



**GEORGE LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**GENERAL INFORMATION**

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**Mayoral committee**

Executive Mayor	C Standers (resigned 26 July 2016)
Deputy Executive Mayor	D Maritz
Speaker	M Draghoender

**Councillors**

**Ward**

1	MG Naik
2	C Neethling
3	EP De Villiers
4	LD van Wyk
5	LBC Esau
6	HH Ingo
7	FZ Ntozini
8	C Standers (resigned 26 July 2016)
9	T Teyisi
10	MD Gingcana
11	NF Kamte
12	GN Sixolo
13	B Salmani
14	C Remas
15	FS Guga
16	HJ Jones (suspended 2 June 2016)
17	D Maritz
18	GC Niehaus
19	IC Kritzinger
20	M Draghoender
21	JS Thanda
22	PH de Swardt
23	GJ Stander
24	AM Wildeman
25	MEF Kleynhans



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**GENERAL INFORMATION**

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Proportionally elected councillors

C Bob  
BM Cornelius  
NNE Dlephu  
J du Toit  
T Fortuin (resigned 26 April 2016)  
V Gericke  
WT Harris (resigned 26 April 2016)  
LS Hayward  
NV Kom  
PB Komani  
PS Lehlo  
R Lombaard  
G Macclune  
VE Mashini (appointed 12 May 2016)  
SM Mekana (deceased 17 April 2016)  
ZM Moyi (appointed 30 May 2016)  
MM Nyakathi  
B Petrus  
LN Qupe  
GMY Sihoyiya  
I Stemela  
PJ van der Hoven  
AJ van Zyl  
M Viljoen  
CT Williams  
W Witbooi

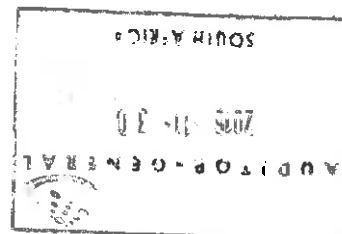


**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**GENERAL INFORMATION**

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<b>Auditor</b>	The Auditor General
<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>Contact numbers</b>	Tel: 044 801 9111 Fax: 044 873 3776
<b>Website</b>	<a href="http://www.george.org.za">www.george.org.za</a>
<b>E-mail</b>	<a href="mailto:post@george.org.za">post@george.org.za</a>
<b>Accounting Officer</b>	T Botha
<b>Chief Financial Officer (CFO)</b>	K Jordaan



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**ACCOUNTING OFFICER'S APPROVAL OF THE FINANCIAL STATEMENTS**

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The municipality is responsible for the preparation and fair presentation of the annual financial statements of the municipality as at 30 June 2016, comprising of the Statement of Financial Position as at 30 June 2016, the Statement of Financial Performance as at 30 June 2016, 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 municipality'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 and error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The municipality'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 municipality 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, which are set out on pages 6 to 121 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

I certify that the 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 Officer 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.

  
**T BOTHA**  
**ACCOUNTING OFFICER**



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Statement of Financial Position as at 30 June 2016**

Figures in Rand	Note(s)	2016	2015 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	161,212,199	166,860,044
Trade receivables from exchange transactions	3	103,343,949	87,585,447
Receivables from non-exchange transactions	4	88,506,853	106,468,617
Prepayments	5	11,820,934	8,152,712
VAT receivable	6	663,683	-
Loans and receivables	7	284,066	295,633
Cash and cash equivalents	8	365,322,659	345,880,536
		<b>731,154,343</b>	<b>715,242,989</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	2,708,865,889	2,644,643,710
Intangible assets	10	1,007,717	463,125
Heritage assets	11	4,236,000	4,236,000
Investment property	12	152,249,977	152,411,992
Loans and receivables	7	847,517	745,866
		<b>2,867,207,100</b>	<b>2,802,500,693</b>
<b>Total Assets</b>		<b>3,598,361,443</b>	<b>3,517,743,682</b>
<b>Current Liabilities</b>			
Loans and borrowings	13	38,513,167	41,974,671
Finance lease obligation	14	4,085,827	2,735,598
Trade and other payables from exchange transactions	15	162,714,805	148,228,601
VAT payable	6	-	742,543
Consumer deposits	16	19,759,545	21,586,067
Employee benefit obligation	17	42,832,278	41,748,579
Provisions	18	41,105,209	35,993,404
Unspent conditional grants and receipts	19	34,491,337	35,793,306
		<b>343,502,168</b>	<b>328,802,769</b>
<b>Non-Current Liabilities</b>			
Loans and borrowings	13	330,880,921	369,394,096
Finance lease obligation	14	10,876,102	9,916,694
Employee benefit obligation	17	142,260,723	149,284,200
Provisions	18	49,047,183	45,836,410
Trade and other payables from exchange transactions	15	8,156,395	9,388,146
		<b>541,221,324</b>	<b>583,819,546</b>
<b>Total Liabilities</b>		<b>884,723,492</b>	<b>912,622,315</b>
<b>Net Assets</b>		<b>2,713,637,951</b>	<b>2,605,121,367</b>
Net Assets			
Housing development fund	20	64,940,105	67,508,943
Accumulated surplus		2,648,697,846	2,537,612,424
<b>Total Net Assets</b>		<b>2,713,637,951</b>	<b>2,605,121,367</b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Statement of Financial Performance**

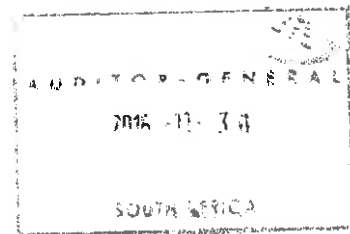
Figures in Rand	Note(s)	2016	2015 Restated
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	776,896,566	677,817,541
Rental revenue		2,422,718	2,562,589
Income from agency services		8,538,652	7,748,818
Licences and permits		2,262,046	2,316,999
Sale of erven		5,311,378	4,842,660
GIPTN Fare Revenue	22	32,532,521	7,829,235
Other income	23	43,772,744	31,860,001
Gains on disposal of assets	25	-	456,656
Interest received	24	35,413,806	28,407,937
<b>Total revenue from exchange transactions</b>		<b>907,150,431</b>	<b>763,842,436</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	26	192,653,693	172,060,819
Property rates - penalties imposed	26	5,009,483	3,872,348
<b>Transfer revenue</b>			
Government grants & subsidies	27	426,958,547	400,753,241
Fines	28	56,052,721	50,350,106
<b>Total revenue from non-exchange transactions</b>		<b>680,674,444</b>	<b>627,036,514</b>
<b>Total revenue</b>		<b>1,587,824,875</b>	<b>1,390,878,950</b>
<b>Expenditure</b>			
Employee related costs	29	356,552,460	348,452,142
Remuneration of Councillors	30	17,466,635	16,677,926
Depreciation and amortisation	31	141,581,652	116,323,806
Impairment loss	32	88,516,206	59,121,262
Finance costs	33	48,714,952	51,072,662
Collection costs		4,758,417	3,530,976
Repairs and maintenance	34	87,655,593	83,065,984
Bulk purchases	35	359,854,084	310,889,236
Contracted services	36	223,343,453	174,732,316
Grants and subsidies paid	37	2,971,833	2,700,695
Cost of erven sold		5,028,900	4,800,000
Loss on disposal of assets	25	10,454,913	2,152,795
General Expenses	38	132,376,754	105,950,392
<b>Total expenditure</b>		<b>1,479,275,852</b>	<b>1,279,470,192</b>
<b>Surplus for the year</b>		<b>108,549,023</b>	<b>111,408,758</b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Statement of Changes in Net Assets**

<b>Figures in Rand</b>	<b>Housing Development Fund</b>	<b>Accumulated surplus</b>	<b>Total net assets</b>
Opening balance as previously reported	69,484,478	2,428,305,207	2,497,789,685
Adjustments:			
Prior year adjustments (Refer to Note 44.2)	-	(4,077,076)	(4,077,076)
<b>Restated Balance as at 01 July 2014</b>	<b>69,484,478</b>	<b>2,424,228,131</b>	<b>2,493,712,609</b>
Changes in net assets:			
Surplus for the year	-	111,408,758	111,408,758
Transfer to / (from) the Housing Development Fund	(1,975,535)	1,975,535	-
Total changes	(1,975,535)	113,384,293	111,408,758
<b>Restated Balance at 01 July 2015</b>	<b>67,508,943</b>	<b>2,537,612,422</b>	<b>2,605,121,365</b>
Changes in net assets:			
Surplus for the year	-	108,549,023	108,549,023
Transfer to / (from) the Housing Development Fund	(2,536,401)	2,536,401	-
Rosedale temporary relocation area expenditure	(32,437)	-	(32,437)
Total changes	(2,568,838)	111,085,424	108,516,586
<b>Balance at 30 June 2016</b>	<b>64,940,105</b>	<b>2,648,697,846</b>	<b>2,713,637,951</b>
Note(s)	20		

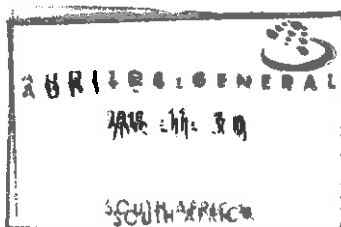




**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Cash Flow Statement**

Figures in Rand	Note(s)	2016	2015 Restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		202,291,558	182,601,095
Sale of goods and services		761,955,710	658,197,455
Grants		443,697,329	397,892,297
Interest income		30,821,637	24,911,854
Other receipts		54,309,057	40,798,659
		<u>1,493,075,291</u>	<u>1,304,401,360</u>
<b>Payments</b>			
Employee costs		(379,958,871)	(343,491,906)
Suppliers		(788,660,325)	(715,546,060)
Finance costs		(47,174,985)	(50,235,166)
		<u>(1,215,794,181)</u>	<u>(1,109,273,132)</u>
<b>Net cash flows from operating activities</b>	39	<u><b>277,281,110</b></u>	<u><b>195,128,228</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(209,629,394)	(200,217,593)
Proceeds on disposal of property, plant and equipment	9	40,000	-
Proceeds from sale of investment property	12	-	462,456
Purchase of intangible assets	10	(958,628)	-
Decrease in loans and receivables		7,338	454,127
<b>Net cash flows from investing activities</b>		<u><b>(210,540,684)</b></u>	<u><b>(199,301,010)</b></u>
<b>Cash flows from financing activities</b>			
Repayment of loans and borrowings	13	(41,974,679)	(38,701,687)
(Increase) / Decrease in finance lease liabilities		(5,323,624)	1,560,081
<b>Net cash flows from financing activities</b>		<u><b>(47,298,303)</b></u>	<u><b>(37,141,606)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>19,442,123</b>	<b>(41,314,388)</b>
Cash and cash equivalents at the beginning of the year		345,880,536	387,194,924
<b>Cash and cash equivalents at the end of the year</b>	8	<u><b>365,322,659</b></u>	<u><b>345,880,536</b></u>

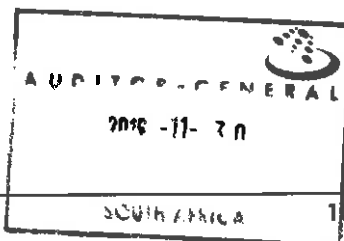


**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**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	194,395,766	1,109,017	<b>195,504,783</b>	197,663,175	<b>2,158,392</b>	Difference less than 10%
Service charges	742,279,599	19,358,000	<b>761,637,599</b>	776,896,566	<b>15,258,967</b>	Difference less than 10%
Investment revenue	20,955,930	3,157,874	<b>24,113,804</b>	30,704,018	<b>6,590,214</b>	54.1
Transfers recognised - operational	275,184,319	15,241,281	<b>290,425,600</b>	297,573,818	<b>7,148,218</b>	Difference less than 10%
Other own revenue	139,691,391	(1,847,548)	<b>137,843,843</b>	138,091,602	<b>247,759</b>	Difference less than 10%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,372,507,005</b>	<b>37,018,624</b>	<b>1,409,525,629</b>	<b>1,440,929,179</b>	<b>31,403,550</b>	
<b>Expenditure by type</b>						
Employee costs	346,840,060	44,169,622	<b>391,009,682</b>	356,462,713	<b>(34,546,969)</b>	Difference less than 10%
Remuneration of Councillors	19,451,700	-	<b>19,451,700</b>	17,466,635	<b>(1,985,065)</b>	54.2
Debt impairment	62,180,741	-	<b>62,180,741</b>	88,516,206	<b>26,335,465</b>	54.3
Depreciation and asset impairment	136,627,585	5,762,793	<b>142,390,378</b>	141,581,652	<b>(808,726)</b>	Difference less than 10%
Finance charges	44,104,418	-	<b>44,104,418</b>	43,991,879	<b>(112,539)</b>	Difference less than 10%
Materials and bulk purchases	363,484,340	(738,500)	<b>362,745,840</b>	360,060,685	<b>(2,685,155)</b>	Difference less than 10%
Transfers and grants	3,144,760	323,780	<b>3,468,540</b>	2,971,833	<b>(496,707)</b>	54.4
Other expenditure	460,647,711	18,124,801	<b>478,772,512</b>	463,540,172	<b>(15,232,340)</b>	
<b>Total expenditure</b>	<b>1,436,481,315</b>	<b>67,642,496</b>	<b>1,504,123,811</b>	<b>1,474,591,775</b>	<b>(29,532,036)</b>	
<b>Surplus / (Deficit)</b>	<b>(63,974,310)</b>	<b>(30,623,872)</b>	<b>(94,598,182)</b>	<b>(33,662,596)</b>	<b>60,935,586</b>	
Transfers recognised - capital	129,881,758	24,015,239	<b>153,896,997</b>	129,417,166	<b>(24,479,831)</b>	
Contributions recognised - capital and contributed assets	8,214,850	1,814,167	<b>10,029,017</b>	17,517,528	<b>7,488,511</b>	54.5
<b>Surplus for the year</b>	<b>74,122,298</b>	<b>(4,794,466)</b>	<b>69,327,832</b>	<b>113,272,098</b>	<b>43,944,266</b>	
<b>Basis difference</b>						
Interest on provision for rehabilitation of landfill site				1,394,985)		18 & 33
Interest on GIPTN compensation provision and accrual				3,328,090)		15, 18 & 33
<b>Actual Amount in the Statement of Financial Performance</b>				<b>108,549,023</b>		



