022,086	8,854,143		
61 - 90 days	6,736,130	4,767,843		
91 - 120 days	5,242,960	4,327,035		
121 - 365 days	120,055,165	109,164,491		
	238,692,591	214,224,454		
Less: Allowance for impairment	(136,700,683)	(130,193,735)		
	<b>101,991,908</b>	<b>84,030,719</b>		
<b>Reconciliation of allowance for impairment for receivables from exchange transactions</b>				
<b>2019</b>	<b>Balance at the beginning of the year</b>	<b>Impairment losses recognised</b>	<b>Amounts written off as uncollectible</b>	<b>Balance at the end of the year</b>
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 instalments	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
	<b>130,193,735</b>	<b>21,999,469</b>	<b>(15,492,521)</b>	<b>136,700,683</b>
<b>2018</b>	<b>Balance at the beginning of the year</b>	<b>Impairment losses recognised</b>	<b>Amounts written off as uncollectible</b>	<b>Balance at the end of the year</b>
Electricity	4,898,562	3,096,820	(153,892)	7,841,490
Water	72,276,943	21,364,592	(15,139,835)	78,501,700
Sewerage	21,057,171	6,523,987	(8,130,002)	19,451,156
Refuse	16,659,163	5,623,265	(7,046,517)	15,235,911
Housing loan instalments	492,394	(28,186)	-	464,208
Housing rentals	356,895	(275,883)	-	81,012
Other consumer debtors	1,085,477	7,586,805	(54,024)	8,618,258
	<b>116,826,605</b>	<b>43,891,400</b>	<b>(30,524,270)</b>	<b>130,193,735</b>
<b>Total debtors past due but not impaired</b>			<b>2019</b>	<b>2018</b>
31 - 60 days			6,072,280	5,713,532
61 - 90 days			2,508,681	2,113,685
91 - 120 days			1,359,475	1,675,502
121 - 365 days			4,777,069	7,997,057
			<b>14,717,505</b>	<b>17,499,776</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Credit quality of consumer debtors</b>		
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. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
<b>4. Receivables from non-exchange transactions</b>		
<b>Taxation receivables</b>		
Net Rates	20,651,942	18,278,162
Gross rates	37,313,793	33,259,057
Allowance for impairment on rates	(16,661,851)	(14,980,895)
<b>Transfer receivables</b>		
Net Fines	15,403,819	11,200,392
Fines	154,590,020	114,369,809
Allowance for impairment on fines	(139,186,201)	(103,169,417)
Conditional government grants and subsidies receivable (Refer note 19)	8,989,361	4,196,365
<b>Other receivables</b>		
Sundry receivables	3,202,232	4,593,635
Allowance for impairment on sundry receivables	3,244,660	4,685,783
Non-cash portion of Housing Development Fund	(792,583)	(792,583)
Operating lease receivables	631,853	588,291
	118,302	112,144
	<b>48,247,354</b>	<b>38,268,554</b>
<b>The ageing of trade receivables from non-exchange transactions</b>		
<b>Rates</b>		
Current (0 -30 days)	17,999,883	15,145,343
31 - 60 days	2,848,737	2,714,141
61 - 90 days	1,334,694	1,363,984
91 - 120 days	984,427	920,608
121 - 365 days	14,146,052	13,114,981
Less: Allowance for impairment	(16,661,851)	(14,980,895)
	<b>20,651,942</b>	<b>18,278,162</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Summary of Rates by customer classification</b>		
<b>Residential consumers</b>		
Current (0 -30 days)	15,177,077	12,802,387
31 - 60 days	2,424,948	2,272,672
61 - 90 days	1,177,952	1,250,176
91 - 120 days	910,326	843,605
121 - 365 days	12,490,646	11,352,907
Less: Allowance for impairment	(14,935,784)	(13,314,417)
	<b>17,245,165</b>	<b>15,207,330</b>
<b>Industrial / commercial</b>		
Current (0 -30 days)	2,708,250	2,166,537
31 - 60 days	419,335	385,515
61 - 90 days	156,686	106,077
91 - 120 days	74,044	69,208
121 - 365 days	1,608,987	1,628,092
Less: Allowance for impairment	(1,726,067)	(1,666,477)
	<b>3,241,235</b>	<b>2,688,952</b>
<b>National and provincial government and other</b>		
Current (0 -30 days)	114,556	176,420
31 - 60 days	4,454	55,954
61 - 90 days	56	7,731
91 - 120 days	57	7,794
121 - 365 days	46,419	133,981
Less: Allowance for impairment	-	-
	<b>165,542</b>	<b>381,880</b>
<b>Total of rates by customer classification</b>	<b>20,651,942</b>	<b>18,278,162</b>
<b>Fines</b>		
The ageing of fines is as follows:		
Current (0 - 30 days)	11,073,250	5,278,650
31 - 60 days	7,229,650	6,310,350
61 - 90 days	6,340,450	6,307,820
91 - 120 days	5,666,821	5,859,354
121 - 365 days	124,279,849	90,613,635
	154,590,020	114,369,809
Less: Allowance for impairment	(139,186,201)	(103,169,417)
	<b>15,403,819</b>	<b>11,200,392</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand				2019	2018
<b>4. Receivables from non-exchange transactions (continued)</b>					
<b>Reconciliation of provision for impairment of receivables from non-exchange transactions</b>					
<b>2019</b>	<b>Balance at the beginning of the year</b>	<b>Impairment losses recognised / (reversed)</b>	<b>Amounts written off as uncollectible</b>	<b>Balance at the end of the year</b>	
Taxation receivables (Gross Rates)	14,980,895	2,271,082	(590,126)	16,661,851	
Transfer receivables (Fines)	103,169,417	77,386,826	(41,370,042)	139,186,201	
Other receivables	792,583	-	-	792,583	
	<b>118,942,895</b>	<b>79,657,908</b>	<b>(41,960,168)</b>	<b>156,640,635</b>	
<b>2018</b>	<b>Balance at the beginning of the year</b>	<b>Impairment losses recognised / (reversed)</b>	<b>Amounts written off as uncollectible</b>	<b>Balance at the end of the year</b>	
Taxation receivables (Gross Rates)	11,568,264	7,016,969	(3,604,338)	14,980,895	
Transfer receivables (Fines)	76,452,758	65,577,830	(38,861,171)	103,169,417	
Other receivables	802,713	-	(10,130)	792,583	
	<b>88,823,735</b>	<b>72,594,799</b>	<b>(42,475,639)</b>	<b>118,942,895</b>	

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. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

### 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.

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.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Operating lease asset</b>		
Opening balance	112,144	125,925
Straight lining adjustment in the Statement of Financial Performance	6,159	(13,781)
	<b>118,303</b>	<b>112,144</b>
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments receivable</b>		
-within one year	804,205	614,631
-in second to fifth year inclusive	2,718,104	2,086,511
-later than five years	-	331,677
	<b>3,522,309</b>	<b>3,032,819</b>

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.

### 5. Prepayments

Prepayments consist of the following:

SALGA	5,050,239	4,504,678
Mercedes-Benz South Africa Ltd for maintenance of buses	18,926,011	8,566,934
	<b>23,976,250</b>	<b>13,071,612</b>
Non-current assets	1,870,856	-
Current assets	22,105,394	13,071,612
	<b>23,976,250</b>	<b>13,071,612</b>

#### SALGA

SALGA membership fees for the 2019/2020 financial year were paid in May 2019 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 2019/2020 and 2020/2021 years and are treated as prepayments.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>6. VAT receivable / (payable)</b>		
VAT receivable from SARS	5,713,426	3,488,724
VAT input provision	9,244,797	9,910,471
VAT output provision	(10,701,866)	(10,088,940)
	<b>4,256,357</b>	<b>3,310,255</b>

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.

### 7. Loans and receivables

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
	<b>755,680</b>	<b>(19,396)</b>	<b>736,284</b>	<b>(228,676)</b>	<b>507,608</b>

As at 30 June 2018	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	535,156	(39,326)	495,831	(80,574)	415,257
Sale of erven loans	96,402	-	96,402	(5,715)	90,687
Actaris meter debt	250,338	-	250,338	(75,102)	175,236
	<b>881,896</b>	<b>(39,326)</b>	<b>842,571</b>	<b>(161,391)</b>	<b>681,180</b>

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 loan agreements entered into. The interest rates applicable to the loans varies 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 instalments 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.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

### 7. 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

2019	Balance at beginning of year	Impairment losses	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	39,327	(19,931)	-	19,396
2018	Balance at beginning of the year	Impairment losses	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	334,687	(295,360)	-	39,327

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>8. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	23,420	22,900
Bank balances	562,580,316	167,761,561
Short-term deposits	-	450,000,000
	<b>562,603,736</b>	<b>617,784,461</b>

### 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 19 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 20. 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 2019	30 June 2018
ABSA BANK - Cheque Account - 102 222 0981	562,580,316	167,761,561
Nedbank Fixed Deposit	-	200,000,000
Standard Bank Fixed Deposit	-	250,000,000
Cash on hand	23,420	22,900
<b>Total</b>	<b>562,603,736</b>	<b>617,784,461</b>

The bank balances at year end were:

	Bank balances	
	30 June 2019	30 June 2018
ABSA BANK - Cheque Account - 102 222 0981	559,161,827	213,605,128
ABSA - George Charitable Relief Fund -914 955 4208	1,000	1,000
Nedbank Fixed Deposit	-	200,000,000
Standard Bank Fixed Deposit	-	250,000,000
	<b>559,162,827</b>	<b>663,606,128</b>

### 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

Baa3	559,162,827	663,606,128
------	-------------	-------------

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2019  
**Notes to the Annual Financial Statements**

**Figures in Rand**

**9. Property, plant and equipment**

	2019				2018				
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	920,770,151	-	920,770,151	921,528,421	-	921,528,421			921,528,421
Infrastructure	2,716,426,812	(1,144,202,602)	1,572,224,210	2,521,814,850	(1,040,269,282)	1,481,545,568			1,481,545,568
Community	191,931,743	(73,071,197)	118,860,546	217,443,290	(81,295,057)	136,148,233			136,148,233
Other	285,075,778	(130,325,528)	154,750,250	215,305,939	(100,208,596)	115,097,343			115,097,343
Other - Buildings	99,602,673	(42,598,894)	57,003,779	97,082,196	(40,203,808)	56,878,388			56,878,388
Other - GIPTN Buses	206,260,523	(59,767,589)	146,492,934	206,260,523	(46,083,798)	160,176,725			160,176,725
<b>Total</b>	<b>4,420,067,680</b>	<b>(1,449,965,810)</b>	<b>2,970,101,870</b>	<b>4,179,435,219</b>	<b>(1,308,060,541)</b>	<b>2,871,374,678</b>			<b>2,871,374,678</b>

**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
Other - GIPTN Buses	160,176,725	-	-	(13,683,791)	-	146,492,934
<b>Total</b>	<b>2,871,374,678</b>	<b>242,064,594</b>	<b>(984,684)</b>	<b>-</b>	<b>(142,352,718)</b>	<b>2,970,101,870</b>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2019  
**Notes to the Annual Financial Statements**

**Figures in Rand**

**9. Property, plant and equipment (continued)**  
**Reconciliation of property, plant and equipment - 2018**

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment reversal	Total
Land	923,505,583	2,863,966	(4,841,128)	-	-	-	921,528,421
Infrastructure	1,386,668,448	214,336,758	-	-	(121,081,497)	1,621,859	1,481,545,568
Community	129,734,101	9,282,774	-	6,386,208	(9,254,850)	-	136,148,233
Other	87,569,894	40,748,200	(67,429)	-	(13,153,322)	-	115,097,343
Other - Buildings	62,896,705	2,961,095	-	(6,386,208)	(2,593,204)	-	56,878,388
Other - GIPTN Buses	174,750,315	-	-	-	(14,573,590)	-	160,176,725
	<b>2,765,125,046</b>	<b>270,192,793</b>	<b>(4,908,557)</b>	<b>-</b>	<b>(160,656,463)</b>	<b>1,621,859</b>	<b>2,871,374,678</b>

The prior year is restated. Refer to note 46.2 for more detail.

**Pledged as security**

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

**Assets subject to finance lease (Net carrying amount)**

Vehicles	<b>2019</b>	<b>2018</b>
	26,912,636	16,654,171

Refer to note 14 for details of finance leases.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>9. Property, plant and equipment (continued)</b>		
<b>Property, plant and equipment in the process of being constructed or developed</b>		
Land	32,900	32,900
Infrastructure	391,122,505	338,985,478
Community	13,640,155	12,352,433
Other	12,828,246	11,076,180
Other - buildings	8,019,931	7,373,120
	<b>425,643,737</b>	<b>369,820,111</b>

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

<b>Reason for delay</b>	
Construction delays	14,087,975
Funding	17,013,514
Other	3,663,578
Tender / SCM delay	3,955,474
	<b>38,720,541</b>

### Expenditure incurred to repair and maintain property, plant and equipment

Repairs and maintenance expenditure for the year was R127,124,774 (2018: R124,493,030).

## 10. Intangible assets

	2019			2018		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3,814,072	(1,677,294)	2,136,778	2,642,718	(1,287,281)	1,355,437

### Reconciliation of intangible assets - 2019

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

### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	1,433,212	638,570	(716,345)	1,355,437

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

### 11. Heritage assets

	2019			2018		
	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 - 2019

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

#### Reconciliation of heritage assets - 2018

	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
	<b>4,236,000</b>	<b>4,236,000</b>

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 (2018: RNil).

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019			2018		
<b>12. Investment property</b>						
	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	149,777,700	-	149,777,700	149,777,700	-	149,777,700
Buildings	5,206,973	(3,001,929)	2,205,044	5,206,973	(2,832,859)	2,374,114
<b>Total</b>	<b>154,984,673</b>	<b>(3,001,929)</b>	<b>151,982,744</b>	<b>154,984,673</b>	<b>(2,832,859)</b>	<b>152,151,814</b>

### 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
	<b>152,151,815</b>	<b>(169,071)</b>	<b>151,982,744</b>

### Reconciliation of investment property - 2018

	Opening balance	Additions	Depreciation	Total
Land	149,777,700	-	-	149,777,700
Buildings	2,310,705	225,000	(161,590)	2,374,115
	<b>152,088,405</b>	<b>225,000</b>	<b>(161,590)</b>	<b>152,151,815</b>

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	1,297,855	706,622
Repairs and maintenance of investment property	329,609	176,353

Repairs and maintenance incurred during the year were for the Gwaiing Resort and for the Skatelab Building.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>13. Loans and borrowings</b>		
<b>At amortised cost</b>		
Annuity loans	290,040,098	329,480,507
Other loans	180,844	361,688
	<b>290,220,942</b>	<b>329,842,195</b>
<b>Non-current liabilities</b>		
Annuity loans	256,997,622	290,040,098
Other loans	-	180,844
	<b>256,997,622</b>	<b>290,220,942</b>
<b>Current liabilities</b>		
Annuity loans	33,042,476	39,440,409
Other loans	180,844	180,844
	<b>33,223,320</b>	<b>39,621,253</b>

### Annuity loans

Annuity loans are repaid over periods varying from 1 years to 10 years (2018: 1 years to 11 years) and at interest rates varying from 6.75% to 12,665% (2018: 6.75% to 12,665%) per annum. Annuity loans are not secured.

### Other loans

Other loans were used for the phased electrification of dwellings in the greater George area not yet electrified. Other loans are repaid over a period of 1 year (2018: 1 year to 2 years) and at interest rates varying from 7,835% to 12% (2018: 7,835% and 12%) per annum. Other loans are not secured.

### 14. Finance lease obligation

#### Minimum lease payments due

- within one year	2,668,569	5,349,633
- in second to fifth year inclusive	1,164,655	3,833,223
	<b>3,833,224</b>	<b>9,182,856</b>
less: future finance charges	(395,211)	(1,029,751)
<b>Present value of minimum lease payments</b>	<b>3,438,013</b>	<b>8,153,105</b>

#### Present value of minimum lease payments due

- within one year	2,412,747	4,717,554
- in second to fifth year inclusive	1,025,266	3,435,551
	<b>3,438,013</b>	<b>8,153,105</b>

Non-current liabilities	1,025,266	3,435,551
Current liabilities	2,412,747	4,717,554
	<b>3,438,013</b>	<b>8,153,105</b>

The municipality entered into hire purchase agreements for vehicle acquisitions. The average lease term is 5 years and the average effective borrowing rate is 8.84% (2018: 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 9 for more detail.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>15. Payables from exchange transactions</b>		
<b>Current liabilities</b>		
Trade payables	122,514,295	152,917,114
Payments received in advance	21,415,653	16,376,677
Retentions	31,653,782	26,483,599
GIPTN compensation liability	3,620,667	3,615,887
Other payables	25,028,783	19,393,918
Sundry Deposits	9,829,408	9,166,218
Unidentified deposits	8,411,172	5,282,496
	<b><u>222,473,760</u></b>	<b><u>233,235,909</u></b>
<b>Non-current liabilities</b>		
GIPTN compensation liability	4,620,168	2,796,362
<b>Total</b>	<b><u>227,093,928</u></b>	<b><u>236,032,271</u></b>

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 18 for more detail.

Balance at beginning of the year	6,412,249	8,893,803
Transferred from Provisions	6,179,455	595,468
Change in liability due to inflation and discounting rates	(387,385)	629,475
Paid during the year	(3,963,484)	(3,706,497)
	<b><u>8,240,835</u></b>	<b><u>6,412,249</u></b>
Non-current liabilities	4,620,168	2,796,362
Current liabilities	3,620,667	3,615,887
	<b><u>8,240,835</u></b>	<b><u>6,412,249</u></b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>16. Consumer deposits</b>		
Electricity and water	27,596,642	27,168,038
Guarantees held in lieu of electricity and water deposits	19,773,982	18,433,832
<p>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.</p> <p>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.</p>		
<b>17. Employee benefit obligations</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Non-current liabilities</b>		
Post-Retirement Medical Aid benefits liability	136,697,358	124,210,257
Ex-gratia pension benefits liability	1,507,666	1,415,860
Long service awards	23,556,631	19,797,166
	<b>161,761,655</b>	<b>145,423,283</b>
<b>Current liabilities</b>		
Post-Retirement Medical Aid benefits liability	5,980,043	5,367,866
Ex-gratia pension benefits liability	251,598	248,958
Long service awards	2,586,095	3,573,533
Staff leave	37,844,668	35,681,280
Staff annual bonus	12,248,842	10,301,189
	<b>58,911,246</b>	<b>55,172,826</b>
<b>Total liabilities</b>		
Post-Retirement Medical Aid benefits liability	142,677,401	129,578,123
Ex-gratia pension benefits liability	1,759,264	1,664,818
Long service awards	26,142,726	23,370,699
Staff leave	37,844,668	35,681,280
Staff annual bonus	12,248,842	10,301,189
	<b>220,672,901</b>	<b>200,596,109</b>

### 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 2019. 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.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>17. Employee benefit obligations (continued)</b>		
In-service (Employees) members	587	554
In-service (Employees) non-members	690	691
Continuation members (Retirees, widowers and orphans)	135	128
	<u>1,412</u>	<u>1,373</u>
In-service members	71,183,564	65,392,181
Continuation members	71,493,837	64,185,942
	<u>142,677,401</u>	<u>129,578,123</u>

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 2020 is estimated to be R5,471,843 (2019: R4,925,534) whereas the interest cost for the same year is estimated to be R13,067,016 (2018: R12,124,239).

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

i) Rate of interest		
Discount rate	9.35 %	9.55 %
Health care cost inflation rate	6.82 %	7.36 %
Net effective discount rate	2.37 %	2.04 %
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 9.35% per annum has been used. The corresponding index-linked yield at this term is 3.35%. 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 28 June 2019.

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:

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>17. Employee benefit obligations (continued)</b>		
Present value of fund obligations	142,677,401	129,578,123
Fair value plan assets	-	-
	<b>142,677,401</b>	<b>129,578,123</b>

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

Current service cost	4,925,534	4,541,531
Interest cost	12,124,239	11,625,744
Recognised actuarial losses / (gains)	1,417,371	(5,198,472)
<b>Total included in employee related cost - refer to note 29</b>	<b>18,467,144</b>	<b>10,968,803</b>

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

Balance at the beginning of the year	129,578,123	123,586,646
- Current service cost	4,925,534	4,541,531
- Interest cost	12,124,239	11,625,744
- Actuarial losses (gains)	1,417,371	(5,198,472)
- Benefits paid	(5,367,866)	(4,977,326)
<b>Balance at the end of the year</b>	<b>142,677,401</b>	<b>129,578,123</b>

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 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Accrued liability	134.044	126.256	123.587	129.578	142.677
Fair value of plan asset	-	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(134.044)</b>	<b>(126.256)</b>	<b>(123.587)</b>	<b>(129.578)</b>	<b>(142.677)</b>

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 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Liabilities: (Gain) / Loss	5.507	(4.381)	(1.791)	2.128	2.694
Assets: Gain / (Loss)	-	-	-	-	-
	<b>5.507</b>	<b>(4.381)</b>	<b>(1.791)</b>	<b>2.128</b>	<b>2.694</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

### 17. Employee benefit obligations (continued)

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

<b>Increase</b>		
Effect on the current service cost and interest cost	867,300	745,300
Effect on the defined benefit obligation	7,689,000	5,685,000
<b>Decrease</b>		
Effect on the current service cost and interest cost	(1,272,800)	(1,125,500)
Effect on the defined benefit obligation	(10,616,000)	(8,230,000)

#### Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2019 2 employees and 13 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.

The Current-service cost for the year ending 30 June 2020 is estimated to be Rnil (2018: Rnil) whereas the interest cost for the same year is estimated to be R121,370 (2019: R126,354).

Pensioners	13	14
Eligible employees	2	2
	<b>15</b>	<b>16</b>

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

i) Rate of interest		
Discount rate	7.42 %	8.19 %
Pension increase rate	2.01 %	2.19 %
Net effective discount rate	5.31 %	5.57 %

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 7.42% per annum has been used. The corresponding index-linked yield at this term is 2.80%. 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 28 June 2019.

Expected retirement age	62	62
-------------------------	----	----

#### 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.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>17. Employee benefit obligations (continued)</b>		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1,759,264	1,664,818
Fair value of plan assets	-	-
	<b>1,759,264</b>	<b>1,664,818</b>

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

Interest cost	126,354	176,034
Recognised actuarial losses / (gains)	217,050	(530,113)
<b>Total included in employee related cost - refer to note 29</b>	<b>343,404</b>	<b>(354,079)</b>

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

Balance at the beginning of the year	1,664,818	2,295,611
- Interest cost	126,354	176,034
- Actuarial losses (gains)	217,050	(530,113)
- Benefits paid	(248,958)	(276,714)
	<b>1,759,264</b>	<b>1,664,818</b>

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

Liability History	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Accrued liability	2,681,298	2,679,172	2,295,611	1,664,818	1,759,264
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(2,681,298)</b>	<b>(2,679,172)</b>	<b>(2,295,611)</b>	<b>(1,664,818)</b>	<b>(1,759,264)</b>

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 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Liabilities: (Gain) / Loss	85,984	416,614	95,982	(526,983)	83,875
Assets: Gain / (Loss)	-	-	-	-	-
	<b>85,984</b>	<b>416,614</b>	<b>95,982</b>	<b>(526,983)</b>	<b>83,875</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>17. Employee benefit obligations (continued)</b>		
The effect of a 1% movement in the assumed pension increase rate is as follows:		
<b>Increase</b>		
Effect on interest cost	8,538	13,421
Effect on defined benefit obligation	106,464	104,240
<b>Decrease</b>		
Effect on interest cost	(7,752)	(12,084)
Effect on defined benefit obligation	(96,938)	(94,659)

### 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 2019.

At year end, 1,277 (2018: 1,245) employees were eligible for Long-service Awards. The future service cost for the ensuing year is estimated to be R2,165,741 (2019: R1,743,927), whereas the interest cost for the ensuing year is estimated to be R2,039,762 (2019: R1,846,394).