# George Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

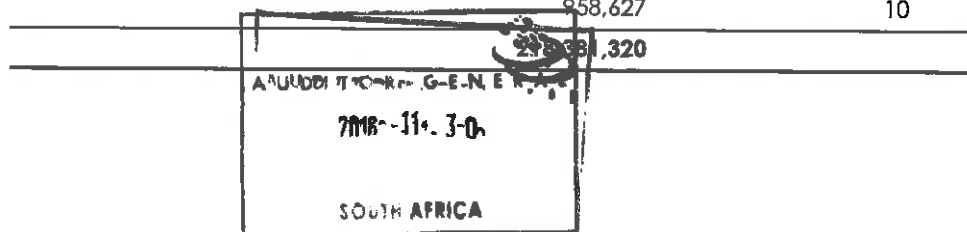
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Capital expenditure</b>						
<b>Assets</b>						
<b>Capital expenditure by vote</b>						
Executive and Council	4,683,000	929,000	<b>5,612,000</b>	2,361,897	<b>(3,250,103)</b>	54.6
Budget and treasury office	593,000	1,210,000	<b>1,803,000</b>	1,424,889	<b>(378,111)</b>	54.7
Corporate services	8,794,000	1,200,950	<b>9,994,950</b>	8,062,145	<b>(1,932,805)</b>	54.8
Community and social services	4,087,800	2,984,050	<b>7,071,850</b>	1,456,260	<b>(5,615,590)</b>	54.9
Sport and recreation	5,821,000	1,694,000	<b>7,515,000</b>	5,277,721	<b>(2,237,279)</b>	54.10
Public safety	8,059,000	(830,811)	<b>7,228,189</b>	4,496,420	<b>(2,731,769)</b>	54.11
Housing	6,745,000	(3,518,000)	<b>3,227,000</b>	2,757,252	<b>(469,748)</b>	54.12
Health	20,000	3,440,000	<b>3,460,000</b>	2,234,005	<b>(1,225,995)</b>	54.13
Road transport	94,874,597	23,201,184	<b>118,075,781</b>	116,820,253	<b>(1,255,528)</b>	Difference less than 10%
Environmental protection	-	94,971	<b>94,971</b>	94,912	<b>(59)</b>	Difference less than 10%
Electricity	31,390,350	2,631,850	<b>34,022,200</b>	27,659,075	<b>(6,363,125)</b>	54.14
Water	34,566,707	(11,645,707)	<b>22,921,000</b>	13,835,069	<b>(9,085,931)</b>	54.15
Waste water management	36,171,840	(2,494,000)	<b>33,677,840</b>	26,051,695	<b>(7,626,145)</b>	54.16
Waste management	8,480,000	(5,000,000)	<b>3,480,000</b>	5,830,696	<b>2,350,696</b>	54.17
Other	51,800	-	<b>51,800</b>	19,031	<b>(32,769)</b>	54.18
	<b>244,338,094</b>	<b>13,897,487</b>	<b>258,235,581</b>	<b>218,381,320</b>	<b>(39,854,261)</b>	

### Sources of Capital Funds

National Government	110,005,850	(28,536,500)	<b>81,469,350</b>	77,103,795	<b>(4,365,555)</b>
Provincial Government	17,050,000	32,236,739	<b>49,286,739</b>	44,173,925	<b>(5,112,814)</b>
District Municipality	2,825,907	950,000	<b>3,775,907</b>	3,717,326	<b>(58,581)</b>
Other transfers and grants	14,230,737	(4,868,737)	<b>9,362,000</b>	4,422,119	<b>(4,939,881)</b>
Borrowings	21,970,000	11,071,169	<b>33,041,169</b>	13,820,749	<b>(19,220,420)</b>
Internally generated funds	78,255,600	3,044,816	<b>81,300,416</b>	75,143,406	<b>(6,157,010)</b>
	<b>244,338,094</b>	<b>13,897,487</b>	<b>258,235,581</b>	<b>218,381,320</b>	<b>(39,854,261)</b>

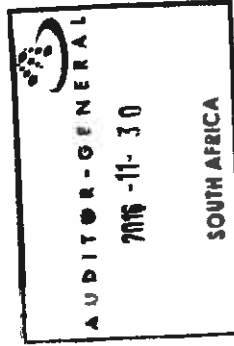
### Capitalisation consist of the following:

Property, plant and equipment additions	215,722,693	9
Prepayments	1,700,000	5
Intangible assets	958,627	10



# George Local Municipality

Annual Financial Statements for the year ended 30 June 2016



## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments	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>2016</b>											
<b>Financial Performance</b>											
Property rates	194,395,766	1,109,017	195,504,783	-	-	195,504,783	197,663,176		2,158,393	101 %	102 %
Service charges	742,279,599	19,358,000	761,637,599	-	-	761,637,599	776,896,566		15,258,967	102 %	105 %
Investment revenue	20,955,930	3,157,874	24,113,804	-	-	24,113,804	30,704,018		6,590,214	127 %	147 %
Transfers recognised - operational	275,184,319	15,241,281	290,425,600	-	-	290,425,600	297,573,818		7,148,218	102 %	108 %
Other own revenue	139,691,391	(1,847,548)	137,843,843	-	-	137,843,843	138,091,602		247,759	100 %	99 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1,372,507,005</b>	<b>37,018,624</b>	<b>1,409,525,629</b>	<b>-</b>	<b>-</b>	<b>1,409,525,629</b>	<b>1,440,929,180</b>		<b>31,403,551</b>	<b>102 %</b>	<b>105 %</b>
Employee costs	346,840,060	43,347,723	390,187,783	-	821,900	391,009,683	356,462,713		(34,546,970)	91 %	103 %
Remuneration of Councillors	19,451,700	-	19,451,700	-	-	19,451,700	17,466,635		(1,985,065)	90 %	90 %
Debt impairment	62,180,741	-	62,180,741			62,180,741	88,516,206	26,335,465	26,335,465	142 %	142 %
Depreciation and asset impairment	136,627,611	5,762,767	142,390,378			142,390,378	141,581,652	-	(808,726)	99 %	104 %
Finance charges	44,104,418	-	44,104,418	-	-	44,104,418	48,714,953	4,610,535	4,610,535	110 %	110 %
Materials and bulk purchases	363,484,340	(662,000)	362,822,340	-	(76,500)	362,745,840	360,060,685	-	(2,685,155)	99 %	99 %
Transfers and grants	3,144,760	226,780	3,371,540	-	97,000	3,468,540	2,971,833	-	(496,707)	86 %	95 %
Other expenditure	460,647,711	18,967,201	479,614,912	-	(842,400)	478,772,512	463,540,174	-	(15,232,338)	97 %	101 %
<b>Total expenditure</b>	<b>1,436,481,341</b>	<b>67,642,471</b>	<b>1,504,123,812</b>	<b>-</b>	<b>-</b>	<b>1,504,123,812</b>	<b>1,479,314,851</b>	<b>30,946,000</b>	<b>(24,808,961)</b>	<b>98 %</b>	<b>103 %</b>
<b>Surplus/(Deficit)</b>	<b>(63,974,336)</b>	<b>(30,623,847)</b>	<b>(94,598,183)</b>	<b>-</b>	<b>-</b>	<b>(94,598,183)</b>	<b>(38,385,671)</b>		<b>56,212,512</b>	<b>41 %</b>	<b>60 %</b>

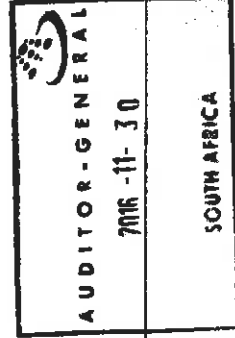
# George Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments (i.t.o. 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	129,881,758	24,015,239	153,896,997	-	-	153,896,997	129,417,166		(24,479,831)	84 %	100 %
Contributions recognised - capital and contributed assets	8,214,850	1,814,167	10,029,017	-	-	10,029,017	17,517,528		7,488,511	175 %	213 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>74,122,272</b>	<b>(4,794,441)</b>	<b>69,327,831</b>	<b>-</b>	<b>-</b>	<b>69,327,831</b>	<b>108,549,023</b>		<b>39,221,192</b>	<b>157 %</b>	<b>146 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>74,122,272</b>	<b>(4,794,441)</b>	<b>69,327,831</b>	<b>-</b>	<b>-</b>	<b>69,327,831</b>	<b>108,549,023</b>		<b>39,221,192</b>	<b>157 %</b>	<b>146 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	244,338,094	13,897,487	258,235,581	-	-	258,235,581	218,381,320		(39,854,261)	85 %	89 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	144,112,494	(218,498)	143,893,996	-	-	143,893,996	129,417,166		(14,476,830)	90 %	90 %
Borrowing	21,970,000	11,071,169	33,041,169	-	-	33,041,169	13,820,749		(19,220,420)	42 %	63 %
Internally generated funds	78,255,600	3,044,816	81,300,416	-	-	81,300,416	75,143,405		(6,157,011)	92 %	96 %
<b>Total sources of capital funds</b>	<b>244,338,094</b>	<b>13,897,487</b>	<b>258,235,581</b>	<b>-</b>	<b>-</b>	<b>258,235,581</b>	<b>218,381,320</b>		<b>(39,854,261)</b>	<b>85 %</b>	<b>89 %</b>



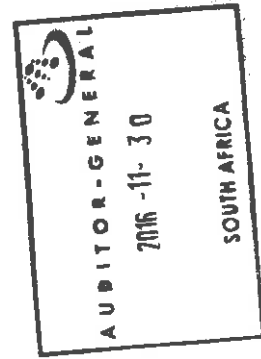
# George Local Municipality

Annual Financial Statements for the year ended 30 June 2016

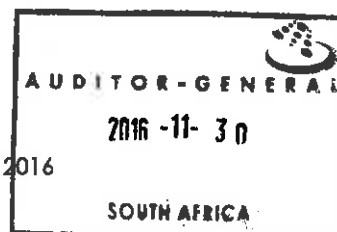
## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments	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>Cash flows</b>											
Net cash from (used) operating	226,016,683	74,043,257	300,059,940	-	-	300,059,940	277,281,110		(22,778,830)	92 %	123 %
Net cash from (used) investing	(213,906,872)	(34,458,252)	(248,365,124)	-	-	(248,365,124)	(210,540,684)		37,824,440	85 %	98 %
Net cash from (used) financing	(16,268,480)	9,800,601	(6,467,879)	-	-	(6,467,879)	(47,298,303)		(40,830,424)	731 %	291 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(4,158,669)</b>	<b>49,385,606</b>	<b>45,226,937</b>	<b>-</b>	<b>-</b>	<b>45,226,937</b>	<b>19,442,123</b>		<b>(25,784,814)</b>	<b>43 %</b>	<b>(468)%</b>
Cash and cash equivalents at the beginning of the year	345,880,536	-	345,880,536	-	-	345,880,536	345,880,536		-	100 %	100 %
<b>Cash and cash equivalents at year end</b>	<b>341,721,867</b>	<b>49,385,606</b>	<b>391,107,473</b>	<b>-</b>	<b>-</b>	<b>391,107,473</b>	<b>365,322,659</b>		<b>25,784,814</b>	<b>93 %</b>	<b>107 %</b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016