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

i) Rate of interest		
Discount rate	8.20 %	8.54 %
Benefit inflation rate	5.58 %	6.15 %
Net effective discount rate	2.48 %	2.25 %
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 8.20% 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 8.20% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.98%. 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 28 June 2019.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

### 17. 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	26,142,726	23,370,699
Plan assets	-	-
	<b>26,142,726</b>	<b>23,370,699</b>

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	4,499,166	2,715,415
Interest cost	1,846,394	1,701,781
<b>Total included in employee related cost - refer to note 29</b>	<b>6,345,560</b>	<b>4,417,196</b>

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

Balance at the beginning of the year	23,370,699	21,334,639
- Net current service cost and actuarial losses (gains) included in the long service awards expense	4,499,166	2,715,415
- Interest cost	1,846,394	1,701,781
- Benefits paid	(3,573,533)	(2,381,136)
	<b>26,142,726</b>	<b>23,370,699</b>

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

Liability History	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Accrued Liability	19,674,941	20,800,828	21,334,639	23,370,699	26,142,726
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(19,674,941)</b>	<b>(20,800,828)</b>	<b>(21,334,639)</b>	<b>(23,370,699)</b>	<b>(26,142,726)</b>

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 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
Liabilities: (Gain) / Loss	908,105	852,348	729,329	1,486,754	1,418,184
Assets: Gain / (Loss)	-	-	-	-	-
	<b>908,105</b>	<b>852,348</b>	<b>729,329</b>	<b>1,486,754</b>	<b>1,418,184</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>17. Employee benefit obligations (continued)</b>		
The effect of a 1% movement in the assumed salary inflation rate is as follows:		
<b>Increase</b>		
Effect on the current service cost and interest cost	278,100	242,500
Effect on the defined benefit obligation	1,823,000	1,485,000
<b>Decrease</b>		
Effect on the current service cost and interest cost	(248,900)	(217,500)
Effect on the defined benefit obligation	(1,627,000)	(1,342,000)

### 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 R46,995,037 for employees and R731,784 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 2018 showed that the funding level is 100%.

### SALA Pension Fund

The contribution rate paid by the members 8.60% and Council 19.18% 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.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

### 17. 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 reports 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 contains 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% is 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	35,681,280	30,914,992
Payments	(1,143,094)	(5,140,217)
Additional provision	3,306,482	9,906,505
	<b>37,844,668</b>	<b>35,681,280</b>

#### Staff annual bonus

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

Opening balance	10,301,189	10,279,611
Payments	(10,301,189)	(10,279,611)
Additional bonus accrual recognised during the year	12,248,842	10,301,189
	<b>12,248,842</b>	<b>10,301,189</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

### 18. Provisions

#### Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Transferred to Trade and Other Payables	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
	<b>92,841,548</b>	<b>36,466,154</b>	<b>(3,503,025)</b>	<b>2,591,706</b>	<b>(6,179,455)</b>	<b>122,216,928</b>

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Transferred to Trade and Other payables	Total
Rehabilitation of landfill site	21,653,095	3,849,593	(1,811,621)	1,667,613	-	25,358,680
Compensation Liability GIPTN	63,166,902	5,263,264	-	(351,830)	(595,468)	67,482,868
	<b>84,819,997</b>	<b>9,112,857</b>	<b>(1,811,621)</b>	<b>1,315,783</b>	<b>(595,468)</b>	<b>92,841,548</b>

#### Current liabilities consist of

	2019	2018
Rehabilitation of landfill site	12,539,187	2,228,709
Compensation Liability GIPTN	1,071,983	159,586
	<b>13,611,170</b>	<b>2,388,295</b>
Non-current liabilities	108,605,758	90,453,253
Current liabilities	13,611,170	2,388,295
	<b>122,216,928</b>	<b>92,841,548</b>

#### 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.

During the year Delta Built Environment Consultants (Pty) Ltd visited the George landfill site and Aurecon South Africa (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 2019 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.

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

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand			2019	2018	
<b>18. Provisions (continued)</b>					
	<b>Opening balance</b>	<b>Additions / Reversal</b>	<b>Utilised during the year</b>	<b>Unwinding of discount</b>	<b>Total</b>
George	21,224,492	27,383,852	(694,470)	1,681,555	49,595,429
Uniondale	4,134,188	3,655,002	(43,896)	322,408	8,067,702
	<b>25,358,680</b>	<b>31,038,854</b>	<b>(738,366)</b>	<b>2,003,963</b>	<b>57,663,131</b>

### 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 (2018: 229) licences were subject to the buy-in option, while 278 (2018: 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 15.

The undiscounted provision for compensation before any payouts over the five years covered by the compensation agreement is R75,438,195 (2018: R80,606,087). A discount rate of 6.790% (2018: 7.820%) (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 November 2019 and October 2021 as the next phases are rolled out and the buy-in options within 5 years from the roll out dates.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>19. Conditional government grants and subsidies</b>		
<b>Unspent conditional government grants and subsidies</b>	<b>33,285,833</b>	<b>75,143,780</b>
National Government Grants	20,237,833	27,448,316
Provincial Government Grants	5,343,973	39,991,437
Other	7,704,027	7,704,027
<b>Less: Conditional government grants and subsidies receivable - Note 4</b>	<b>(8,989,361)</b>	<b>(4,196,365)</b>
National Government Grants	(262,147)	(262,147)
Provincial Government Grants	(6,153,816)	(1,360,820)
Other	(2,573,398)	(2,573,398)
	<b>24,296,472</b>	<b>70,947,415</b>

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 27):

<b>Unconditional Grants</b>		
Grants	137,401,000	122,613,000
<b>Conditional Grants</b>		
Grants and Donations	435,939,404	481,983,708
Subsidies	1,045,420	810,684
<b>Total Government Grants and Subsidies</b>	<b>574,385,824</b>	<b>605,407,392</b>
Government grants & subsidies - Operating	452,232,725	402,554,545
Government grants & subsidies - Capital	122,153,099	202,852,847
	<b>574,385,824</b>	<b>605,407,392</b>

Details of the different grants are set out below.

### Unconditional Grants

#### 19.1 Equitable share

Grants received	137,401,000	122,613,000
Conditions met - Operating	(137,401,000)	(122,613,000)
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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

#### 19.2 National: Finance Management Grant (FMG)

Opening balance	-	-
Grants received	1,550,000	1,550,000
Conditions met - Operating	(1,550,000)	(1,550,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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).

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.3 National: Infrastructure Skills Development</b>		
Opening balance	-	-
Grants received	6,000,000	4,600,000
Conditions met - Operating	(4,934,286)	(4,392,999)
Conditions met - Capital	(102,790)	(207,001)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>962,924</b>	<b>-</b>
<p>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.</p>		
<b>19.4 National: Energy Efficiency and Demand Side Management Grant</b>		
Opening balance	1,154,822	-
Grants received	7,000,000	7,000,000
Conditions met - Operating	(378,238)	-
Conditions met - Capital	(7,602,420)	(5,845,178)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>174,164</b>	<b>1,154,822</b>
<p>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.</p>		
<b>19.5 National: Municipal Infrastructure Grant (MIG)</b>		
Opening balance	-	-
Grants received	39,338,000	40,764,000
Conditions met - Operating	(1,531,873)	(2,038,200)
Conditions met - Capital	(35,595,160)	(38,725,800)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>2,210,967</b>	<b>-</b>
<p>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.</p>		
<b>19.6 National: Municipal Infrastructure Grant (MIG) - Special Sport Allocation</b>		
Opening balance	-	-
Grants received	8,550,000	-
Conditions met - Capital	(563,287)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>7,986,713</b>	<b>-</b>
<b>19.7 National: Regional Bulk Infrastructure Grant (RBIG)</b>		
Opening balance	9,807,616	10,659,331
Grants received	-	-
Conditions met - Capital	(3,089,776)	(851,715)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>6,717,840</b>	<b>9,807,616</b>
<p>The grant was allocated to the municipality to construct bulk infrastructure for water and waste water. The remainder of this grant is specifically for raising the dam wall of the Garden Route dam. The licence was issued by the Department of Water Affairs.</p>		

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.8 National: Integrated National Electrification Grant</b>		
Opening balance	4,776,725	(3,017,189)
Grants received	13,000,000	18,048,000
Conditions met - Capital	(16,475,935)	(10,254,086)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>1,300,790</b>	<b>4,776,725</b>

The National Electrification Grant was used to upgrade the sub-station and electrification network.

### 19.9 National: Expanded Public Works Program Grant (EPWP)

Opening balance	-	-
Grants received	5,466,000	4,001,000
Conditions met - Operating	(5,466,000)	(4,001,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

The Expanded Public Works Program Grant was used to increase labour employment through infrastructure programs that increase job creation and skills development.

### 19.10 National: Lawaaikamp Sports Grounds (Lotto)

Opening balance	(262,147)	(262,147)
Grants received	-	-
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(262,147)</b>	<b>(262,147)</b>

The National Lottery has given this grant to the municipality specifically for the upgrading of the Lawaaikamp Sports Grounds.

### 19.11 National: Public Transport Grant

Opening balance	11,709,152	25,253,405
Grants received	167,675,000	210,362,000
Conditions met - Operating	(114,836,159)	(124,764,718)
Conditions met - Capital	(52,656,553)	(99,141,534)
Conditions met - Cash back of non-current provision	(11,007,004)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>884,436</b>	<b>11,709,153</b>

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.

The municipality applied for roll over funding to cash back the GIPTN Compensation Provision since the cash available for the payment of compensation is less than the balance of the provision. The cash back transaction of the non-current provision is reflected in the Statement of Changes in Net Assets.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.12 Provincial: Western Cape Financial Management Support Grant</b>		
Opening balance	-	-
Grants received	755,000	255,000
Conditions met - Operating	(755,000)	(255,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
<p>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.</p>		
<b>19.13 Provincial: Western Cape Financial Management Capacity Building Grant</b>		
Opening balance	80,000	-
Grants received	360,000	240,000
Conditions met - Operating	(440,000)	(160,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>80,000</b>
<p>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.</p>		
<b>19.14 Provincial: Integrated Public Transport Network Grant</b>		
Grants received	101,086,000	98,544,000
Conditions met - Operating	(101,237,380)	(95,545,129)
Conditions met - Capital	-	(2,998,871)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(151,380)</b>	<b>-</b>
<p>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</p>		
<b>19.15 Provincial: Fire Services Capacity Building Grant</b>		
Opening balance	188,529	-
Grants received	-	800,000
Conditions met - Operating	(69,733)	-
Conditions met - Capital	(107,374)	(611,471)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>11,422</b>	<b>188,529</b>
<p>This grant is given to the municipality to provide financial assistance to ensure functional emergency communication, mobilisation systems and fire services.</p>		
<b>19.16 Provincial: Integrated Transport Planning Grant</b>		
Opening balance	600,000	-
Grants received	600,000	600,000
Conditions met - Operating	(6,506)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>1,193,494</b>	<b>600,000</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>19. Conditional government grants and subsidies (continued)</b>		
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).		
<b>19.17 Provincial: Human Settlements Operating Grants</b>		
Opening balance	37,084,094	29,594,131
Grants received	33,896,366	44,252,104
Conditions met - Operating	(67,902,213)	(36,762,141)
Transfer from Human Settlements Capital Grant	530,000	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b><u>3,608,247</u></b>	<b><u>37,084,094</u></b>
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.		
<b>19.18 Provincial: Human Settlements Capital Grant</b>		
Opening balance	1,941,185	8,468,250
Grants received	-	36,948,703
Conditions met - Capital	(5,959,804)	(43,475,768)
Transfer to Human Settlements Operating Grant	(530,000)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b><u>(4,548,619)</u></b>	<b><u>1,941,185</u></b>
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.		
<b>19.19 Provincial: Sport / Recreational Facilities</b>		
Opening balance	-	54,000
Grants received	228,000	-
Conditions met - Operating	-	(54,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b><u>228,000</u></b>	<b><u>-</u></b>
This grant is given by Provincial Treasury to initiate and support socially cohesive sport and recreation structures and/or activities.		
<b>19.20 Provincial: Proclaimed Roads</b>		
Opening balance	-	-
Grants received	5,168,098	441,000
Conditions met - Operating	(5,168,098)	(441,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b><u>-</u></b>	<b><u>-</u></b>
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).		
<b>19.21 Provincial: Thembaletu &amp; Pacaltsdorp sport fields (YDVS)</b>		
Opening balance	(1,360,820)	(1,360,820)
Grants received	-	-
Transfers	(92,998)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b><u>(1,453,818)</u></b>	<b><u>(1,360,820)</u></b>
This grant was utilised to upgrade the Thembaletu and Pacaltsdorp sport fields.		