## 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>2015</b>				
<b>Financial Performance</b>				
Property rates				175,933,167
Service charges				677,817,541
Investment revenue				28,407,937
Transfers recognised - operational				251,537,179
Other own revenue				90,375,597
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>1,224,071,421</b>
Employee costs	25,185,861	25,185,861	-	(348,437,751)
Remuneration of Councillors	-	-	-	(16,659,558)
Debt impairment	7,604,162	7,604,162	-	(59,121,262)
Depreciation and asset impairment	1,534,175	1,534,175	-	(116,323,806)
Finance charges	1,649,470	1,649,470	-	(48,337,878)
Materials and bulk purchases	-	-	-	(311,078,601)
Transfers and grants	-	-	-	(2,700,695)
Other expenditure	-	-	-	(376,810,641)
<b>Total expenditure</b>	<b>35,973,668</b>	<b>35,973,668</b>	<b>-</b>	<b>(1,279,470,192)</b>
<b>Surplus/(Deficit)</b>				<b>(55,398,771)</b>
Transfers recognised - capital				149,216,062
Contributions recognised - capital and contributed assets				17,591,467
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>111,408,758</b>
<b>Surplus/(Deficit) for the year</b>				<b>111,408,758</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				202,737,596
<b>Sources of capital funds</b>				
Transfers recognised - capital				149,281,692
Public contributions and donations				2,520,000
Borrowing				4,237,484
Internally generated funds				46,698,420
<b>Total sources of capital funds</b>				<b>202,737,596</b>
<b>Cash flows</b>				
Net cash from (used) operating				195,128,228
Net cash from (used) investing				(199,301,010)
Net cash from (used) financing				(37,141,606)
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>(41,314,388)</b>
Cash and cash equivalents at the beginning of the year				387,194,924
<b>Cash and cash equivalents at year end</b>				<b>345,880,536</b>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**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>
GRAP 20	Related Party Disclosure	Unknown

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

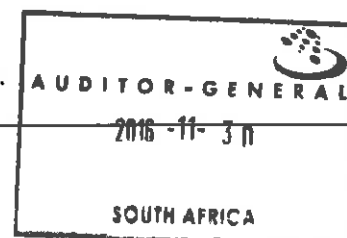
<b>Standard</b>	<b>Description</b>	<b>Effective Date</b> (Year starting on)
GRAP 18	Segment Reporting Presentation of the financial statements will be affected by this standard.	Unknown
GRAP 32	Service Concession Arrangements : Grantor No significant impact is expected.	Unknown
GRAP 108	Statutory Receivables No significant impact is expected.	Unknown
GRAP 109	Accounting by Principals and Agents No significant impact is expected.	Unknown
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset No significant impact is expected.	Unknown

**1.1 Presentation currency**

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

**1.2 Going concern assumption**

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





## **ACCOUNTING POLICIES**

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### **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 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.

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 42.





## ACCOUNTING POLICIES

### 1.4 Significant judgements and sources of estimation uncertainty (continued)

#### 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.

### 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 are recognised in surplus or deficit as incurred.

## ACCOUNTING POLICIES

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

#### 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 its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

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

#### Subsequent costs

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

#### Depreciation

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

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

The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end.

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

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

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

## **ACCOUNTING POLICIES**

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

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.

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.

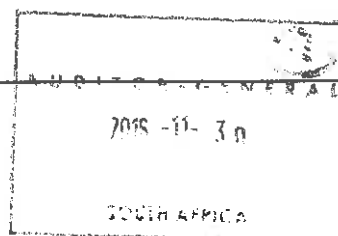
At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or 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.



## **ACCOUNTING POLICIES**

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

#### **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 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.

<b>Investment Property</b>	<b>Years</b>
Buildings	30
Land	Indefinite

#### **Derecognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits 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.

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.

## **ACCOUNTING POLICIES**

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### **1.7 Heritage assets (continued)**

#### **Transfers**

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

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

#### **Derecognition**

The municipality derecognises a heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

### **1.8 Intangible assets**

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

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.

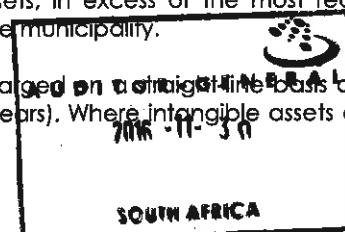
Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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. (2015: 5 to 10 years). Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.



## **ACCOUNTING POLICIES**

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### **1.8 Intangible assets (continued)**

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.

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.

### **1.9 Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset in the 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 (see the Standard of GRAP on Revenue from Exchange Transactions), 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.



## **ACCOUNTING POLICIES**

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

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

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 fair value.
- Financial instruments at amortised cost.
- Financial instruments at 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.





## **ACCOUNTING POLICIES**

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

#### **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.

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:
  - derecognise the asset; and
  - recognise 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.



## **ACCOUNTING POLICIES**

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### **1.9 Financial Instruments (continued)**

#### **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 is 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.

### **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.

## **ACCOUNTING POLICIES**

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### **1.11 Leases (continued)**

#### **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 Municipality as Lessee**

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. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

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

### **1.12 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 on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

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.

## **ACCOUNTING POLICIES**

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### **1.12 Inventories (continued)**

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**

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

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

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

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

#### **Identification**

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

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

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

## **ACCOUNTING POLICIES**

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

#### **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.

#### **Reversal of impairment loss**

The municipality assess 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.

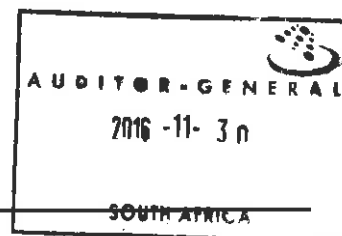
A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such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

## **ACCOUNTING POLICIES**



### **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 municipality, 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.

#### **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.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

## **ACCOUNTING POLICIES**

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### **1.14 Impairment of non-cash-generating assets (continued)**

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.

#### **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.

## **ACCOUNTING POLICIES**

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

#### **Accrued leave pay**

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

#### **Staff Bonuses**

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

#### **Post-employment benefits**

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

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

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

These obligations are valued periodically by independent qualified actuaries.

#### **Multi-employer Defined Benefit and Defined Contribution Plans**

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

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

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

The municipality contributes to various National- and Provincial-administered plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 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**

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### **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.

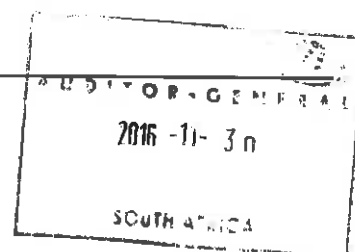
The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

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;
- 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



## **ACCOUNTING POLICIES**

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

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure 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 is 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).

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.

## **ACCOUNTING POLICIES**

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

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 in accordance with GRAP 25 – Employee benefits (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.

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.

## ACCOUNTING POLICIES

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

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 receipts receivables

Unpaid conditional grants 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.

### 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.

## **ACCOUNTING POLICIES**

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

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.

##### **Agency commission**

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

##### **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.

## **ACCOUNTING POLICIES**

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

#### **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. A multi journey ticket is a ticket with ten hourly passages. Tickets are recognised as fare revenue when sold.

#### **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.

##### **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.

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.

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.

### **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.

## **ACCOUNTING POLICIES**

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### **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%) 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.

### **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 53 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.

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Annual Financial Statements for the year ended 30 June 2016  
**ACCOUNTING POLICIES**



### 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.

### 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 and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2015 to 30/06/2016.

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. Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements - Refer to note 54.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

### 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.



## **ACCOUNTING POLICIES**



### **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. If the expenditure is not condoned by Council it is treated as an asset until it is recovered or written off as irrecoverable.

### **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 44.

### **1.33 Change in accounting policies, estimates and errors**

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

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 44 of the financial statements for details of corrections of errors recorded during the period under review.

### **1.34 Amended disclosure policy**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

**George Local Municipality**  
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**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>2. Inventories</b>		
Consumable stores - at cost	7,095,529	7,396,766
Maintenance materials, chemicals and water reserve - at cost	10,870,059	10,000,951
Purified water	323,169	348,717
Work-in-progress - Property Developments - at cost	171,042	173,109
Unsold Properties Held for Resale	142,752,400	148,940,500
	<b>161,212,199</b>	<b>166,860,044</b>

The cost of inventories recognised as an expense in the Statement of Financial Performance for stock issues were R15,442,521 (2015: R16,930,028) and R1,159,200 (2015: RNil) in respect of inventory 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	94,404,205	81,243,653
Other exchange receivables	8,939,744	6,341,794
Prepaid electricity	8,229,165	5,869,829
Rental debtors	473,095	320,289
GIPTN Fare Revenue	237,484	151,676
	<b>103,343,949</b>	<b>87,585,447</b>

Prior year balances have been reclassified. Refer to 44.1 for more detail.

**Disclosures relating to service debtors consist of the following:**

**Gross balances**

Electricity	49,850,932	45,402,671
Water	73,545,590	64,849,533
Sewerage	27,817,297	22,681,259
Refuse	20,704,615	15,898,744
Housing loan instalments	522,262	616,247
Housing rental	419,487	444,602
Other consumer debtors	9,447,823	9,048,761
	<b>182,308,006</b>	<b>158,941,817</b>

**Less: Allowance for impairment**

Electricity	5,876,019	6,791,596
Water	50,772,525	46,410,579
Sewerage	16,768,705	13,194,282
Refuse	12,636,117	9,469,903
Housing loan instalments	378,709	433,268
Housing rental	383,666	382,601
Other consumer debtors	1,088,060	1,015,935
	<b>87,903,801</b>	<b>77,698,164</b>



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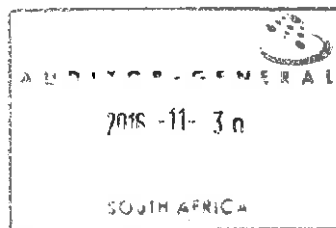
**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Net balance</b>		
Electricity	43,974,913	38,611,075
Water	22,773,065	18,438,954
Sewerage	11,048,592	9,486,977
Refuse	8,068,498	6,428,841
Housing loan instalments	143,553	182,979
Housing rental	35,821	62,001
Other consumer debtors	8,359,763	8,032,826
	<b>94,404,205</b>	<b>81,243,653</b>
<b>The ageing of trade receivables from exchange transactions</b>		
<b>Electricity</b>		
Current (0 -30 days)	37,641,261	30,635,589
31 - 60 days	3,107,380	2,990,322
61 - 90 days	816,434	1,584,000
91 - 120 days	270,048	1,086,195
121 - 365 days	8,015,809	9,106,566
Less: Allowance for impairment	(5,876,019)	(6,791,597)
	<b>43,974,913</b>	<b>38,611,075</b>
<b>Water</b>		
Current (0 -30 days)	19,766,028	18,288,085
31 - 60 days	4,030,842	3,121,402
61 - 90 days	2,842,471	2,364,809
91 - 120 days	2,753,066	2,422,039
121 - 365 days	44,153,184	38,653,197
Less: Allowance for impairment	(50,772,526)	(46,410,578)
	<b>22,773,065</b>	<b>18,438,954</b>
<b>Sewerage</b>		
Current (0 -30 days)	7,534,770	7,387,718
31 - 60 days	1,762,807	1,043,141
61 - 90 days	1,068,140	672,786
91 - 120 days	956,281	492,130
121 - 365 days	16,495,298	13,085,483
Less: Allowance for impairment	(16,768,704)	(13,194,281)
	<b>11,048,592</b>	<b>9,486,977</b>
<b>Refuse</b>		
Current (0 -30 days)	5,949,144	5,561,243
31 - 60 days	1,310,758	777,050
61 - 90 days	833,092	430,152
91 - 120 days	738,313	339,432
121 - 365 days	11,873,307	8,790,868
Less: Allowance for impairment	(12,636,116)	(9,469,904)
	<b>8,068,498</b>	<b>6,428,841</b>