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.22 Provincial: Electricity Master Plan Operations</b>		
Opening balance	-	230,000
Conditions met - Operating	-	(230,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
<p>This grant was given by Provincial Treasury to the municipality to provide financial assistance to ensure effective functioning of municipal electrical infrastructure and to maximise the provision of basic electricity to citizens.</p>		
<b>19.23 Provincial: Library Services</b>		
Opening balance	-	741,423
Grants received	9,239,000	8,635,000
Conditions met - Operating	(9,239,000)	(8,635,000)
Conditions met - Capital	-	(741,423)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
<p>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.</p>		
<b>19.24 Provincial: Community Development Workers' Operational Grant</b>		
Opening balance	52,629	34,303
Grants received	-	93,000
Conditions met - Operating	(15,124)	(74,674)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>37,505</b>	<b>52,629</b>
<p>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.</p>		
<b>19.25 Provincial: Thembaletu Thusong Service Centre</b>		
Opening balance	-	-
Grants received	200,000	212,000
Conditions met - Operating	(200,000)	(212,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
<p>This grant is given to provide financial assistance to Municipalities, ensuring the financial sustainability of the Thusong Service Centres.</p>		
<b>19.26 Provincial: Local Government Graduate Internship Grant</b>		
Opening balance	45,000	60,000
Grants received	72,000	-
Conditions met - Operating	(56,695)	(15,000)
Repayment of grant	(45,000)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>15,305</b>	<b>45,000</b>
<p>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.</p>		

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.27 Provincial: Municipal Service Delivery and Capacity Building Grant</b>		
Opening balance	-	-
Grants received	250,000	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
	<u>250,000</u>	<u>-</u>

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.

### 19.28 Other: Eden District Municipality Electrification Grant

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

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

### 19.29 Other: Eden District Municipality Emergency Relief Funds

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

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

### 19.30 Other: SANRAL N2 /York Bridge

Opening balance	7,504,027	7,504,027
Grants received	-	-
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<u>7,504,027</u>	<u>7,504,027</u>

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

### 19.31 Other: LG Seta

Opening balance	-	-
Grants received	1,045,420	810,684
Conditions met - Operating	(1,045,420)	(810,684)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<u>-</u>	<u>-</u>

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

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>Total Grants</b>		
Opening balance	70,947,414	75,585,316
Grants received	538,879,884	600,769,491
Conditions met - Operating	(452,232,725)	(402,554,545)
Conditions met - Capital	(122,153,099)	(202,852,847)
Conditions met - Cash back of non-current provision	(11,007,004)	-
Repayment of grant funding received	(45,000)	-
Transfers	(92,998)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>24,296,472</b>	<b>70,947,415</b>
<b>20. Housing development fund</b>		
Unappropriated surplus	8,205,659	9,557,902
Loans extinguished by Government on 1 April 1998	53,383,243	53,383,243
	<b>61,588,902</b>	<b>62,941,145</b>
<b>The housing development fund is represented by the following assets and liabilities</b>		
Housing selling scheme loans	414,774	535,157
Inventory	141,633	141,633
Trade and other receivables from exchange transactions	710,915	657,716
Trade and other receivables from non-exchange transactions	631,853	588,291
Bank and cash	60,321,580	61,606,639
Trade and other payables from exchange transactions	(631,853)	(588,291)
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>61,588,902</b>	<b>62,941,145</b>
<b>21. Service charges</b>		
Electricity	623,449,586	603,331,974
Water	129,255,985	117,656,763
Sewerage and sanitation charges	98,989,249	87,951,733
Refuse removal	81,726,654	69,777,667
	<b>933,421,474</b>	<b>878,718,137</b>
<p>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.</p>		
<b>22. Income from agency services</b>		
Provincial vehicle registrations	11,140,288	11,257,883
<b>23. GIPTN Fare Revenue</b>		
GIPTN Fare Revenue	44,197,337	39,419,283

Fare revenue is recognised in accordance with accounting policy 1.20.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

<b>Figures in Rand</b>	<b>2019</b>	<b>2018</b>
<b>24. Other income</b>		
Building plan fees and related income	8,262,037	7,479,252
Camping fees	845,963	830,580
Cemetery fees	1,330,019	1,302,138
Collection charges	4,012,764	4,115,013
Development charges	13,260,028	23,426,428
Insurance claims received	394,252	826,047
Land usage application fees	633,111	612,707
Public contributions for donated asset additions	-	225,000
Rates clearance certificates for property transfers	830,085	760,123
Sundry income	2,960,777	1,833,571
	<b>32,529,036</b>	<b>41,410,859</b>

The amounts disclosed above for Other Income are in respect of services rendered, other than described in notes 21, 26 and 28 which are billed to or paid for by the users of the services as required according to approved tariffs.

Refer to note 52 for details of the public contributions for donated asset additions.

### 25. Interest received

#### Outstanding debtors

Trade receivables	4,024,916	4,607,646
Art. 185(a) arrangements	-	516
Land sales	2,730	3,068
Selling schemes	52,134	65,632
	<b>4,079,780</b>	<b>4,676,862</b>

#### External Investments

Bank accounts	42,302,898	14,445,220
Short term investments	3,942,825	35,720,392
	<b>46,245,723</b>	<b>50,165,612</b>
	<b>50,325,503</b>	<b>54,842,474</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>26. Property rates</b>		
<b>Rates received</b>		
Agriculture	3,798,867	3,487,250
Commercial	68,325,640	56,066,392
Formal and informal settlements	14,315,373	39,765
Industrial	14,799,926	13,922,937
Public service infrastructure	76,848	15,582
Public benefit organisations	273,748	276,723
Residential	168,347,246	172,761,136
State-owned	14,711,199	10,117,437
Vacant land	18,544,888	17,935,333
Less: Income forgone	(26,869,731)	(32,234,615)
Less: Impermissible rates	(6,151,142)	(7,334,180)
	<b><u>270,172,862</u></b>	<b><u>235,053,760</u></b>
<b>Valuations</b>		
Agriculture	2,439,231,000	1,946,902,000
Churches & parks	347,906,000	356,254,300
Commercial	7,335,702,000	5,771,653,390
Formal and informal settlements	2,287,946,000	1,603,700
Industrial	1,689,371,000	1,515,837,600
Municipal (non-taxable valuations)	1,344,722,000	1,065,362,050
Public service infrastructure	85,897,000	26,125,500
Public benefit organisations	179,035,000	145,069,800
Residential	27,234,558,000	23,757,737,810
State-owned	1,701,643,000	1,300,859,000
Vacant land	1,998,391,000	1,963,212,200
	<b><u>46,644,402,000</u></b>	<b><u>37,850,617,350</u></b>

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 0,6300 (2018: 0,7264) cents in the Rand on total valuations were applied to determine assessment rates. Business tariffs are levied at 0,8889 (2018: 0,9170) for Commercial, Industrial, Business and Mining erven, and this was applicable for all Areas.

A rebate of 20% (2018: 40%) was allowed on rural residential properties, whilst rebates of 20% - 40% (2018: 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 instalments annually by 30 September each year. Interest is levied at the prime rate on outstanding rates amounts.

The current General Valuation came into effect on 1 July 2018.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>27. Government grants and subsidies</b>		
<b>Operating grants</b>		
National: Equitable Share	137,401,000	122,613,000
National: Financial Management Grant (FMG)	1,550,000	1,550,000
National: Infrastructure Skills Development	4,934,286	4,392,999
National: Municipal Infrastructure Grant (MIG)	1,531,873	2,038,200
National: Expanded Public Works Program Grant	5,466,000	4,001,000
National: Public Transport Grant	114,836,159	124,764,718
Provincial: Western Cape Financial Management Support Grant	755,000	255,000
Provincial: Western Cape Financial Management Capacity Building Grant	440,000	160,000
Provincial: Integrated Public Transport Network Grant	101,237,380	95,545,129
Provincial: Integrated Transport Planning Grant	6,506	-
Provincial: Human Settlements Operating Grant	67,902,213	36,762,141
Provincial: Proclaimed Roads	5,168,098	441,000
Provincial: Electricity Master Plan Operations Grant	-	230,000
Provincial: Library Services Grant	9,239,000	8,635,000
Provincial: Community Development Workers Grant	15,124	74,674
Provincial: Thusong Centre Grant	200,000	212,000
Provincial: Sport / Recreational Facilities Grant	-	54,000
Provincial: Local Government Graduate Internship Grant	56,695	15,000
Other: LG Seta	1,045,420	810,684
Provincial: Fire Services Grant	69,733	-
National: Energy Efficiency and Demand Side Management Grant	378,238	-
	<b>452,232,725</b>	<b>402,554,545</b>
<b>Capital grants</b>		
National: Infrastructure Skills Development	102,790	207,001
National: Electricity Demand Side Management Grant	7,602,420	5,845,178
National: Municipal Infrastructure Grant (MIG)	35,595,160	38,725,800
National: Regional Bulk Infrastructure Grant (RBIG)	3,089,776	851,715
National: Integrated National Electrification Grant	16,475,935	10,254,086
National: Public Transport Grant	52,656,553	99,141,534
National: Municipal Infrastructure Grant - Special Sport Allocation	563,287	-
Provincial: Integrated Public Transport Network Grant	-	2,998,871
Provincial: Human Settlements Capital Grant	5,959,804	43,475,768
Provincial: Library Services Grant	-	741,423
Provincial: Fire Services Capacity Building Grant	107,374	611,471
	<b>122,153,099</b>	<b>202,852,847</b>
	<b>574,385,824</b>	<b>605,407,392</b>
<b>Revenue recognised per vote as required by Section 123 (c) of the MFMA</b>		
Civil Engineering Services	124,579,045	157,080,221
Community Services	54,917,232	43,536,724
Corporate Services	3,307,238	1,431,049
Electro-technical Services	45,047,956	35,665,063
Financial Services	3,965,000	3,276,253
Human Settlements	69,633,713	37,218,964
Office of the Municipal Manager	-	1,959,962
Planning and Development	1,282,436	1,015,789
Protection Services	271,653,204	324,223,367
	<b>574,385,824</b>	<b>605,407,392</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>28. Fines, penalties and forfeits</b>		
Property rates penalties	1,360,769	1,314,207
GIPTN Bus operator penalties	256,483	1,882,793
Other fines	727,749	646,402
Traffic fines	92,236,387	77,659,834
	<b>94,581,388</b>	<b>81,503,236</b>
<b>29. Employee related costs</b>		
Basic	338,829,813	315,370,029
Housing benefits and allowances	2,124,680	1,934,438
Long-service awards	4,671,102	2,386,268
Medical aid - company contributions	20,470,264	18,466,983
Other payroll levies	4,951,919	3,971,379
Overtime payments	41,737,218	36,523,289
Employee benefit obligations	20,652,365	12,329,888
- Current service cost	4,920,957	4,554,914
- Interest cost	14,096,987	13,503,559
- Actuarial (gains) / losses recognised	1,634,421	(5,728,585)
Travel, motor car, accommodation, subsistence and other allowances	32,200,228	30,056,694
UIF	3,109,596	3,068,543
Pension	46,995,037	41,534,131
Subsistence and Travelling Allowance	2,880,751	2,786,295
	<b>518,622,973</b>	<b>468,427,937</b>

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.

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 six directorates up to August 2017 and eight directorates after that.