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Figures in Rand	2016	2015
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Housing loans instalments</b>		
Current (0 -30 days)	60,420	113,171
31 - 60 days	12,811	12,571
61 - 90 days	11,421	11,554
91 - 120 days	10,565	11,448
121 - 365 days	427,045	467,502
Less: Allowance for impairment	(378,709)	(433,267)
	<b>143,553</b>	<b>182,979</b>
<b>Housing rental</b>		
Current (0 -30 days)	48,588	73,136
31 - 60 days	12,666	11,923
61 - 90 days	7,808	10,072
91 - 120 days	6,938	9,264
121 - 365 days	343,486	340,207
Less: Allowance for impairment	(383,665)	(382,601)
	<b>35,821</b>	<b>62,001</b>
<b>Other</b>		
Current (0 -30 days)	1,236,537	1,051,104
31 - 60 days	621,246	640,723
61 - 90 days	322,075	584,833
91 - 120 days	927,703	538,426
121 - 365 days	6,340,262	6,233,675
Less: Allowance for impairment	(1,088,060)	(1,015,935)
	<b>8,359,763</b>	<b>8,032,826</b>
<b>Summary of debtors by customer classification</b>		
<b>Residential</b>		
Current (0 -30 days)	35,139,678	30,659,879
31 - 60 days	8,191,055	5,561,853
61 - 90 days	5,196,255	3,746,849
91 - 120 days	4,892,692	3,446,920
121 - 365 days	78,378,383	66,005,970
	131,798,063	109,421,471
Less: Allowance for impairment	(82,872,677)	(71,717,422)
	<b>48,925,386</b>	<b>37,704,049</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	33,195,135	28,891,301
31 - 60 days	1,409,772	2,638,553
61 - 90 days	508,030	1,836,653
91 - 120 days	611,602	1,384,393
121 - 365 days	7,862,347	9,773,430
	43,586,886	44,524,330
Less: Allowance for impairment	(5,031,060)	(5,980,741)
	<b>38,555,826</b>	<b>38,543,589</b>



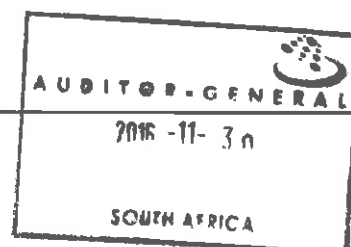
**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>National and provincial government</b>		
Current (0 -30 days)	3,901,935	3,558,867
31 - 60 days	1,257,684	396,727
61 - 90 days	197,156	74,705
91 - 120 days	158,620	67,621
121 - 365 days	1,407,662	898,097
	<b>6,923,057</b>	<b>4,996,017</b>
<b>Total</b>		
Current (0 -30 days)	72,236,748	63,110,047
31 - 60 days	10,858,511	8,597,132
61 - 90 days	5,901,441	5,658,207
91 - 120 days	5,662,914	4,898,934
121 - 365 days	87,648,392	76,677,496
	<b>182,308,006</b>	<b>158,941,816</b>
Less: Allowance for impairment	<b>(87,903,801)</b>	<b>(77,698,163)</b>
	<b>94,404,205</b>	<b>81,243,653</b>

**Reconciliation of allowance for impairment for receivables from exchange transactions**

	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
<b>2016</b>				
Electricity	6,791,597	186,936	(1,102,514)	5,876,019
Water	46,410,578	21,096,127	(16,734,180)	50,772,525
Sewerage	13,194,283	9,581,197	(6,006,775)	16,768,705
Refuse	9,469,903	7,958,457	(4,792,243)	12,636,117
Housing loan instalments	433,268	(54,559)	-	378,709
Housing rentals	382,601	1,065	-	383,666
Other consumer debtors	1,015,933	463,556	(391,429)	1,088,060
	<b>77,698,163</b>	<b>39,232,779</b>	<b>(29,027,141)</b>	<b>87,903,801</b>
<b>2015</b>				
Electricity	9,468,684	(1,920,946)	(756,141)	6,791,597
Water	36,980,788	16,793,415	(7,363,625)	46,410,578
Sewerage	13,505,699	4,378,373	(4,689,789)	13,194,283
Refuse	10,623,246	2,795,512	(3,948,855)	9,469,903
Housing loan instalments	583,155	(149,887)	-	433,268
Housing rentals	366,915	15,686	-	382,601
Other consumer debtors	908,413	829,180	(721,660)	1,015,933
	<b>72,436,900</b>	<b>22,741,333</b>	<b>(17,480,070)</b>	<b>77,698,163</b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Total debtors past due but not impaired</b>	<b>2016</b>	<b>2015</b>
31 - 60 days	5,312,324	5,157,848
61 - 90 days	1,700,196	2,765,504
91 - 120 days	1,687,378	2,062,428
121 - 365 days	16,912,687	18,328,462
	<b>25,612,585</b>	<b>28,314,242</b>

**Credit quality of consumer debtors**

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

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

**4. Receivables from non-exchange transactions**

**Taxation receivables**

Net Rates	25,881,107	21,994,162
Gross rates	34,676,151	32,082,475
Allowance for impairment on rates	(8,795,044)	(10,088,313)

**Transfer receivables**

Net Fines	9,661,716	15,974,954
Fines	63,715,650	64,219,620
Allowance for impairment on fines	(54,053,934)	(48,244,666)

Conditional government grants and subsidies receivable (Refer note 19)	49,864,908	62,368,457
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**Other receivables**

	3,099,122	6,131,044
Sundry receivables	2,817,619	4,802,256
Allowance for impairment on sundry receivables	(802,713)	(41,860)
Other receivables from non-exchange revenue 2	-	20,000
Non-cash portion of Housing Development Fund	990,092	1,116,989
Operating lease receivables	94,124	233,659
	<b>88,506,853</b>	<b>106,468,617</b>

The prior period balances were restated for prior year errors as well as reclassified. Refer to notes 44.1, 44.3 and 44.4.

**The ageing of trade receivables from non-exchange transactions**

**Rates**

Current (0 - 30 days)	15,593,270	12,613,082
31 - 60 days	2,484,399	2,433,977
61 - 90 days	1,335,767	1,340,364
91 - 120 days	706,294	959,522
121 - 365 days	14,556,421	14,735,531
	34,676,151	32,082,476
Less: Allowance for impairment	(8,795,044)	(10,088,313)
	<b>25,881,107</b>	<b>21,994,163</b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<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)	12,056,519	10,388,604
31 - 60 days	1,983,730	1,937,416
61 - 90 days	1,182,422	1,003,353
91 - 120 days	614,337	810,289
121 - 365 days	11,859,242	12,424,044
	<u>27,696,250</u>	<u>26,563,706</u>
Less: Allowance for impairment	(7,984,702)	(9,167,596)
	<u><b>19,711,548</b></u>	<u><b>17,396,110</b></u>
<b>Industrial / commercial</b>		
Current (0 - 30 days)	3,265,958	1,799,411
31 - 60 days	367,074	399,251
61 - 90 days	123,368	262,221
91 - 120 days	62,749	83,087
121 - 365 days	1,688,528	1,612,131
	<u>5,507,677</u>	<u>4,156,101</u>
Less: Allowance for impairment	(810,342)	(920,718)
	<u><b>4,697,335</b></u>	<u><b>3,235,383</b></u>
<b>National and provincial government and other</b>		
Current (0 - 30 days)	270,794	425,067
31 - 60 days	133,594	97,310
61 - 90 days	29,977	74,790
91 - 120 days	29,208	66,146
121 - 365 days	1,008,651	699,356
	<u>1,472,224</u>	<u>1,362,669</u>
Less: Allowance for impairment	-	-
	<u><b>1,472,224</b></u>	<u><b>1,362,669</b></u>
<b>Total of rates by customer classification</b>	<u><b>25,881,107</b></u>	<u><b>21,994,162</b></u>
<b>Fines</b>		
The ageing of fines are as follows:		
Current (0 - 30 days)	3,087,100	1,796,500
31 - 60 days	3,507,500	2,638,400
61 - 90 days	4,258,300	3,092,050
91 - 120 days	4,597,050	3,528,050
121 - 365 days	48,265,500	53,164,620
	<u>63,715,450</u>	<u>64,219,620</u>
Less: Allowance for impairment	(54,053,934)	(48,244,666)
	<u><b>9,661,516</b></u>	<u><b>15,974,954</b></u>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015		
4. Receivables from non-exchange transactions (continued)				
Reconciliation of provision for impairment of receivables from non-exchange transactions				
2016	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	10,088,313	664,494	(1,957,763)	8,795,044
Transfer receivables (Fines)	48,244,666	52,451,588	(46,642,320)	54,053,934
Other receivable	41,860	766,657	(5,804)	802,713
	<b>58,374,839</b>	<b>53,882,739</b>	<b>(48,605,887)</b>	<b>63,651,691</b>
2015	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	10,118,669	1,180,012	(1,210,368)	10,088,313
Transfer receivables (Fines)	38,890,764	36,188,687	(26,834,785)	48,244,666
Other receivables	66,989	-	(25,129)	41,860
	<b>49,076,422</b>	<b>37,368,699</b>	<b>(28,070,282)</b>	<b>58,374,839</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 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.

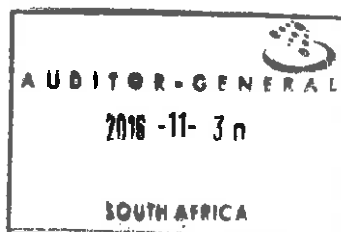




**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Operating lease asset</b>		
Opening balance	233,659	196,283
Straight lining adjustment in the Statement of Financial Performance	(139,535)	37,376
	<b>94,124</b>	<b>233,659</b>
<b>Operating leases - as lessor (Income)</b>		
<b>Minimum lease payments due</b>		
- within one year	605,949	623,173
- in second to fifth year inclusive	1,831,558	1,623,336
- later than five years	83,145	439,337
	<b>2,520,652</b>	<b>2,685,846</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	3,245,749	3,074,886
Stadler & Swart Attorneys	1,700,000	-
Mercedes-Benz South Africa Ltd for maintenance of buses	6,875,185	5,077,826
	<b>11,820,934</b>	<b>8,152,712</b>

**SALGA**

SALGA membership fees for the 2016/2017 financial year were paid in May 2016 and the municipality received a 5% discount for early settlement.

**Stadler & Swart Attorneys**

The municipality is in the process of procuring Portion 4 of the Farm 197, Thembaletu which will be used for low income housing. The purchase price was paid into the transferring attorney's trust account but the transfer of the property was not completed on year end.

**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 2016/2017 year and this portion is treated as a prepayment.

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>6. VAT receivable / (payable)</b>		
VAT receivable from SARS	2,625,509	1,017,365
VAT input provision	7,698,154	7,211,029
VAT output provision	(9,659,980)	(8,970,937)
	<b>663,683</b>	<b>(742,543)</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 2016	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	889,949	(468,377)	421,572	(90,915)	330,657
Sale of erven loans	93,407	-	93,407	(8,030)	85,377
Loans to other organisations	18,612	-	18,612	(5,724)	12,888
Actaris meter debt	597,992	-	597,992	(179,397)	418,595
	<b>1,599,960</b>	<b>(468,377)</b>	<b>1,131,583</b>	<b>(284,066)</b>	<b>847,517</b>

As at 30 June 2015	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	1,080,027	(577,048)	502,979	(100,549)	402,430
Sale of erven loans	101,772	-	101,772	(10,401)	91,371
Loans to other organisations	103,245	-	103,245	(84,633)	18,612
Actaris meter debt	333,503	-	333,503	(100,050)	233,453
	<b>1,618,547</b>	<b>(577,048)</b>	<b>1,041,499</b>	<b>(295,633)</b>	<b>745,866</b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
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**7. Loans and receivables (continued)**

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%.

**Loans to other organisations**

The outstanding amount is in respect of loans granted to sports organisations (Section 185 (a) Ord.20 of 1974) before 1 July 2005 and will be recovered over the remaining period of the loan agreements. The loans consist of a loan to George Golf Club at 17.0% and Outeniqua Bowling Club at 8.0%.

**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.

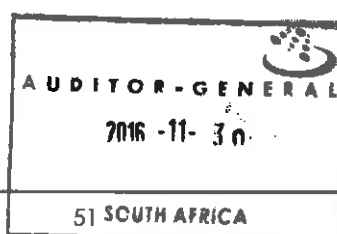
The management of the municipality is of the opinion that the carrying value of loans and receivables recorded at amortised cost in the Financial Statements approximate their fair values.

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 trade receivables.