Included in the balances above is the following:

### Remuneration of Municipal Manager

Annual remuneration	1,674,017	1,589,002
Contributions to UIF, Medical and Pension Funds	26,786	24,771
Performance bonus	225,617	50,208
	<b>1,926,420</b>	<b>1,663,981</b>

### Remuneration of Director Financial Services

Annual remuneration	1,091,668	1,105,432
Car allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	239,142	239,936
Acting expense	10,295	3,500
	<b>1,401,105</b>	<b>1,408,868</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>29. Employee related costs (continued)</b>		
<b>Remuneration of Director Corporate Services</b>		
Annual remuneration	747,466	17,348
Car allowance	108,000	-
Contributions to UIF, Medical and Pension Funds	173,073	-
Acting expense	12,292	71,169
	<b>1,040,831</b>	<b>88,517</b>
<b>Remuneration of Director Human Settlement, Land Affairs &amp; Planning</b>		
Annual Remuneration	-	378,843
Car Allowance	-	16,000
Contributions to UIF, Medical and Pension Funds	-	49,286
Acting expense	18,350	4,961
	<b>18,350</b>	<b>449,090</b>
<b>Remuneration of Director Human Settlements</b>		
Annual remuneration	1,338,223	740,909
Performance bonus	84,536	-
Contributions to UIF, Medical and Pension Funds	52,587	28,893
Acting expense	16,119	-
	<b>1,491,465</b>	<b>769,802</b>
<b>Remuneration of Director Civil Engineering Services</b>		
Annual remuneration	1,207,460	875,744
Performance bonus	77,328	-
Contributions to UIF, Medical and Pension Funds	2,230	1,668
Acting expense	-	88,857
	<b>1,287,018</b>	<b>966,269</b>
<b>Remuneration of Director Electro- Technical Services</b>		
Annual Remuneration	-	16,545
Acting expenses	-	96,203
	<b>-</b>	<b>112,748</b>
<b>Remuneration Director Community Services</b>		
Annual remuneration	1,111,782	1,053,811
Car allowance	60,000	60,000
Performance bonus	118,737	122,961
Contributions to UIF, Medical and Pension Funds	219,028	207,717
Acting expense	3,290	2,927
	<b>1,512,837</b>	<b>1,447,416</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>29. Employee related costs (continued)</b>		
<b>Remuneration of Director Protection Services</b>		
Annual remuneration	1,026,086	566,875
Car allowance	96,000	56,000
Performance bonus	69,165	-
Contributions to UIF, Medical and Pension Funds	268,724	146,928
Acting expense	30,373	16,058
	<b>1,490,348</b>	<b>785,861</b>
<b>30. Remuneration of Councillors</b>		
<b>Basic Salaries</b>		
Executive Mayor	582,466	561,851
Deputy Executive Mayor	448,418	508,632
Speaker	584,439	558,835
Chief Whip	483,452	462,273
Mayoral Committee Members	4,899,749	4,927,521
Councillors	7,116,644	6,879,211
<b>Allowance and contributions</b>		
Car allowance	4,759,950	4,565,904
Cellphone allowance	2,127,577	2,152,770
Contributions to medical aid	282,763	250,668
Contributions to pension fund	731,784	651,800
	<b>22,017,242</b>	<b>21,519,465</b>
<p>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.</p> <p>Remuneration for the Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip are:</p>		
<b>Executive Mayor</b>		
Basic Salary	582,466	561,851
Car allowance	214,868	206,604
Cellphone allowance	40,800	40,800
Contributions to medical aid and pension fund	62,137	57,960
	<b>900,271</b>	<b>867,215</b>
<b>Deputy Executive Mayor</b>		
Basic Salary	448,418	508,632
Car allowance	171,894	124,552
Cellphone allowance	40,800	40,800
Contributions to medical aid and pension fund	67,263	24,825
	<b>728,375</b>	<b>698,809</b>
<b>Speaker</b>		
Basic Salary	584,439	558,835
Car allowance	103,136	99,169
Cellphone allowance	40,800	40,800
	<b>728,375</b>	<b>698,804</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>30. Remuneration of Councillors (continued)</b>		
<b>Chief Whip</b>		
Basic Salary	483,452	462,344
Car allowance	161,151	154,953
Cellphone allowance	40,800	40,800
	<b>685,403</b>	<b>658,097</b>
<b>In-kind benefits</b>		
<p>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.</p> <p>The Executive Mayor and Deputy Executive Mayor have use of a Council owned vehicle for official duties.</p>		
<b>Remuneration per councillor:</b>		
LH Arries	594,979	642,428
M Barnardt	685,403	658,026
EL Brown	190,986	-
N Bungane	208,527	302,329
N Bungane (Mayco Member as from 31/1/2019)	260,891	-
EC Bussack	685,403	660,611
JP Buys	312,790	302,329
CM Clarke	728,375	455,837
BM Cornelius	312,790	523,797
DL Cronje	685,403	660,611
MP Daniels	312,790	302,329
EP de Villiers	114,234	660,611
S Dlikilile	312,790	302,329
M Draghoender	312,790	520,640
J Du Toit	312,790	302,328
JD Esau	312,790	302,329
R Figland	685,403	391,899
J Fry	312,791	302,329
V Gericke	312,790	302,329
D Gultig	70,247	-
GN Jantjies-Gushman	312,790	302,329
WT Harris	312,790	302,329
HH Ingo	312,790	302,329
NR James	312,789	302,329
A Kiwit	121,034	302,329
IC Kritzinger	685,403	682,944
K Langa	312,790	302,329
C Lesele	312,790	302,329
HJ Loff	312,790	302,329
P Louw	312,790	302,329
NF Mdaka	312,790	302,329
KJ Mkondo	155,010	-
B Mooi	312,790	302,329
V Muller	312,790	302,329
MG Naik	900,271	867,214
J Ncamazana	312,790	302,329
GC Niehaus	-	382,963
C Noble	685,403	660,611

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>30. Remuneration of Councillors (continued)</b>		
PP Nosana	312,790	302,329
MM Nyakathi	685,403	658,026
B Petrus	234,592	302,329
B Petrus (Section 79 Chairman 22/3 - 24/4/2019)	47,678	-
B Plata	312,790	302,329
G Pretorius	728,375	698,804
S Rooiland	312,790	302,329
J Safers	312,790	302,329
S Snyman	685,403	440,416
GJ Stander	312,790	520,153
I Stemela	312,790	302,329
E Stroebel	312,790	302,329
T Teyisi	312,790	302,329
PJ van der Hoven	312,790	302,329
J van der Westhuizen	173,155	55,309
G van Niekerk	312,790	302,329
LD van Wyk	312,790	302,329
J von Brandis	685,403	438,770
D Wessels	312,790	302,329
A Willemse	685,403	660,611
CT Williams	312,790	302,329
	<b>22,017,244</b>	<b>21,519,466</b>
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	142,340,465	160,659,439
Intangible assets	390,014	716,345
Investment property	169,071	161,590
	<b>142,899,550</b>	<b>161,537,374</b>
<b>32. Impairment of assets</b>		
<b>Impairments</b>		
Trade receivables from exchange transactions	17,688,952	39,392,811
Trade and other receivables from non-exchange transactions	79,657,908	72,594,799
Loans and receivables	7,557	(211,611)
	<b>97,354,417</b>	<b>111,775,999</b>
<b>33. Finance costs</b>		
Loans and borrowings	33,875,117	36,065,224
Finance leases	632,992	986,526
Provision for rehabilitation of landfill site	2,003,963	1,667,683
Provision for Compensation Liability GIPTN	5,752,300	5,420,977
	<b>42,264,372</b>	<b>44,140,410</b>

Refer to note 18 for detail on the discounting of the provisions for the rehabilitation of the landfill site and the GIPTN Compensation Liability.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>34. Bulk purchases</b>		
Electricity	426,307,944	396,388,765
Water	2,544,247	1,421,482
	<b>428,852,191</b>	<b>397,810,247</b>
<p>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.</p>		
<b>35. Contracted services</b>		
<b>Consultants and professional services</b>		
<i>Business and Advisory</i>		
Accounting and Auditing	1,102,178	771,473
Air Pollution	211,345	3,500
Audit Committee	162,790	155,456
Board Member	20,448	-
Communications	3,896,014	3,149,170
Human Resources	1,115,953	2,296,791
Project Management	406,871	79,331
Quality Control	263,001	306,904
Valuer and Assessors	1,580,307	3,292,080
<i>Infrastructure and Planning</i>		
Engineering	4,966,928	3,195,680
Town Planner	1,456,455	445,000
Other	102,257	108,133
<i>Other</i>		
Laboratory Services	107,301	107,678
Legal Cost	9,787,891	8,316,980
<b>Contractors</b>		
Artists and Performers	567,883	475,105
Audio-visual Services	331,442	505,956
Building	73,406,722	43,160,682
Catering Services	2,080,542	1,926,539
Electrical	8,077,040	6,434,253
Employee Wellness	336,180	202,814
Event Promoters	11,382,990	9,389,507
Fire Protection	251,216	110,567
First Aid	429,805	474,385
Haulage	1,755,077	1,893,734
Inspection Fees	107,262	210,568
Maintenance of Buildings and Facilities	12,547,885	13,692,354
Maintenance of Equipment	6,850,737	7,219,325
Maintenance of Unspecified Assets	72,207,452	103,757,704
Management of Informal Settlements	4,858,750	2,949,475
Prepaid Electricity Vendors	18,885,262	18,583,924
Safeguard and Security	1,164,513	1,102,292
Traffic and Street Lights	554,168	160,580
Other	87,865	77,656

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>35. Contracted services (continued)</b>		
<b>Outsourced Services</b>		
<i>Business and Advisory</i>		
Accounting and Auditing	417,665	287,144
Business and Financial Management	823,873	705,444
Communications	1,681,505	8,630,674
Human Resources	96,614	312,942
Organisational	2,076,596	1,794,489
Quality Control	-	56,541
<i>Other</i>		
Administrative and Support Staff	1,311,688	834,175
Animal Care	2,584,265	2,211,184
Clearing and Grass Cutting Services	2,707,273	3,163,760
Illegal Dumping	-	635,576
Internal Auditors	3,482,240	3,185,812
Meter Management	1,911,184	2,006,948
Refuse Removal	4,868,650	5,271,374
Security Services	20,987,505	17,198,874
Sewerage Services	1,291,807	1,184,296
Traffic Fines Management	3,374,099	2,074,059
Transport Services	140,957,846	120,246,453
Other	437,957	397,891
	<b>430,073,297</b>	<b>404,753,232</b>

The prior year figures were reclassified to provide more information on the type of contracted services incurred.

The prior year balances were restated. Refer to note 46 for more detail.

### 36. Grants and subsidies paid

#### Other subsidies

Bursary Grants	577,851	67,855
Merit Grants and Donations	39,835	5,500
Provincial Department of Transport	64,907,786	56,310,652
	<b>65,525,472</b>	<b>56,384,007</b>

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 The Division of Revenue Act (2019).

The prior year balances were restated. Refer to note 46 for more detail.

### 37. Loss on disposal of assets

Property, plant and equipment	(764,629)	(2,624,035)
Inventory	55,223	(138,591)
	<b>(709,406)</b>	<b>(2,762,626)</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>38. Inventories losses/write downs</b>		
<b>Net realisable value adjustments:</b>		
GIPTN Smart Cards for electronic fare revenue system	917,768	-
Unsold properties held for resale	6,917,896	-
	<b>7,835,664</b>	<b>-</b>
Refer to note 2 for details of inventories held by the municipality.		
<b>39. Other materials / Inventory</b>		
Fuel	13,351,999	10,500,851
Chemicals	13,926,591	15,870,720
Other	6,264,176	4,897,077
	<b>33,542,766</b>	<b>31,268,648</b>
<b>40. General expenses</b>		
Advertising, publicity and marketing	3,235,156	2,815,228
Auditors remuneration	5,696,439	4,284,907
Bank charges	2,789,800	2,363,698
Bargaining Council	4,919,188	4,519,903
Commission Third Party Vendors	2,398,960	2,626,036
Contribution to the rehabilitation of the landfill sites provision	31,038,854	(58,703)
External computer services	7,678,847	7,461,087
Insurance	8,367,447	6,099,561
Learnerships and interns	1,382,526	1,150,334
Lease rentals on operating leases	5,486,431	4,448,595
Other general expenses	6,367,413	5,481,177
Postage, courier and delivery services	1,800,513	1,713,271
Printing and publications	3,262,797	3,101,267
Refuse	7,025,637	5,435,006
Skills Development Levy	5,004,693	4,611,975
Telephone and fax	2,393,282	2,276,945
Travel - local	14,590,449	13,416,196
Uniforms	3,071,305	2,113,107
Vehicle Tracking	326,929	260,944
Workmen's Compensation Fund	2,433,584	2,234,586
	<b>119,270,250</b>	<b>76,355,120</b>

The prior year figure of lease rental on operating leases was reclassified as car rental was moved to travel expenses.