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**

2016	Balance at beginning of year	Impairment losses reversed	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	577,048	(97,422)	(11,249)	468,377
2015	Balance at beginning of the year	Impairment losses reversed	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	752,683	(175,635)	-	577,048



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>8. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	23,050	18,350
Bank balances	165,299,609	275,862,186
Short-term deposits	200,000,000	70,000,000
	<b>365,322,659</b>	<b>345,880,536</b>

**Cash and cash equivalents pledged as collateral**

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

**The municipality had the following bank accounts:**

	<b>Cash book balances</b>	
	<b>30 June 2016</b>	<b>30 June 2015</b>
ABSA BANK - Cheque Account - 102 222 0981	165,299,609	275,862,186
Nedbank Fixed Deposit	100,000,000	-
Standard Bank 32 Day Notice Deposit	100,000,000	-
Investec Fixed Deposit	-	70,000,000
Cash on hand	23,050	18,350
<b>Total</b>	<b>365,322,659</b>	<b>345,880,536</b>

The bank balances at year end were:

	<b>Bank balances</b>	
	<b>30 June 2016</b>	<b>30 June 2015</b>
ABSA BANK - Cheque Account - 102 222 0981	164,046,052	272,129,707
ABSA - George Charitable Relief Fund -914 955 4208	1,000	49,103
ABSA FINES - Cheque Account - 405 4797318	-	10,800
Nedbank Fixed Deposit	100,000,000	-
Standard Bank 32 Day Notice Deposit	100,000,000	-
Investec Fixed Deposit	-	70,000,000
	<b>364,047,052</b>	<b>342,189,610</b>

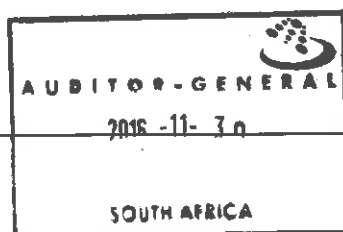
**Credit quality of cash at bank and short term deposits, excluding cash on hand**

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**

Baa2	364,047,052	342,189,610
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**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**

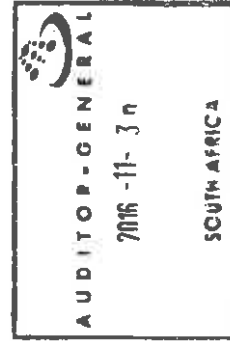
**Figures in Rand**

**9. Property, plant and equipment**

	2016		2015	
	Cost	Accumulated depreciation and impairment	Carrying value	Cost
				Accumulated depreciation and impairment
				Carrying value
Land	923,728,683	-	923,728,683	923,729,683
Infrastructure	1,994,056,986	(806,953,105)	1,187,103,881	1,881,396,464
Community	266,991,523	(93,390,351)	173,601,172	257,675,150
Other	147,398,536	(78,979,802)	68,418,734	132,275,860
Other - GIPTN Buses	206,260,523	(16,936,472)	189,324,051	172,890,059
Work in progress	166,689,368	-	166,689,368	133,351,757
<b>Total</b>	<b>3,705,125,619</b>	<b>(996,259,730)</b>	<b>2,708,865,889</b>	<b>3,501,318,973</b>
				<b>(856,675,263)</b>
				<b>2,644,643,710</b>

**Reconciliation of property, plant and equipment - 2016**

	Opening balance	Additions	Disposals	WIP transfers - completed projects	Depreciation	Total
Land	923,729,683	-	(1,000)	-	-	923,728,683
Infrastructure	1,184,027,503	92,903,892	(143,087)	20,046,419	(109,730,846)	1,187,103,881
Community	175,367,932	6,457,860	(102)	2,863,114	(11,087,632)	173,601,172
Other	61,817,186	15,655,537	(483,024)	250,000	(8,820,965)	68,418,734
Other - GIPTN Buses	166,349,649	44,208,260	(9,867,700)	-	(11,366,158)	189,324,051
Work in progress	133,351,757	56,497,144	-	(23,159,533)	-	166,689,368
	<b>2,644,643,710</b>	<b>215,722,693</b>	<b>(10,494,913)</b>	<b>-</b>	<b>(141,005,601)</b>	<b>2,708,865,889</b>



# George Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

### Figures in Rand

#### 9. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	WIP transfers - completed projects	Depreciation	Total
Land	923,729,683	-	-	-	-	923,729,683
Infrastructure	1,097,783,345	122,066,141	(1,202,939)	58,045,352	(92,664,396)	1,184,027,503
Community	172,002,999	13,101,760	(830,697)	333,406	(9,239,536)	175,367,932
Other	55,606,801	12,051,933	(119,156)	1,659,061	(7,381,453)	61,817,186
Other - GIPIN Buses	-	6,981,717	-	165,908,342	(6,540,410)	166,349,649
Work in progress	170,569,876	188,728,042	-	(225,946,161)	-	133,351,757
	<b>2,419,692,704</b>	<b>342,929,593</b>	<b>(2,152,792)</b>	<b>-</b>	<b>(115,825,795)</b>	<b>2,644,643,710</b>

A detailed breakdown of property, plant and equipment by asset class can be found in note 55.

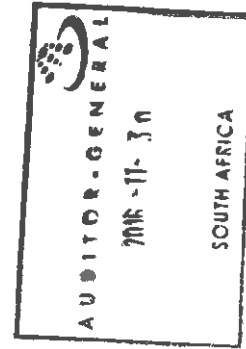
The municipality received public donated assets of RNil (2015: R2,520,000) which forms part of the asset additions for the year.

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

##### Vehicles

2016	2015
17,748,935	11,387,541

Refer to note 14 for details of finance leases.



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

**10. Intangible assets**

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,625,874	(3,618,157)	1,007,717	3,667,246	(3,204,121)	463,125

**Reconciliation of intangible assets - 2016**

	Opening balance	Additions	Amortisation	Total
Computer software	463,125	958,628	(414,036)	1,007,717

**Reconciliation of intangible assets - 2015**

	Opening balance	Additions	Amortisation	Total
Computer software	799,566	-	(336,441)	463,125

**11. Heritage assets**

	2016			2015		
	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 2016**

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

**Reconciliation of heritage assets 2015**

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

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>11. Heritage assets (continued)</b>		
<b>Details of heritage assets</b>		
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.

**12. Investment property**

	2016			2015		
	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	4,981,973	(2,509,696)	2,472,277	4,981,973	(2,347,681)	2,634,292
<b>Total</b>	<b>154,759,673</b>	<b>(2,509,696)</b>	<b>152,249,977</b>	<b>154,759,673</b>	<b>(2,347,681)</b>	<b>152,411,992</b>

**Reconciliation of investment property - 2016**

	Opening balance	Disposals	Depreciation	Total
Land	149,777,700	-	-	149,777,700
Buildings	2,634,292	-	(162,015)	2,472,277
	<b>152,411,992</b>	<b>-</b>	<b>(162,015)</b>	<b>152,249,977</b>

**Reconciliation of investment property - 2015**

	Opening balance	Disposals	Depreciation	Total
Land	149,783,500	(5,800)	-	149,777,700
Buildings	2,795,862	-	(161,570)	2,634,292
	<b>152,579,362</b>	<b>(5,800)</b>	<b>(161,570)</b>	<b>152,411,992</b>

**Other disclosure**

Included in the surplus for the year are the following:

Total rental income from investment property	803,885	654,458
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Figures in Rand	2016	2015
<b>13. Loans and borrowings</b>		
<b>At amortised cost</b>		
Annuity loans	368,670,712	410,464,547
Other loans	723,376	904,220
	<b>369,394,088</b>	<b>411,368,767</b>
<b>Non-current liabilities</b>		
Annuity loans	330,338,389	368,670,720
Other loans	542,532	723,376
	<b>330,880,921</b>	<b>369,394,096</b>
<b>Current liabilities</b>		
Annuity loans	38,332,323	41,793,827
Other loans	180,844	180,844
	<b>38,513,167</b>	<b>41,974,671</b>

**Annuity loans**

Annuity loans are repaid over periods varying from 2 years to 13 years (2015: 2 years to 14 years) and at interest rates varying from 6.75% to 12,665% (2015: 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 periods varying from 1 year to 4 years (2015: 1 year to 5 years) and at interest rates varying from 7,835% to 12% (2015: 7,835% and 12%) per annum. Other loans are not secured.



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<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	5,323,625	3,795,802
- in second to fifth year inclusive	12,332,405	11,544,739
	17,656,030	15,340,541
less: future finance charges	(2,694,101)	(2,688,249)
<b>Present value of minimum lease payments</b>	<b>14,961,929</b>	<b>12,652,292</b>
<b>Present value of minimum lease payments due</b>		
- within one year	4,085,827	2,735,598
- in second to fifth year inclusive	10,876,102	9,916,694
	14,961,929	12,652,292
Non-current liabilities	10,876,102	9,916,694
Current liabilities	4,085,827	2,735,598
	<b>14,961,929</b>	<b>12,652,292</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% (2015: 8.79%). Interest rates are fixed at the contract date and all leases have fixed repayments 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.

**15. Trade and other payables from exchange transactions**

<b>Current liabilities</b>		
Trade payables	105,429,644	88,950,660
Payments received in advance	17,046,041	17,408,211
Retentions	14,528,335	13,748,198
GIPTN compensation liability	3,202,066	2,771,759
Other payables	10,844,735	17,197,797
Sundry Deposits	8,321,588	7,751,494
Unidentified deposits	3,342,396	400,482
	<b>162,714,805</b>	<b>148,228,601</b>
<b>Non-current liabilities</b>		
GIPTN compensation liability	8,156,395	9,388,146
<b>Total</b>	<b>170,871,200</b>	<b>157,616,747</b>



The prior period balances were restated for a prior year error. Refer to note 44.2 for more detail.

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

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

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**15. Trade and other payables from exchange transactions (continued)**

**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.

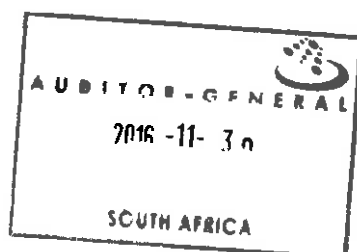
Balance at beginning of the year	12,159,905	-
Transferred from Provisions	1,092,023	12,159,905
Increase in liability	1,321,550	-
Paid during the year	(3,215,017)	-
	<u>11,358,461</u>	<u>12,159,905</u>
Non-current liabilities	8,156,395	9,388,146
Current liabilities	3,202,066	2,771,759
	<u>11,358,461</u>	<u>12,159,905</u>

**16. Consumer deposits**

Electricity and water	<u>19,759,545</u>	<u>21,586,067</u>
Guarantees		
Guarantees held in lieu of electricity and water deposits	<u>17,277,141</u>	<u>10,710,718</u>

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.

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



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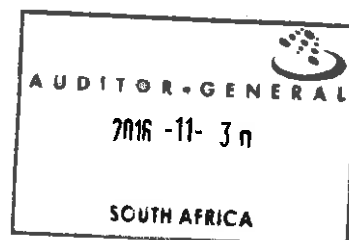
Figures in Rand	2016	2015
<b>17. Employee benefit obligations</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Non-current liabilities</b>		
Post-Retirement Medical Aid benefits liability	121,709,007	129,620,148
Ex-gratia pension benefits liability	2,051,600	2,120,878
Long service awards	18,500,116	17,543,174
	<b>142,260,723</b>	<b>149,284,200</b>
<b>Current liabilities</b>		
Post-Retirement Medical Aid benefits liability	4,546,836	4,424,268
Ex-gratia pension benefits liability	627,572	561,050
Long service awards	2,300,712	2,131,767
Staff leave	25,754,564	26,035,348
Staff annual bonus	9,602,594	8,596,146
	<b>42,832,278</b>	<b>41,748,579</b>
<b>Total liabilities</b>		
Post-Retirement Medical Aid benefits liability	126,255,843	134,044,416
Ex-gratia pension benefits liability	2,679,172	2,681,928
Long service awards	20,800,828	19,674,941
Staff leave	25,754,564	26,035,348
Staff annual bonus	9,602,594	8,596,146
	<b>185,093,001</b>	<b>191,032,779</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 2016. 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.

In-service (Employees) members	499	495
In-service (Employees) non-members	483	471
Continuation members (Retirees, widowers and orphans)	127	126
	<b>1,109</b>	<b>1,092</b>
In-service members	65,673,284	69,259,206
Continuation members	60,582,559	64,785,210
	<b>126,255,843</b>	<b>134,044,416</b>



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**17. Employee benefit obligations (continued)**

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 2017 is estimated to be R4,624,356 (2016: R5,359,426) whereas the interest cost for the same year is estimated to be R11,590,218 (2016: R11,744,680).

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

i) Rate of interest

Discount rate	9.34 %	8.91 %
Health care cost inflation rate	8.41 %	8.00 %
Net effective discount rate	0.86 %	0.84 %

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 high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 9.34% per annum has been used. The corresponding index-linked yield at this term is 1.81%. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016.

ii) Mortality rates

Pre-retirement	SA 85 - 90 mortality table
Post-retirement	PA (90 - 1) ultimate mortality table

iii) Normal retirement age

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



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**17. Employee benefit obligations (continued)**

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

Present value of fund obligations	126,255,843	134,044,416
Fair value plan assets	-	-
	<b>126,255,843</b>	<b>134,044,416</b>
Unrecognised past-service cost	-	-
Unrecognised actuarial losses / (gains)	-	-
Present value of unfunded obligations	126,255,843	134,044,416
	<b>126,255,843</b>	<b>134,044,416</b>

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

Current service cost	5,359,426	4,709,095
Interest cost	11,744,680	10,388,010
Recognised actuarial losses / (gains)	(20,468,411)	5,176,515
<b>Total included in employee related cost (refer to note 28)</b>	<b>(3,364,305)</b>	<b>20,273,620</b>

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

Balance at the beginning of the year	134,044,416	117,767,984
- Current service cost	5,359,426	4,709,095
- Interest cost	11,744,680	10,388,010
- Actuarial losses (gains)	(20,468,411)	5,176,515
- Benefits paid	(4,424,268)	(3,997,188)
<b>Balance at the end of the year</b>	<b>126,255,843</b>	<b>134,044,416</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 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Accrued liability	96.840	105.422	117.768	134.044	126.256
Fair value of plan asset	-	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(96.840)</b>	<b>(105.422)</b>	<b>(117.768)</b>	<b>(134.044)</b>	<b>(126.256)</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 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Liabilities: (Gain) / Loss	2.329	4.342	1.743	5.507	(4.381)
Assets: Gain / (Loss)	-	-	-	-	-
	<b>2.329</b>	<b>4.342</b>	<b>1.743</b>	<b>5.507</b>	<b>(4.381)</b>

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**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	3,042,300	2,306,200
Effect on the defined benefit obligation	129,298,143	136,350,616
<b>Decrease</b>		
Effect on the current service cost and interest cost	(2,557,300)	(2,120,700)
Effect on the defined benefit obligation	123,698,543	131,923,716

**Ex-gratia pension liability**

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2016, 3 employees and 15 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 2017 is estimated to be Rnil (2016: Rnil) whereas the interest cost for the same year is estimated to be R198,816 (2016: R193,046).

Pensioners	15	15
Eligible employees	3	3
	<b>18</b>	<b>18</b>

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

i) Rate of interest		
Discount rate	8.38 %	8.02 %
Pension increase rate	3.03 %	3.00 %
Net effective discount rate	5.19 %	4.87 %

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 8.38% per annum has been used. The corresponding index-linked yield at this term is 1.71%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016.

Expected retirement age	62	62
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ii) Mortality rates

Pre-retirement	SA 85 - 90 mortality table
Post-retirement	PA (90 - 1) ultimate mortality table

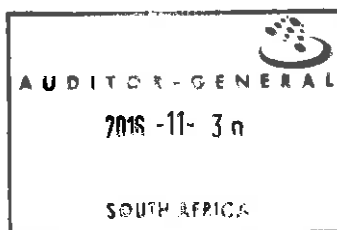
iii) Normal retirement age

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



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Figures in Rand	2016	2015
<b>17. Employee benefit obligations (continued)</b>		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	2,679,172	2,681,928
Fair value of plan assets	-	-
	<b>2,679,172</b>	<b>2,681,928</b>
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	2,679,172	2,681,928
<b>Net Liability</b>	<b>2,679,172</b>	<b>2,681,928</b>



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

Interest cost	193,046	207,953
Recognised actuarial losses / (gains)	365,248	15,483
<b>Total included in employee related cost (refer to note 28)</b>	<b>558,294</b>	<b>223,436</b>

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

Balance at the beginning of the year	2,681,928	3,057,369
- Interest cost	193,046	207,953
- Actuarial losses / (gains)	365,248	15,483
- Benefits paid	(561,050)	(598,877)
	<b>2,679,172</b>	<b>2,681,928</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 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Accrued liability	3,039,160	3,187,340	3,057,369	2,681,928	2,679,172
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(3,039,160)</b>	<b>(3,187,340)</b>	<b>(3,057,369)</b>	<b>(2,681,928)</b>	<b>(2,679,172)</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 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Liabilities: (Gain) / Loss	92,031	(2,548)	31,653	85,984	416,614
Assets: Gain / (Loss)	-	-	-	-	-
	<b>92,031</b>	<b>(2,548)</b>	<b>31,653</b>	<b>85,984</b>	<b>416,614</b>

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

<b>Increase</b>		
Effect on the interest cost	170,799	224,459
Effect on the defined benefit obligation	2,849,971	2,862,798
<b>Decrease</b>		
Effect on interest cost	(153,548)	(193,270)
Effect on the defined benefit obligation	2,525,624	2,520,094



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**17. Employee benefit obligations (continued)**

**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 2016.

At year end, 982 (2015: 966) employees were eligible for Long-services Awards. The future service cost for the ensuing year is estimated to be R1,555,049 (2016: R1,490,172), whereas the interest cost for the ensuing year is estimated to be R1,680,413 (2016: R1,499,845 ).

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

i) Rate of interest		
Discount rate	8.54 %	8.05 %
Benefit inflation rate	7.20 %	7.10 %
Net effective discount rate	1.25 %	0.88 %
Expected retirement age	62	62

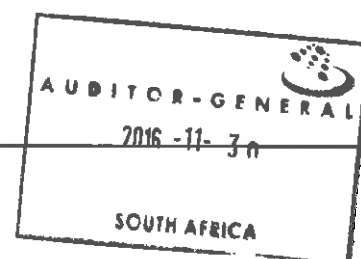
Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used. Consequently, a discount rate of 8.45% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.74%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016.

ii) Mortality rates

Pre-retirement	SA 85 - 90 mortality table
Post-retirement	PA (90 - 1) ultimate mortality table

iii) Normal retirement age

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



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Figures in Rand	2016	2015			
<b>17. Employee benefit obligations (continued)</b>					
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of projected fund obligations	20,800,828	19,674,941			
Plan assets	-	-			
	<b>20,800,828</b>	<b>19,674,941</b>			
Unrecognised past-service cost	-	-			
Unrecognised actuarial gains / (losses)	-	-			
Present value of unfunded obligation	20,800,828	19,674,941			
	<b>20,800,828</b>	<b>19,674,941</b>			
Amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	1,490,172	1,300,024			
Interest cost	1,499,845	1,372,305			
Recognised actuarial losses / (gains)	267,637	787,967			
<b>Total included in employee related cost (refer to note 28)</b>	<b>3,257,654</b>	<b>3,460,296</b>			
The movement in the defined benefit obligation over the year is as follows:					
Balance at the beginning of the year	19,674,941	17,981,565			
- Current service cost	1,490,172	1,300,024			
- Interest cost	1,499,845	1,372,305			
- Recognised actuarial losses	267,637	787,967			
- Benefits paid	(2,131,767)	(1,766,920)			
	<b>20,800,828</b>	<b>19,674,941</b>			
The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods:					
<b>Liability History</b>	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Accrued Liability	14,368,240	16,636,020	17,981,565	19,674,941	20,800,828
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(14,368,240)</b>	<b>(16,636,020)</b>	<b>(17,981,565)</b>	<b>(19,674,941)</b>	<b>(20,800,828)</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:					
<b>Experience adjustment</b>	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Liabilities: (Gain) / Loss	827,273	751,311	1,276,184	908,105	852,348
Assets: Gain / (Loss)	-	-	-	-	-
	<b>827,273</b>	<b>751,311</b>	<b>1,276,184</b>	<b>908,105</b>	<b>852,348</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	240,200				217,800
Effect on the defined benefit obligation	21,041,028				19,892,741
<b>Decrease</b>					
Effect on the current service cost and interest cost	(214,000)				(193,800)
Effect on the defined benefit obligation	20,586,828				19,481,141

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**17. Employee benefit obligations (continued)**

**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 Cape Joint Defined Contribution Fund, Cape Retirement Fund for Local Government 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 R30,861,713 for employees and R794,381 for Councillors represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

**Cape Joint Defined Contribution Fund**

The Cape Joint Defined Benefit Fund's contribution rate payable is 9% by the members and 18% by Council. The valuation of 30 June 2015 showed that the funding level is 100%.

**Cape Retirement Fund for Local Government**

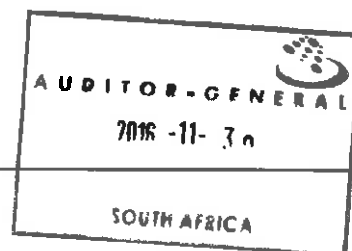
The contribution rate paid by the members of 9% and Council of 18% is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2015 revealed that the funding level is 100%.

**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.

The municipality was involved in a legal claim from SA Local Authorities Pension Fund to the value of R18,538,117 resulting from a retrospective employer contribution rate increase. The claim was defended on grounds that the municipality is not liable. The trial was completed and the court ruled in favour of the municipality. Refer to note 42 for detail.



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**17. Employee benefit obligations (continued)**

**Municipal Councillors Pension Fund**

The actuarial valuator of the Pension Fund for Councillors on 30 June 2015 stated that it was 101% funded and is in a sound financial position.

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 actuarial valuator of the Pension Fund for members on 30 June 2011 and stated that it was 111% funded and is in a sound financial position.

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 accrual consist of the following:

Opening balance	26,035,348	23,732,826
Payments	(1,470,782)	(1,121,855)
Additional provision	1,189,998	3,424,377
	<b>25,754,564</b>	<b>26,035,348</b>

**Staff annual bonus**

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

Balance at the beginning of the year	8,596,146	7,918,385
Payments	(8,596,146)	(7,918,385)
Additional bonus accrual recognised during the year	9,602,594	8,596,146
	<b>9,602,594</b>	<b>8,596,146</b>



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**18. Provisions**

**Reconciliation of provisions - 2016**

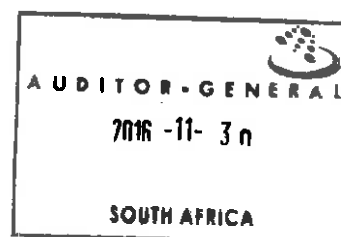
	Opening Balance	Additions	Utilised during the year	Recognised as Trade and Other payables	Total
Rehabilitation of landfill site	17,861,518	5,340,358	-	-	23,201,876
Provision relating to legal claims	1,964,000	-	(1,964,000)	-	-
Clearing of alien vegetation	1,341,120	734,560	-	-	2,075,680
Compensation Liability GIPTN	60,663,176	5,756,068	(452,385)	(1,092,023)	64,874,836
	<b>81,829,814</b>	<b>11,830,986</b>	<b>(2,416,385)</b>	<b>(1,092,023)</b>	<b>90,152,392</b>

**Reconciliation of provisions - 2015**

	Opening Balance	Additions	Reversed during the year	Utilised during the year	Recognised as Trade and Other payables	Total
Rehabilitation of landfill site	6,497,068	11,364,450	-	-	-	17,861,518
Provision relating to legal claims	1,964,000	-	-	-	-	1,964,000
Clearing of alien vegetation	1,891,000	-	(13,700)	(536,180)	-	1,341,120
Compensation Liability GIPTN	130,587,420	3,276,395	-	(61,040,734)	(12,159,905)	60,663,176
	<b>140,939,488</b>	<b>14,640,845</b>	<b>(13,700)</b>	<b>(61,576,914)</b>	<b>(12,159,905)</b>	<b>81,829,814</b>

**Current liabilities consist of**

Rehabilitation of landfill site	3,473,301	-
Provision relating to legal claims	-	1,964,000
Clearing of alien vegetation	2,075,680	353,525
Compensation Liability GIPTN	35,556,228	33,675,879
	<b>41,105,209</b>	<b>35,993,404</b>
Non-current liabilities	49,047,183	45,836,410
Current liabilities	41,105,209	35,993,404
	<b>90,152,392</b>	<b>81,829,814</b>



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**18. Provisions (continued)**

**Rehabilitation of landfill site**

The consulting engineers, Aurecon South Africa (Pty) Ltd, used a predominantly desktop-based methodology adopted in estimating the airspace consumed in the 2015/2016 financial year as a percentage of the total airspace, was based on assumption on waste generation, waste disposal site size and final design height (at closure).

Rehabilitation cost was estimated using criteria for closure detailed in the Minimum Requirement for Waste Disposal by Landfill, together with a visual inspection of the site during 2012. The rate of escalation was based on the Contract Price Adjustments rate for Civil Works. The 2015 cost was increased by 7,646% to determine the rehabilitation cost as at 30 June 2016.

Provision is made in terms of the municipality's licensing stipulations on the landfill waste sites and a mediation agreement between the Department of Environmental Affairs and Development Planning, for the estimated cost of rehabilitating the waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by Aurecon South Africa (Pty) Ltd have been applied. 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 and the mediation agreement requires that the rehabilitation of both landfill sites should be completed by 2019. The municipality will start with the rehabilitation process during the 2017 financial year.

The cost as at 30 June 2016 has been escalated annually with the Contract Price Adjustments rate for Civil Works until the estimated time of closure and discounted to present value using the three year South African Government Bond rate (7.885%).