The prior year balances were restated. Refer to note 46 for more detail.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>41. Cash generated from operations</b>		
Surplus for the year	107,279,789	178,366,582
<b>Adjustments for:</b>		
Depreciation and amortisation	142,899,550	161,537,374
Loss on sale of assets and liabilities	709,406	2,762,626
Donated asset receipts included in other income	-	(225,000)
Net realisable value adjustment of inventory	7,835,664	-
Finance costs - Finance leases	632,992	986,526
Impairment of assets	97,354,416	111,775,999
Movements in bonus provision	1,947,653	21,578
Movements in provisions	32,890,656	8,211,313
Provisions utilised during the year	(3,503,025)	(1,811,621)
Movement in Employee benefit asset and liabilities - Medical Aid, Pension and Long Service Awards	25,156,108	15,031,920
Movement in Employee benefit asset and liabilities - Staff leave	2,163,388	4,766,287
Benefits paid in terms of employee benefits obligations	(9,190,357)	(7,635,176)
Unspent conditional grants received	538,879,884	600,769,491
Payments from unspent conditional grants	(574,430,820)	(605,407,392)
Non-cash movements in unspent conditional grants	(92,998)	-
<b>Changes in working capital:</b>		
(Increase) / Decrease in Inventories	7,984,043	9,733,418
Receivables from exchange transactions	(40,606,379)	(39,522,657)
Other receivables from non-exchange transactions	(84,843,711)	(73,120,409)
(Increase) / Decrease in Prepayments	(10,904,638)	(1,103,776)
Increase / (Decrease) in Trade and other payables from exchange transactions	(8,938,351)	36,734,002
(Increase) / Decrease in VAT	(946,099)	(3,655,822)
Increase / (Decrease) in Consumer deposits	428,605	4,345,873
	<b>232,705,776</b>	<b>402,561,136</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>42. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure	80,294,899	58,897,169
• Community	720,652	-
• Other	1,690,860	-
	<b>82,706,411</b>	<b>58,897,169</b>
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	1,518,361	975,661
- in second to fifth year inclusive	520,501	47,339
	<b>2,038,862</b>	<b>1,023,000</b>
<p>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.</p>		
<b>43. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2019</b>		
<b>Financial assets</b>		
<b>Loans and receivables</b>		
Housing Scheme Loans	414,774	495,831
Sale of Erven Loans	71,340	96,402
Actaris Meter Debt	250,170	250,338
<b>Trade and other receivables from exchange transactions</b>		
Service debtors	101,991,908	84,030,719
Other debtors	9,806,182	4,849,944
<b>Other receivables from non-exchange transactions</b>		
Other debtors	2,452,077	3,893,200
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	562,603,736	617,784,461
	<b>677,590,187</b>	<b>711,400,895</b>
<b>Financial liabilities</b>		
<b>Loans and borrowings</b>		
Annuity loans	290,040,098	329,480,507
Other loans	180,844	361,688
<b>Finance lease obligations</b>		
Finance lease obligation	3,438,013	8,153,105
<b>Consumer deposits</b>		
Electricity and water deposits	27,596,642	27,168,038
<b>Payables</b>		
Trade payables	197,267,103	214,373,098
	<b>518,522,700</b>	<b>579,536,436</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>44. Contingencies</b>		
<b>Compensation for damages</b>		
Magnolia Ridge Properties 77 (Pty) Ltd	350,000	700,000
Cape Estates Properties Outeniqua (Pty) Ltd (formerly Reigate Development Projects (Pty) Ltd)	2,500,000	2,000,000
Mr Greyling	-	752,000
Southern Cape Brick	120,000	1,000,000
Acme Tool Hire	1,963,793	1,963,793
Coastal Armature Winders and Supplies	200,000	500,000
N Landu	2,307,000	2,307,000
	<b>7,440,793</b>	<b>9,222,793</b>

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 a 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 matter is currently pending a court date and the cost exposure for the municipality will be approximately R350,000 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 is set for October 2019. If the appeal is upheld, the municipality will be liable for payment of legal costs of the appellant which can amount to R2,500,000.

Mr Greyling: The individual is claiming R752,000 as a result of injuries sustained when he fell at a Go George bus stop. The municipality's insurance accepted responsibility for the matter and therefore has no financial implications for the municipality.

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.

Acme Tool Hire: A summons amounting to R1,963,793 was issued against the municipality for lost equipment. This matter was referred 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. In the current application, the municipality only faces a possible court order for cost, which depending on how the other parties involved conduct the matter, might easily amount to as much as R200 000. The matter will be heard in court during September 2019.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 44. Contingencies (continued)

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 municipality will probably be liable but the matter will be referred to the municipality's insurance.

### 45. Related parties

#### Relationships

Councillors

Details of councillors are listed as part of General Information. Refer to page 1.

#### Directors

Directorate Financial Services

K Jordaan (contract terminated on 8 July 2019)

Directorate Corporate Services

S James

Directorate Human Settlements

C Lubbe

Directorate Planning and Development

D Power - Acting

Directorate Civil Engineering Services

R Wesso

Directorate Electro Technical Services

P Gerber - Acting

Directorate Community Services

W Hendricks

Directorate Protection Services

S Erasmus

#### Municipal Manager

T Botha

#### 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 29 and 30 to the Annual Financial Statements.

#### GIPTN Compensation Liability

I Stemela will be receiving another compensation payment of R200,000 with the roll out of the next phases of the George Integrated Public Transport Network. Refer to note 18 for more detail on the provision.

#### Payments made to related parties

Refer to note 53 for details of payments made to entities with persons in service of the state.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018		
<b>46. Prior period errors and reclassifications</b>				
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2018 previously reported</b>	<b>Reclassifi- cation</b>	<b>Prior year error</b>	<b>2018 restated</b>
<b>Assets</b>				
<b>Current Assets</b>				
Inventories	142,330,943	-	-	142,330,943
Trade receivables from exchange transactions	88,880,663	-	-	88,880,663
Trade and other receivables from non-exchange transactions	38,268,554	-	-	38,268,554
Prepayments	13,071,612	-	-	13,071,612
VAT receivable	3,310,255	-	-	3,310,255
Loans and receivables	161,391	-	-	161,391
Cash and cash equivalents	617,784,461	-	-	617,784,461
	<b>903,807,879</b>	<b>-</b>	<b>-</b>	<b>903,807,879</b>
<b>Non-current Assets</b>				
Property, plant and equipment	2,866,512,969	-	4,861,709	2,871,374,678
Intangible assets	1,355,437	-	-	1,355,437
Heritage assets	4,236,000	-	-	4,236,000
Investment property	152,151,814	-	-	152,151,814
Loans and receivables	681,180	-	-	681,180
	<b>3,024,937,400</b>	<b>-</b>	<b>4,861,709</b>	<b>3,029,799,109</b>
<b>Total Assets</b>	<b>3,928,745,279</b>	<b>-</b>	<b>4,861,709</b>	<b>3,933,606,988</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Loans and borrowings	39,621,253	-	-	39,621,253
Finance lease obligation	4,717,554	-	-	4,717,554
Trade and other payables from exchange transactions	233,235,909	-	-	233,235,909
Consumer deposits	27,168,038	-	-	27,168,038
Employee benefits	55,172,826	-	-	55,172,826
Provisions	2,388,295	-	-	2,388,295
Unspent conditional grants and receipts	75,143,780	-	-	75,143,780
	<b>437,447,655</b>	<b>-</b>	<b>-</b>	<b>437,447,655</b>
<b>Non-Current Liabilities</b>				
Loans and borrowings	290,220,942	-	-	290,220,942
Finance lease obligation	3,435,551	-	-	3,435,551
Employee benefits	145,423,283	-	-	145,423,283
Provisions	90,453,253	-	-	90,453,253
Trade and other payables from exchange transactions	2,796,362	-	-	2,796,362
	<b>532,329,391</b>	<b>-</b>	<b>-</b>	<b>532,329,391</b>
<b>Total Liabilities</b>	<b>969,777,046</b>	<b>-</b>	<b>-</b>	<b>969,777,046</b>
<b>Total Net Assets</b>	<b>2,958,968,233</b>	<b>-</b>	<b>4,861,709</b>	<b>2,963,829,942</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand			2019	2018
<b>46. Prior period errors and reclassifications (continued)</b>				
<b>Net Assets</b>				
Housing development fund	62,941,145	-	-	62,941,145
Accumulated surplus	2,896,027,088	-	4,861,709	2,900,888,797
	<b>2,958,968,233</b>	<b>-</b>	<b>4,861,709</b>	<b>2,963,829,942</b>

### STATEMENT OF FINANCIAL PERFORMANCE

	2018 previously reported	Reclassifi- cation	Prior year error	2018 restated
<b>Revenue from exchange transactions</b>	1,040,703,589	-	-	1,040,703,589
Service charges - Electricity	603,331,974	-	-	603,331,974
Service charges - Water	117,656,763	-	-	117,656,763
Service charges - Sewerage and sanitation charges	87,951,733	-	-	87,951,733
Service charges - Refuse removal	69,777,667	-	-	69,777,667
Rental revenue	3,271,235	-	-	3,271,235
Income from agency services	11,257,883	-	-	11,257,883
Licences and permits	2,741,849	-	-	2,741,849
Sale of erven	9,041,869	-	-	9,041,869
GIPTN Fare Revenue	39,419,283	-	-	39,419,283
Other income	41,410,859	-	-	41,410,859
Interest received - External	50,165,612	-	-	50,165,612
Investments				
Interest received - Outstanding debtors	4,676,862	-	-	4,676,862
<b>Revenue from non-exchange transactions</b>	921,964,388	-	-	921,964,388
Property rates	235,053,760	-	-	235,053,760
Government grants and subsidies - Operating	402,554,545	-	-	402,554,545
Government grants and subsidies - Capital	202,852,847	-	-	202,852,847
Fines, penalties and forfeits	81,503,236	-	-	81,503,236
	<b>1,962,667,977</b>	<b>-</b>	<b>-</b>	<b>1,962,667,977</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018		
<b>46. Prior period errors and reclassifications (continued)</b>				
	<b>2018 previously reported</b>	<b>Reclassifi- cation</b>	<b>Prior year error</b>	<b>2018 restated</b>
<b>Expenditure</b>				
Employee related cost	468,427,937	-	-	468,427,937
Remuneration of councillors	21,519,465	-	-	21,519,465
Depreciation and amortisation	165,172,834	-	(3,635,460)	161,537,374
Impairment losses	111,775,999	-	-	111,775,999
Finance cost	44,140,410	-	-	44,140,410
Bulk purchases	397,810,247	-	-	397,810,247
Contracted services	448,955,634	(44,202,402)	-	404,753,232
Grants and subsidies paid	73,355	56,310,652	-	56,384,007
Cost of erven sold	7,566,330	-	-	7,566,330
Loss on disposal of assets	2,762,626	-	-	2,762,626
Other materials / Inventory	31,268,648	-	-	31,268,648
General Expenses	88,463,370	(12,108,250)	-	76,355,120
	<b>1,787,936,855</b>	<b>-</b>	<b>(3,635,460)</b>	<b>1,784,301,395</b>
Surplus / (Deficit) for the year	174,731,122	-	3,635,460	178,366,582
<b>CASH FLOW STATEMENT</b>	<b>2018 previously reported</b>	<b>Reclassifi- cation</b>	<b>Prior year error</b>	<b>2018 restated</b>
Net cash from operating activities	402,561,136	-	-	402,561,136
Net cash from investing activities	(265,636,474)	-	-	(265,636,474)
Net cash from financing activities	(24,580,968)	-	-	(24,580,968)
Total cash movement for the year	112,343,694	-	-	112,343,694
Cash and cash equivalents at the beginning of the year	505,440,767	-	-	505,440,767
	<b>617,784,461</b>	<b>-</b>	<b>-</b>	<b>617,784,461</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

### 46. Prior period errors and reclassifications (continued)

#### 46.1 Reclassification: Grants received from the National Transport Department paid over to the Provincial Transport Department

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 the prior year, these payments were shown as part of general expenses and contracted services and are reclassified to grants and subsidies paid as they are payment in terms of section 17(2) of the The Division of Revenue Act (2019).