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

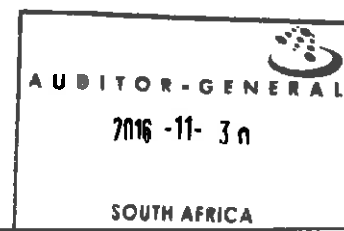
	Opening balance	Additions	Reversal of provision	Total
George	15,469,273	4,902,717	-	20,371,990
Uniondale	2,392,245	437,641	-	2,829,886
	<u>17,861,518</u>	<u>5,340,358</u>	<u>-</u>	<u>23,201,876</u>

**Provision relating to legal claims**

An amount of R1,964,000 was provided in the previous year for the claim of James and 10 others. A number of individuals drowned after a bridge collapsed due to heavy rains. Settlement was reached and R2,600,000 was paid during the year. The municipality received a contribution from their insurance company for the settlement of these claims. This matter is completed.

**Clearing of alien vegetation**

The municipality has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation on vacant land owned by the municipality. This is an ongoing process. The provision was based on the current clearing cost of between R3,727 and R18,063 per hectare depending on the location (2015: R10,674 to R17,244 per hectare) and the total size of land of 240 hectares (2015: 151 hectares) have to be cleared.



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**18. Provisions (continued)**

**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.

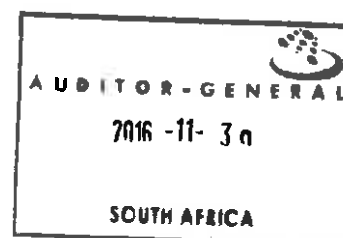
An operating company was established and the current taxi owners form part of the operating company and operate the buses in the network. According to the signed operator's agreement, the taxi owners have to relinquish their existing taxi operators' licences to receive the compensation.

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 (2015: 229) licences were subject to the buy-in option, while 278 (2015: 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 R70,058,734 (2015: R143,321,566). A discount rate of 7.885% (2015: 7.5%) (3 year Government Bond rate) was used to discount the provision.

During the year the municipality paid R452,385 (2015: R61,040,737) of the provision and expects to pay the R32,274,378 (2015: R33,675,879) within the next twelve months as the next phases of the bus network are rolled out.



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<b>19. Conditional government grants and subsidies</b>		
<b>Unspent conditional government grants and subsidies</b>	<b>34,491,337</b>	<b>35,793,306</b>
National Government Grants	11,304,317	11,304,314
Provincial Government Grants	15,482,994	16,267,900
Other	7,704,026	8,221,092
<b>Less: Conditional government grants and subsidies receivable (Note 4)</b>	<b>(49,864,909)</b>	<b>(62,368,457)</b>
National Government Grants	(34,790,106)	(34,781,162)
Provincial Government Grants	(12,501,405)	(27,587,295)
Other	(2,573,398)	-
	<b>(15,373,572)</b>	<b>(26,575,151)</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	100,069,300	92,472,800
<b>Conditional Grants</b>		
Grants and Donations	326,367,004	308,195,051
Subsidies	522,243	85,390
<b>Total Government Grants and Subsidies</b>	<b>426,958,547</b>	<b>400,753,241</b>
Government Grants and Subsidies - Capital	129,384,729	149,216,062
Government Grants and Subsidies - Operating	297,573,818	251,537,179
	<b>426,958,547</b>	<b>400,753,241</b>

The municipality does not expect any significant changes to the level of grants.

**Unconditional Grants**

**19.1 Equitable share**

Opening balance	-	-
Grants received	100,693,000	92,397,000
Conditions met - Operating	(100,693,000)	(92,397,000)
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	1,450,000	1,450,000
Conditions met - Operating	(1,333,333)	(1,390,613)
VAT income on grants transferred to Other Income	(116,667)	(59,387)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>



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**19. Conditional government grants and subsidies (continued)**

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).

**19.3 National: Municipal Systems Improvement Grant (MSIG)**

Opening balance	-	-
Grants received	930,000	934,000
Conditions met - Operating	(815,789)	(822,148)
VAT income on grants transferred to Other Income	(114,211)	(111,852)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

**19.4 National: Infrastructure Skills Development**

Opening balance	-	382,313
Grants received	3,000,000	3,000,000
Conditions met - Operating	(2,609,911)	(3,166,813)
Conditions met - Capital	(282,609)	(103,472)
VAT income on grants transferred to Other Income	(107,480)	(112,028)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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.

**19.5 National: Municipal Infrastructure Grant (MIG)**

Opening balance	(4,535,809)	-
Grants received	38,832,000	46,667,000
Conditions met - Operating	(1,939,686)	(1,897,300)
Conditions met - Capital	(27,877,566)	(44,254,847)
VAT income on grants transferred to Other Income	(4,478,939)	(5,050,662)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>(4,535,809)</b>

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.

**19.6 National: Regional Bulk Infrastructure Grant (RBIG)**

Opening balance	11,304,318	11,390,365
Grants received	-	-
Conditions met - Capital	-	(86,047)
VAT income on grants transferred to Other Income	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>11,304,318</b>	<b>11,304,318</b>

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.

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<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.7 National: Integrated National Electrification Grant</b>		
Opening balance	(7,972,437)	-
Grants received	7,000,000	8,900,000
Conditions met - Capital	(10,685,102)	(16,096,513)
VAT income on grants transferred to Other Income	(859,650)	(775,924)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(12,517,189)</b>	<b>(7,972,437)</b>

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

<b>19.8 National: Expanded Public Works Program Grant (EPWP)</b>		
Opening balance		
Grants received	1,864,000	2,933,000
Conditions met - Operating	(1,864,000)	(2,933,000)
VAT income on grants transferred to Other Income	-	-
<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 jobs creation and skills development.

<b>19.9 National: Lawaalkamp Sports Grounds (Lotto)</b>		
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 Lawaalkamp Sports Grounds.

<b>19.10 National: Public Transport Network Operations Grant (PTNOG)</b>		
Opening balance	(22,010,770)	(41,198,420)
Grants received	73,676,799	51,946,000
Conditions met - Operating	(73,676,799)	(32,758,350)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(22,010,770)</b>	<b>(22,010,770)</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.

<b>19.11 National: Public Transport Infrastructure Grant (PTIG)</b>		
Opening balance	-	(1,234,769)
Grants received	42,648,201	70,308,000
Conditions met - Capital	(42,648,201)	(59,288,747)
Conditions met - Operating	-	(9,784,484)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

This grant's purpose is to provide funding for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.

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**19. Conditional government grants and subsidies (continued)**

**19.12 Provincial: Western Cape Financial Management Support Grant**

Opening balance	-	223,516
Grants received	50,000	500,000
Conditions met - Operating	(50,000)	(664,663)
VAT income on grants transferred to Other Income	-	(58,853)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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. This grant was utilised to develop the long term financial plan and for the Revenue Enhancement Project.

**19.13 Provincial: Western Cape Management Support Grant (Good Governance)**

Opening balance	-	290,961
Conditions met - Operating	-	(254,992)
VAT income on grants transferred to Other Income	-	(35,969)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

This grant is given to provide financial assistance to Municipalities to improve overall governance systems and structures and was utilised for the re-designing of the organisational structure.

**19.14 Provincial: Integrated Public Transport Network Operations**

Opening balance	(6,396,586)	20,372,114
Repayment of grant	-	(15,372,114)
Grants received	89,231,159	25,000,000
Conditions met - Operating	(93,226,507)	(36,396,586)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(10,391,934)</b>	<b>(6,396,586)</b>

The Integrated Public Transport Network Operations grant's purpose is to provide funding to the Municipality for operational expenses in the implementation of a public transport service.

**19.15 Provincial: Integrated Public Transport Network Infrastructure**

Opening balance	69,189	2,457,405
Grants received	39,998,841	1,500,000
Conditions met - Capital	(40,068,030)	(3,888,216)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>69,189</b>

The Integrated Public Transport Network Infrastructure grant's purpose is to provide funding to the municipality for infrastructure improvements in the implementation of a public transport service.

**19.16 Provincial: Integrated Transport Planning Grant**

Opening balance	-	-
Grants received	600,000	600,000
Conditions met - Operating	(568,976)	(564,247)
VAT income on grants transferred to Other Income	(31,024)	(35,753)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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**19. Conditional government grants and subsidies (continued)**

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).

**19.17 Provincial: Accelerated Housing Program: Bulk Services**

Opening balance	-	5,409,749
Conditions met - Capital	-	(5,409,749)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

This grant is given to fund housing within municipalities that demonstrated capacity to plan and deliver housing rapidly, with emphasis on rural areas. The utilisation of this grant will improve in the quality of human settlements by funding projects, which will address dysfunctionalities in such settlements.

**19.18 Provincial: Compliance Management System**

Opening balance	-	-
Grants received	-	75,800
Conditions met - Operating	-	(75,800)
	<b>-</b>	<b>-</b>

This grant was given for the implementation of the Compliance Management System and was utilised during the year.

**19.19 Provincial: Human Settlements Operating Grants**

Opening balance	(6,486,558)	(4,553,956)
Grants received	15,568,448	26,674,844
Transfer	-	(2,663,577)
Conditions met - Operating	(9,830,542)	(25,943,869)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(748,652)</b>	<b>(6,486,558)</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 contribute to the establishment of sustainable human settlements.

**19.20 Provincial: Human Settlements Capital Grant**

Opening balance	-	-
Grants received	14,032,840	14,888,491
Conditions met - Capital	(4,032,840)	(14,888,491)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>10,000,000</b>	<b>-</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 contribute to the establishment of sustainable human settlements.

**19.21 Provincial: N2/York Bridge**

Opening balance	-	9,647,721
Grants received	-	7,876,974
Conditions met - Operating	-	(17,524,695)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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

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**19. Conditional government grants and subsidies (continued)**

**19.22 Provincial: Proclaimed Roads**

Opening balance	-	-
Grants received	354,724	309,026
Conditions met - Operating	(354,724)	(309,026)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

This grant is given by Provincial Treasury for the maintenance of provincial roads.

**19.23 Provincial: Thembaletu & Pacaltsdorp sport fields (YDVS)**

Opening balance	(1,542,643)	(4,201,270)
Grants received	-	2,658,627
Transfer	181,823	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(1,360,820)</b>	<b>(1,542,643)</b>

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

**19.24 Provincial: Electricity Master Plan Operations**

Opening balance	-	-
Grants received	500,000	-
Conditions met - Operating	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>500,000</b>	<b>-</b>

This grant was given to the municipality by Provincial Treasury to support the Electricity Master Plan.

**19.25 Provincial: Library Services**

Opening balance	2,993,059	-
Grants received	9,535,991	10,349,000
Conditions met - Operating	(7,473,000)	(7,049,000)
Conditions met - Capital	(73,056)	(305,432)
VAT income on grants transferred to Other Income	-	(1,509)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>4,982,994</b>	<b>2,993,059</b>

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.

**19.26 Provincial: Community Development Workers' Operational Grant**

Opening balance	44,141	118,931
Grants received	90,000	87,440
Conditions met - Operating	(123,088)	(152,923)
Conditions met - Capital	-	(3,694)
VAT income on grants transferred to Other Income	(11,053)	(5,613)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>44,141</b>

This grant is for financial assistance to Municipalities to cover the operational expenses i.e. the functions of the community development workers including the supervisors and regional organisers.