The effect of this correction is as follows:

(Increase) / Decrease in Contracted Services	44,202,402
(Increase) / Decrease in General Expenses	12,108,250
(Increase) / Decrease in Grants and Subsidies Paid	(56,310,652)
<b>Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2018</b>	<b>-</b>

#### 46.2 Property, plant and equipment item incorrectly classified as infrastructure

The GIPTN Transport Hub was incorrectly classified as an infrastructure asset and depreciated over three years. The municipality corrected the error and the GIPTN Transport Hub is classified as a community building and depreciated over thirty years.

The effect of this correction is as follows:

Increase / (Decrease) in Property, Plant and Equipment	4,861,709
(Increase) / Decrease in General Expenses	3,635,460
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2017	1,226,249
<b>Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2018</b>	<b>4,861,709</b>

### 47. 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

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

### Figures in Rand

#### 47. 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.

<b>At 30 June 2019</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
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	192,797,238	1,433,837	4,177,034	4,862

  

<b>At 30 June 2018</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Loans and borrowings	73,490,648	63,187,807	170,544,003	184,524,442
Finance lease obligations	5,349,633	2,668,569	1,164,654	-
Consumer deposits	27,168,038	-	-	-
Trade and other payables	192,399,661	2,584,831	645,144	-

##### 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.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

---

### Figures in Rand

---

#### 47. 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:

<b>Financial instruments</b>	<b>2019</b>	<b>2018</b>
Loans and receivables	736,284	842,571
Receivables from exchange transactions	111,798,090	88,880,663
Receivables from non-exchange transactions	2,452,077	3,893,200
Cash and cash equivalents	562,603,736	617,784,461
	<b><u>677,590,187</u></b>	<b><u>711,400,895</u></b>

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 16.

Receivables from non-exchange transactions was restated to only include financial instruments as disclosed in note 43.

#### 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.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>48. Unauthorised expenditure</b>		
<b>Depreciation</b>		
Opening balance	5,027,981	-
Unauthorised expenditure current year	-	5,027,981
Approved by Council	-	-
	<b>5,027,981</b>	<b>5,027,981</b>

Unauthorised expenditure for the year ending 30 June 2019 will be presented to the Council after year end to be authorised.

### Impairment losses

#### Reconciliation of unauthorised expenditure

Opening balance	64,445,714	51,865,079
Unauthorised expenditure current year	29,367,547	47,637,439
Approved by Council	-	(35,056,804)
	<b>93,813,261</b>	<b>64,445,714</b>

Unauthorised expenditure consist out of in increase in the debt impairment provision of traffic fines and consumer debtors being more than budgeted.

Unauthorised expenditure for the year ending 30 June 2019 will be presented to the Council after year end to be condoned.

### Finance charges

#### Reconciliation of unauthorised expenditure

Opening balance	6,030,588	9,399,471
Unauthorised expenditure current year	9,924,356	6,030,588
Approved by Council	-	(9,399,471)
	<b>15,954,944</b>	<b>6,030,588</b>

The unauthorised expenditure relates to the interest charge on the provision for the rehabilitation of the landfill sites and the provision for the GIPTN Compensation Liability not being budgeted for. Refer to note 18 for more detail.

Unauthorised expenditure for the year ending 30 June 2019 will be presented to the Council after year end for approval.

### Materials & bulk purchases

#### Reconciliation of unauthorised expenditure

Opening balance	-	5,801,824
Unauthorised expenditure current year	15,264,858	-
Approved by Council	-	(5,801,824)
	<b>15,264,858</b>	<b>-</b>

The unauthorised expenditure relates to the cost of even sold during the financial year that was not provided for in the budget.

Unauthorised expenditure for the year ending 30 June 2019 will be presented to the Council after year end for approval.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>48. Unauthorised expenditure (continued)</b>		
<b>Remuneration of councillors</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	-	-
Unauthorised expenditure current year	468,172	-
Approved by Council	-	-
	<u>468,172</u>	<u>-</u>
<p>Unauthorised expenditure for the year ending 30 June 2019 will be presented to the Council after year end for approval.</p>		
<b>Loss on disposal of PPE</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	-	97,823
Unauthorised expenditure current year	-	-
Approved by Council	-	(97,823)
	<u>-</u>	<u>-</u>
<b>Capital expenditure</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	-	2,350,696
Unauthorised expenditure current year	-	-
Approved by Council	-	(2,350,696)
	<u>-</u>	<u>-</u>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>49. Irregular expenditure</b>		
Opening balance	11,846,408	124,830
Add: Irregular Expenditure - current year	256,831,885	11,721,578
Add: Irregular Expenditure - identified in current year for prior years	357,664,632	-
Less: Amounts ratified by council	(124,830)	-
	<b>626,218,095</b>	<b>11,846,408</b>

The irregular expenditure above as well as the items below will be referred to a Section 32 committee for a recommendation to Council.

### Details of irregular expenditure

#### Identified during 30 June 2016 financial year

Procurement of goods and services in the upgrading of various sport facilities during 30 June 2015 financial year - Ratified by Council during the year	-	78,760
Overpayment of telephone allowance and petrol advance for previous mayor - Ratified by Council during the year	-	46,070

#### Identified during 30 June 2018 financial year

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

#### Identified during 30 June 2019 financial year

Section 80 committee / councillors involved in tender process - 2018/2019 expenditure	256,831,885	-
Section 80 committee / councillors involved in tender process - 2017/2018 expenditure	205,631,880	-
Section 80 committee / councillors involved in tender process - 2016/2017 expenditure	96,681,562	-
Section 80 committee / councillors involved in tender process - 2015/2016 expenditure	38,486,287	-
Section 80 committee / councillors involved in tender process - 2014/2015 expenditure	10,712,824	-
	<b>620,066,016</b>	<b>11,846,408</b>

### Section 80 committee / councillors involved in tender process:

Section 44 of the MSA outlines the functions and powers of the executive committee. None of these powers and functions include a role in individual procurement transactions. Section 56 of the MSA outlines the powers and functions of the executive mayor. None of these powers and functions include a role in individual procurement transactions. MFMA Section 117 states that: "Councillors barred from serving on municipal tender committees. No councillor of any municipality may be a member of a municipal bid committee or any other committee evaluating or approving tenders, quotations, contracts or other bids, nor attend any such meeting as an observer." A section 80 committee operates as per mandate from the executive mayor or executive committee – and such mandate shall not include involvement in tender processes as this is not within the scope of the powers and functions of the executive committee or executive mayor. Instances where the section 80 committees were involved in tender processes were identified but could not be quantified in the prior year financial statements. Related tenders and expenditure were identified and disclosed in the table above.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>50. Fruitless and wasteful expenditure</b>		
Opening balance	687,271	687,271
Less: Amounts ratified by Council	(168,368)	-
	<b>518,903</b>	<b>687,271</b>
<b>Fruitless and wasteful expenditure consist out of the following:</b>		
Interest paid on incorrect submission of the Value Added Tax return at SARS - Ratified by Council during the year	-	22,193
Procurement of goods and services in the upgrading of various sport facilities - Ratified by Council during the year	-	103,063
Misuse of a 3G data card - Ratified by Council during the year	-	43,112
GO George bus tickets: Cost price of old bus tickets destroyed after bus tariff increase	518,903	518,903
	<b>518,903</b>	<b>687,271</b>
<p>The fruitless and wasteful expenditure of 30 June 2019 is being referred to a Section 32 committee for a recommendation to Council.</p>		
<b>51. Material losses</b>		
<b>Electricity distribution</b>		
Units purchased (KWh)	473,073,479	470,867,215
Units lost during distribution	25,502,732	35,741,355
Percentage lost during distribution	5.39	7.59
<b>Water distribution</b>		
Kilolitres purified	10,699,744	11,187,913
Kilolitres lost during distribution	1,152,503	3,025,560
Percentage lost during distribution	10.77	27.04
<b>52. In-kind donations and assistance</b>		
<p>The following assets have been donated to the municipality and form part of the asset additions for the year:</p>		
<b>Investment property</b>		
Skatelab building	-	225,000

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>53. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	(4,504,678)	(3,923,844)
Current year fee	4,504,678	3,923,844
Amount paid - current year	(5,050,239)	(4,504,678)
Prepayment - Refer to note 5	<u>(5,050,239)</u>	<u>(4,504,678)</u>
<p>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 5 for more detail.</p>		
<b>Audit fees</b>		
Current year subscription / fee	5,696,439	4,284,907
Amount paid - current year	(5,696,439)	(4,284,907)
	<u>-</u>	<u>-</u>
<b>PAYE and UIF</b>		
Current year subscription / fee	76,250,538	66,952,257
Amount paid - current year	(76,250,538)	(66,952,257)
	<u>-</u>	<u>-</u>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	105,680,208	93,269,333
Amount paid - current year	(105,680,208)	(93,269,333)
	<u>-</u>	<u>-</u>
<b>VAT</b>		
VAT receivable / (payable)	<u>4,256,357</u>	<u>3,310,255</u>

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

### 53. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### 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 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
CH Noble	3,138	33,778	36,916
<b>30 June 2018</b>	<b>Outstanding less than 90 days R</b>	<b>Outstanding more than 90 days R</b>	<b>Total R</b>
	-	-	-

#### 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.

#### 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	-
	<b>1,779,562</b>	<b>7,442,429</b>	<b>5,046,240</b>	<b>-</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

### 53. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### 2018

	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	554,395	1,907,705	805,392	-
Civil Engineering Services	510,326	6,363,727	13,009,524	-
Community Services	802,881	1,923,357	4,849,325	-
Corporate Services	155,466	294,670	1,343,989	2,223,989
Electro-technical Services	491,256	919,751	1,056,743	2,300,000
Financial Services	72,913	955,003	2,037,918	-
Human Settlement	18,608	94,034	-	-
Planning and Development	190,556	200,084	500,000	-
Protection Services	185,783	796,793	387,780	-
	<b>2,982,184</b>	<b>13,455,124</b>	<b>23,990,671</b>	<b>4,523,989</b>

Included in the deviations listed above are invalid deviations as disclosed in note 49 Irregular expenditure.

The major deviations were as follows:

#### 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
	<b>5,046,239</b>	

#### 2018

Awarded	Amount	Reason / Explanation
Metsi Chem iKapa	7,192,317	Impossible to follow the official procurement process, Sole supplier in the Western Cape. Received direct quotes from three suppliers. Tender is in the final stage.
Chlorcape	5,772,686	Impossible to follow the official procurement process, Sole supplier in the Western Cape. Received direct quotes from three suppliers. Tender is in the final stage.
Microsoft	4,245,097	Sole supplier- Software licenses, Enterprise agreement & Azure Commit.
Numecento	3,525,379	Impossible to follow the official procurement process, Service providers on year tender did not have the equipment available for the War on Waste project: Hiring of TLB's and Trucks.
Powerrec TRF	2,300,000	Emergency: Rewinding of bonar long transformer

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 53. Additional disclosure in terms of Municipal Finance Management Act (continued)

Awarded	Amount	Reason / Explanation
Mr Noodles	1,206,576	Impossible to follow the official procurement process. Emergency service providers on year tender did not have the equipment available. War on Waste project and bulldozer for refuse site: Hiring of Trucks and bulldozers.
Ultra Water	782,952	Impossible to follow the official procurement process, Sole supplier in the Western Cape. Received direct quotes from three suppliers. Tender is in the final stage.
Almex Transport solutions	772,188	Sole supplier for the fare collection and ticket validation systems.
ESRI SA	620,206	Exceptional case and impractical to follow the official procurement process. ESRI is the current supplier of the enterprise wide GIS solution- GIS development and maintenance
A Bruinders	500,000	Acquisition of repair workers to historical building- Repairs and restoration of the heritage building in Pacaltsdorp.
Adenco Construction	435,784	Impossible to follow the official procurement process. Contractor on site need to repair work on 66Kv line.
Elements Consulting Engineers	362,296	Impossible to follow the official procurement process. Elements were appointed for the design of phase 2 in the construction monitoring of Ballots Bay to Glenwood 66Kv line.
First Technology	294,670	Impossible to follow the official procurement process. First technology was appointed by Microsoft as their solutions partner for Business support.
Reinhausen SA	258,662	Emergency. Repairs to OLTC situated at Protea sub station.
Outeniqua plastics	234,749	Impossible to follow the official procurement process. Tender is in the final stage of evaluation. Direct negotiations with suppliers for black refuse bags.
Eden FAM	220,833	Sole supplier. of radio talk slots and adverts.
Business Engineering	220,000	Sole supplier of the Collaborator system support service.
RAW projects	216,602	Impossible to follow the official procurement process. Formal process were followed without any success- Specialised trailers.
Huber Technology	216,545	Sole supplier of Huber equipment
JPCE (Pty) Ltd	215,346	Emergency. Waste diversion feasibility study
Brasika Consulting	200,151	Impossible to follow the official process. Adv Venter has previously provided professional services to the municipality including governance arrangements relating to the IGA and FA- Legal advice: Review of existing contracts with DTPW in relation to GIPTN

**29,793,039**

### 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		
WTW Civil (Pty) Ltd	DL Wasserman	Director	Various	Interest in related companies: Africa Resurfacing & Asphalt and Supa Asphalt	28,829,379	-
SMEC South Africa (Pty) Ltd	M Phosa	Member	Finance - Mpumalanga Provincial Government	Spouse	6,884,592	6,012,271

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 53. Additional disclosure in terms of Municipal Finance Management Act (continued)

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship	2019	2018
Aurecon SA	Various	Various	Various	Various	9,814,947	8,242,802
	ZB Ebrahim	Non-Executive Director	Social Housing Regulatory	Various		
Moreki Distributors	MD Moreki	Director	Palm Springs Magistrates Court	Spouse	6,802,938	4,439,775
Delacom	VV Zwane	Director	Social Worker	Spouse	3,934,743	1,299,040
Willvest Twenty Three (Pty) Ltd t/a Urhwebo E-transand	Various	Various	Various	Various	3,870,771	18,591,438
GLS Consulting	Various	Various	Various	Various	2,429,024	-
iKapa Reticulation and flow CC	SFA Davids	Director	Western Cape Education Department - Teacher	Spouse	2,179,490	2,518,219
Minolta SA: George	KR Mthimunye	Non-Executive director	Mintek	Various	2,098,423	1,997,473
Raubenheimer Attorneys	WM Luttig	Director	Teacher	Spouse	2,012,807	1,115,135
ISHS	CM Willems	Director	Teacher	Parent	1,405,294	1,339,416
Royal Haskoning DHV	JD van Eeden	Member	Councillor - Langeberg Department of Water Affairs	Brother Nephew	1,242,677	4,147,731
Trentyre	NP Mona	Member	SA Forestry Company	Not Indicated	1,122,087	1,266,357
	A Sing	Non-Executive Director	DBSA	Not Indicated		
Elster Kent Metering	NY Nkabinde	Director	Competition Commissioner	Not Indicated	952,718	351,507
Genela Security Training and Projects (Pty) Ltd	Morton Gericke	Not Indicated	Councillor - George Municipality	Brother	925,292	-
Conlog	L Moodley	Commercial Director	Provincial Health Department of KZN - Director of Informatics - GIS	Spouse	781,080	904,366
	L Gaxeni	Quality Manager	Eskom KZN - Deductor Manager	Spouse		
Adenco Construction	V Machimana	Director	Department of Health	Parent	705,141	687,847
	DCC Jackson	Director	Teacher	Parent		
Tuinqua Consulting Engineers	E Huistra	Member	WC Education	Spouse	674,908	160,338
2 Brothers Enterprise	J Booysen	Owner	George Municipality - Cleaner/Tea Lady	Sister-In-Law	567,473	309,500

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 53. Additional disclosure in terms of Municipal Finance Management Act (continued)

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship	2019	2018
First Technology Western Cape	A Sharp	Director	Various	Various	358,090	-
Total Client Services	V Zitumane BKD Mafu	Member Non-executive director	EC Parks & Tourism EC Liquor Board	Not Indicated Not Indicated	274,275	258,638
SMS ICT Choice (Pty) Ltd	Similingene Sydwell Maqula	Director	Eastern Cape - Department of Human Settlements (Director)	Spouse	268,536	390,467
Bearing Warehouse	FC Zeelie	Member	Department of Agriculture	Spouse	194,278	232,569
DFN Construction	DF Noemdoe	Owner	George Municipality Planning Department Department of Justice	Brother Sister	173,868	203,397
Seebosrand Catering	ME Classen	Owner	Official at George Municipality	Daughter	168,978	79,304
Misizipa General Grading	S Toto	Director	George Municipality - Youth Office	Former-Girlfriend (Mother of his Son)	145,230	-
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	43,958
Wolfe Pack Race	K Langeveldt	Owner	Official at George Municipality Official at George Municipality	Spouse Brother	105,756	207,543
Inca Portfolio Managers	M Mokoene	Non-Executive Director	Gautrain Management Agency	Not Indicated	101,080	93,720
Avela General Service and Construction	Nimrod Nongogo Phelo Nongogo	Owner Owners	Department of Health: Ambulance Assistant Department of Health: Admin Clerk	Son Daughter	53,588	46,203
A Louw t/a Goossen Clough & Louw	A Louw	Director	Western Cape Education Department	Spouse	32,509	14,854
On Target Shooting Range	DJ van Rooyen	Director	South African Police Service	Not Indicated	25,800	-

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

Figures in Rand		2019	2018			
<b>53. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>						
Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
Omnisolar	JE Albert	Member	Not Indicated	Spouse	10,326	14,884
Jaji Bee Relocation and Honey Farming	QJ Jaji	Owner	Official at George Municipality	Daughter	3,600	13,800
Old Mutual Investments	DL Cronje		Councillor of George Municipality	Son	Investments	-
ABSA Bank	M Ramos	CEO	SA Politician	Spouse	-	5,725,430
	LL Von Zeuner	Director	Department of Health	Brother		
Servelec (Pty) Ltd	W Louw	Proposals Manager	SARS Port Elizabeth - Debtors Clerk	Spouse	-	318,606
PNB Civils	P Barnardo	Director	Former Employee at Mossel Bay Municipality		-	205,991
Gibb (Pty) Ltd	Various	Various	Various	Various	-	199,500
Zuksem Projects 01 (Pty) Ltd	BM Bokwe	Owner	Official at George Municipality	Business Partner	-	133,990
Montidox CC	N Beja	Director	Department of Health	Spouse	-	129,978
Nikwe Enterprise (Pty) Ltd	M Olivier	Owner	Admin Officer: Housing	Spouse	-	2,800
					<b>79,399,885</b>	<b>61,698,847</b>

### 54. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	290,220,942	329,842,195
------------------------------	-------------	-------------

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 13 for detail of long-term liabilities.

### 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 1.24 for more information on the fund.

The transactions for the year were:

Opening balance	19,633,908	10,054,101
National grants	114,836,159	124,764,718
Provincial grants	101,243,886	95,545,129
Fare revenue	44,197,337	39,419,283
Other income	256,681	1,883,825
Interest received	-	348,600
Less:Expenses	(259,629,399)	(252,381,748)
	<b>20,538,572</b>	<b>19,633,908</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

---

Figures in Rand	2019	2018
-----------------	------	------

---

### 56. Budget differences

#### 56.1 Other own revenue

The variance of 11% between the actual and budget amounts received consist out of the following items: Traffic fines issued was 30% more than budgeted for. There was also a substantial decrease in the rental from facilities due to the Victoria Bay Kiosk and flats which were handed over to the Garden Route District Municipality. The number of motor vehicle registrations increased and there was therefore an increase in the agency fees received. The actual amount received was 32% more than the budget.

#### 56.2 Debt impairment

The difference between the final adjustments budget and the actual amounts is 43%. The differences consist of an increase in the impairment provision of traffic fines issued

#### 56.3 Depreciation and asset impairments

The difference between the final adjustments budget and the actual amounts is 12%. The decrease in depreciation is a result of the useful lives of assets that has been reviewed and subsequently spreading the depreciation over a longer life span.

#### 56.4 Finance charges

The difference between the final adjustments budget and the actual amounts is 31%. The differences consist the interest on the provisions for the rehabilitation of the landfill site and GIPTN compensation provision. Refer to note 18 for detail.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

---

Figures in Rand	2019	2018
-----------------	------	------

---

### 56. Budget differences (continued)

#### 56.5 Transfers recognised - capital

The variance of 10% between the actual amount spent is linked to the underspending of capital projects listed in the points below.

#### 56.6 Capital - Executive and council

The difference between the final adjustments budget and the actual amounts is 42% and is a result of saving on the procurement of furniture and office equipment.

#### 56.7 Capital - Finance and administration

The difference between the final adjustments budget and the actual amounts is 13% and relates to the Pacaltsdorp Community Hall tender that was advertised in May and could not be completed due to time constraints. The Department has requested to roll-over the project to the next financial year.

#### 56.8 Capital - Internal audit

The difference between the final adjustments budget and the actual amounts is 33% and relates to saving on the procurement of furniture and office equipment as vacancies was not filled at the end of the year.

#### 56.9 Capital - Community and social services

The difference between the final adjustments budget and the actual amounts is 46% and consist of the palisade fence at Uniondale Community Hall that was not completed as well as the Pacaltsdorp Community Hall tender that was advertised in May and could not be completed due to time constraints. The Department has requested to roll-over these projects.

#### 56.10 Capital - Sport and recreation

The difference between the final adjustments budget and the actual amounts is 70% since the tartan track project could not be completed (MIG funding) and a roll-over will be requested.

#### 56.11 Capital - Public safety

The difference between the final adjustments budget and the actual amounts is 25%. A fire truck has been ordered but the tanker can only be delivered within 12 weeks and must be rolled-over to the next financial year since delivery will only take place after year end.

#### 56.12 Capital - Housing

The difference between the final adjustments budget and the actual amounts is 59%. and relates to burglar bars at the Lawaaikamp Crèche. A contractor was appointed in March 2019. The contractor cancelled and the new tender closed 29 April 2019. 50% of work was completed at year end and the remainder of funds to be rolled-over to complete the project.

#### 56.13 Capital - Health

The difference between the final adjustments budget and the actual amounts is 27%. All the projects for the year was completed and the underspending is due to various savings on the projects.

#### 56.14 Capital - Planning and development

The difference between the final adjustments budget and the actual amounts is 19% and consist mainly out of the savings on a bakkie that was purchased.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2019

## Notes to the Annual Financial Statements

---

Figures in Rand	2019	2018
-----------------	------	------

---

### 56. Budget differences (continued)

#### 56.15 Capital - Road transport

The difference between the final adjustments budget and the actual amounts is 19% and relates to the Thembalethu UISP Project. Termination of contract notices were issued to the contractors since community disruptions were experienced. Project will be rolled-over to the next financial year.

Optic bus camera equipment project was not completed and will be rolled-over to the next financial year.

#### 56.16 Capital - Energy sources

The difference between the final adjustments budget and the actual amounts is 12% and relates to the refurbishment of an existing 10MVA transformer where the contractor has been appointed but the project will only be completed in the next financial year. Electrification of Golden Valley project experienced delays due to the building of houses.

#### 56.17 Capital - Water management

The difference between the final adjustments budget and the actual amounts is 48% and relates mainly to two projects that were not completed and rolled-over into the next financial year. The first is the Thembalethu UISP Project where termination of contract notices were issued to the contractors since community disruptions were experienced. Pacaltsdorp (Erf 325 East) Link was not completed.

#### 56.18 Capital - Waste water management

The difference between the final adjustments budget and the actual amounts is 27% and relates to a delay in the appointment of a contractor to work on the Outeniqua waste water treatment works.

#### 56.19 Capital - Waste management

The difference between the final adjustments budget and the actual amounts is 45%. The rehabilitation of landfill sites expenditure was journalised to the provision as it not capital in nature. Transfer facility at Uniondale is also still in progress as the completion milestones was not reached and will be completed after year end.

#### 56.20 Capital - Other

The difference between the final adjustments budget and the actual amounts is 43% and relates to billboards at the Tourism Offices. A request for quotations was issued in May 2019 but the processes could not be completed by the end of June. The project will be rolled over to the next financial year.