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<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.27 Provincial: Thembaletu Thusong Service Centre</b>		
Opening balance	-	-
Grants received	100,000	218,000
Conditions met - Operating	(100,000)	(218,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
This grant is given to provide financial assistance to Municipalities, ensuring the financial sustainability of the Thusong Service Centres.		
<b>19.28 Other: Eden District Municipality Electrification Grant</b>		
Opening balance	200,000	200,000
Grants received	-	-
Conditions met - Operating	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>200,000</b>	<b>200,000</b>
The Eden District Municipality grant was given for electrification of certain areas.		
<b>19.29 Other: Eden District Municipality Emergency Relief Funds</b>		
Opening balance	1,143,927	-
Grants received	-	6,034,781
Conditions met - Capital	(3,717,326)	(4,890,853)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(2,573,399)</b>	<b>1,143,928</b>
This grant was given to reimburse municipalities for flood damage incurred by the municipality.		
<b>19.30 Other: SANRAL N2 /York Bridge</b>		
Opening balance	6,877,165	(1,137,054)
Grants received	3,019,084	22,498,924
Conditions met - Operating	(2,392,222)	(14,484,705)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>7,504,027</b>	<b>6,877,165</b>
This grant was utilised to widen the N2/York Street bridge and to add a pedestrian crossing to the bridge.		
<b>19.31 Other: LG Seta</b>		
Opening balance	-	-
Grants received	522,243	85,390
Conditions met - Operating	(522,243)	(85,390)
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
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 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>Total Grants</b>		
Opening balance	(26,575,151)	(2,094,540)
Grants received	443,697,328	397,892,294
Repayment of grant		(15,372,114)
Transfer	181,823	(2,663,577)
Conditions met - Operating	(297,573,818)	(248,873,602)
Conditions met - Capital	(129,384,729)	(149,216,062)
VAT income on grants transferred to Other income	(5,719,025)	(6,247,550)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(15,373,572)</b>	<b>(26,575,151)</b>

**20. Housing development fund**

Unappropriate surplus	11,556,862	14,125,700
Loans extinguished by Government on 1 April 1998	53,383,243	53,383,243
	<b>64,940,105</b>	<b>67,508,943</b>

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

Housing selling scheme loans	889,950	1,080,027
Inventory	171,042	173,109
Trade and other receivables from exchange transactions	941,748	1,060,849
Trade and other receivables from non-exchange transactions	1,291,165	1,400,758
Government grants in debit	4,544,752	12,508,247
Bank and cash	58,091,541	52,402,943
Trade and other payables from exchange transactions	(990,093)	(1,116,989)
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>64,940,105</b>	<b>67,508,943</b>

**21. Service charges**

Electricity	534,778,495	470,434,413
Water	110,115,289	97,849,448
Sewerage and sanitation charges	77,683,156	64,419,884
Refuse removal	54,000,706	44,812,272
Other	318,920	301,524
	<b>776,896,566</b>	<b>677,817,541</b>

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.

**22. GIPTN Fare Revenue**

GIPTN Fare Revenue	32,532,521	7,829,235
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Fare revenue is recognised in accordance with accounting policy 1.20.



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>23. Other income</b>		
Application fees for second dwelling	151,425	174,402
Building plan fees and related income	5,169,184	3,537,125
Camping fees	418,984	345,109
Cemetery fees	1,168,157	857,244
Contributions received for capital projects	11,882,541	9,949,493
Debt collection cost recouped	1,564,977	1,147,746
Insurance claims received	12,172,864	2,168,432
Public contributions for donated asset additions	-	2,520,000
Public donations received	722,572	708,856
Rates clearance certificates for property transfers	563,326	435,038
Sale of electricity prepaid meters	467,502	595,069
Sundry income	3,772,187	3,173,935
VAT income from grants	5,719,025	6,247,552
	<b>43,772,744</b>	<b>31,860,001</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 are required according to approved tariffs.

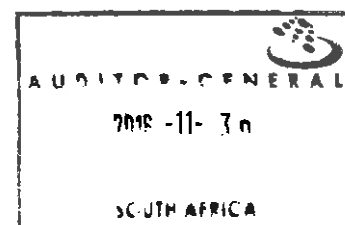
The increase in Insurance Claims received mainly consisted of the claim received for the four GIPTN buses which were burnt in August 2015.

**24. Interest received**

<b>Interest revenue</b>		
Art. 185(a) arrangements	8,959	32,755
Land sales	3,149	(16,467)
Outstanding trade receivables	4,592,169	3,496,084
Selling schemes	104,821	121,503
Victoria Bay loans	690	1,059
<b>Interest revenue</b>		
Interest income on bank deposits	15,187,914	15,594,188
Interest income on short term investments	15,516,104	9,178,815
	<b>35,413,806</b>	<b>28,407,937</b>

**25. Gains or (losses) on sale of assets**

Property, plant and equipment	(10,454,913)	(2,152,795)
Investment property	-	456,656
	<b>(10,454,913)</b>	<b>(1,696,139)</b>





**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>26. Property rates</b>		
<b>Rates received</b>		
Commercial	50,809,127	44,028,877
Housing Schemes	124,480	46,750
Industrial	11,686,988	10,840,087
Other (Flat rate)	34,170	(130,995)
Residential	155,421,153	138,565,528
State (Domestic)	373,860	349,401
State (Erven and schools - business tariff)	2,698,339	8,339,359
Less: Impermissible rates	(6,136,306)	(6,012,650)
Less: Income forgone	(22,358,118)	(23,965,538)
	<u>192,653,693</u>	<u>172,060,819</u>
Property rates - penalties imposed	5,009,483	3,872,348
	<u><b>197,663,176</b></u>	<u><b>175,933,167</b></u>

**Valuations**

Commercial	6,833,795,790	5,991,138,590
Industrial	1,486,326,800	1,475,042,400
Municipal (non-taxable valuations)	1,096,074,150	1,070,083,950
Residential	26,820,393,950	26,554,514,050
State (Domestic)	75,027,100	75,027,100
State (Erven and schools)	541,508,900	1,134,761,100
	<u><b>36,853,126,690</b></u>	<u><b>36,300,567,190</b></u>

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 an annual basis to take into account changes in individual property value due to alterations, consolidations and subdivisions.

Uniform rates of 0,6228 (2015: 0,5821) cent in the Rand on total valuations were applied to determine assessment rates. Business tariffs are levied at 0,7863 (2015: 0,7349) for Commercial, Industrial and Business erven, and this were applicable for all Areas.

A rebate of 15% (2015: 17%) was allowed on residential properties, excluding residential properties in the rural areas, whilst rebates of 10% - 20% (2015: 10% - 20%) were applied to pensioners, based on the annual income of the ratepayer. A rebate of 75% (2015: 75%) was allowed on residential properties for rural areas. A discount of 20% was granted to the State.

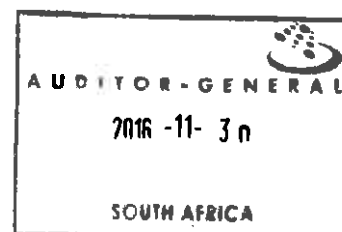
Rates are levied monthly on property owners and are payable by the 15th of each month. Owners are allowed to pay the 12 monthly instalments annually by 30 September each year. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

The current General Valuation came into effect on 1 July 2012.



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>27. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	100,693,000	92,397,000
National: Finance Management Grant (FMG)	1,333,333	1,390,613
National: Municipal Systems Improvements Grant (MSIG)	815,789	822,148
National: Infrastructure Skills Development	2,609,910	3,166,813
National: Municipal Infrastructure Grant (MIG)	1,939,686	1,897,300
National: Expanded Public Works Program Grant (EPWP)	1,864,000	2,933,000
National: Public Transport Operations Grant	73,676,799	32,758,349
National: Public Transport Infrastructure Grant	-	9,784,484
Provincial: Financial Management Support Grant	50,000	664,663
Provincial: Management Support Grant (Governance support)	-	254,992
Provincial: Integrated Public Transport Network	93,226,507	36,396,586
Provincial: Integrated Transport Planning Grant	568,976	564,247
Provincial: Human Settlements Operating Grant	9,830,541	28,607,445
Provincial: N2/York Bridge	-	17,524,695
Provincial: Proclaimed Roads	354,724	309,026
Provincial: Library Grant	7,473,000	7,049,000
Provincial: Community Development Workers Operational Grant	123,088	152,923
Provincial: Thembaletu Thusong Service Centre	100,000	218,000
Provincial: Compliance Management System	-	75,800
Other: Sanral N2/York Street Bridge	2,392,222	14,484,705
Other: LG Seta	522,243	85,390
	<u>297,573,818</u>	<u>251,537,179</u>
<b>Capital grants</b>		
National: Infrastructure Skills Development	282,609	103,472
National: Municipal Infrastructure Grant (MIG)	27,877,565	44,254,847
National: Regional Bulk Infrastructure Grant	-	86,047
National: Integrated National Electrification Grant	10,685,102	16,096,513
National: Public Transport Infrastructure Grant	42,648,201	59,288,748
Provincial: Integrated Public Transport Network Infrastructure	40,068,030	3,888,216
Provincial: Accelerated Housing Program: Bulk Services	-	5,409,749
Provincial: Human Settlements Capital Grant	4,032,840	14,888,491
Provincial: Library Grant	73,056	305,432
Provincial: Community Development Workers Operational Grant	-	3,694
Other: Eden District Municipality Emergency Relief Funds	3,717,326	4,890,853
	<u>129,384,729</u>	<u>149,216,062</u>
	<b><u>426,958,547</u></b>	<b><u>400,753,241</u></b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
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**27. Government grants and subsidies (continued)**

Revenue recognised per vote as required by Section 123 (c) of the MFMA:

Office of the Municipal Manager	857,627	721,129
Corporate Services	2,649,281	2,336,889
Community Services	43,743,127	43,091,189
Human Settlements, Land Affairs & Planning	11,877,031	28,929,356
Civil Engineering Services	337,922,152	290,351,615
Electrotechnical Services	26,300,797	30,821,639
Financial Services	3,608,532	4,501,424
	<b>426,958,547</b>	<b>400,753,241</b>

**28. Fines**

Building plan penalties	159,448	271,742
Traffic fines	55,637,830	49,849,700
Other fines	255,443	228,664
	<b>56,052,721</b>	<b>50,350,106</b>

**29. Employee related costs**

Basic	244,773,452	222,345,942
Housing benefits and allowances	1,653,667	1,139,846
Long-service awards	2,013,521	1,413,170
Medical aid - company contributions	14,553,153	13,950,130
Other payroll levies	3,183,078	3,013,008
Overtime payments	22,488,225	20,785,834
Employee benefit obligations	451,643	23,957,352
- Current service cost	6,849,598	6,009,119
- Interest cost	13,437,571	11,968,268
- Actuarial (gains) / losses recognised	(19,835,526)	5,979,965
Travel, motor car, accommodation, subsistence and other allowances	27,163,435	24,039,140
UIF	1,697,310	1,619,464
Pension	30,861,713	28,958,943
WCA	1,816,878	1,515,136
Acting allowances	137,338	286,778
SDL	3,330,463	2,944,956
Ad hoc trips	1,401,649	1,474,075
Subsistence and Travelling Allowance	1,026,935	1,008,368
	<b>356,552,460</b>	<b>348,452,142</b>

Prior year balances have been restated. Refer to note 44.2 for more detail.

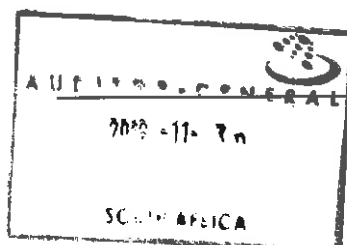
**Remuneration of Municipal Manager**

Annual Remuneration	1,854,608	1,764,834
Contributions to UIF, Medical and Pension Funds	20,105	18,316
	<b>1,874,713</b>	<b>1,783,150</b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>29. Employee related costs (continued)</b>		
<b>Remuneration of Director Financial Services</b>		
Annual Remuneration	1,301,749	1,244,607
Car Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	275,935	253,102
Acting expenses	28,063	28,615
	<b>1,665,747</b>	<b>1,586,324</b>
<b>Remuneration of Director Corporate Services</b>		
Annual Remuneration	1,256,950	1,205,190
Car Allowance	148,140	148,140
Contributions to UIF, Medical and Pension Funds	226,265	198,361
Acting expense	16,669	12,332
	<b>1,648,024</b>	<b>1,564,023</b>
<b>Remuneration of Director Human Settlement, Land Affairs &amp; Planning</b>		
Annual Remuneration	1,182,146	1,133,892
Car Allowance	96,000	96,000
Contributions to UIF, Medical and Pension Funds	277,743	250,021
Acting expenses	24,162	83,169
	<b>1,580,051</b>	<b>1,563,082</b>
<b>Remuneration of Acting Director Community Services</b>		
Annual Remuneration	1,031,458	930,039
Car Allowance	144,662	130,282
Bonus	62,292	58,218
Contributions to UIF, Medical and Pension Funds	173,117	148,137
Acting expenses	6,595	44,763
	<b>1,418,124</b>	<b>1,311,439</b>
<b>Remuneration of Director Civil Engineering Services</b>		
Annual Remuneration	1,399,600	1,325,558
Car Allowance	132,000	132,000
Contributions to UIF, Medical and Pension Funds	24,288	22,355
Acting expenses	36,718	19,838
	<b>1,592,606</b>	<b>1,499,751</b>
<b>Remuneration of Director Electro- Technical Services</b>		
Annual Remuneration	1,375,936	1,303,298
Car Allowance	144,000	144,000
Contributions to UIF, Medical and Pension Funds	35,952	32,615
Acting expenses	13,569	35,483
	<b>1,569,457</b>	<b>1,515,396</b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**

Figures in Rand 2016 2015

**30. Remuneration of Councillors**

Executive Mayor - basic salary	477,555	451,178
Deputy Executive Mayor - basic salary	383,626	367,107
Speaker - basic salary	451,879	429,249
Chief Whip - basic salary	384,976	364,906
Mayoral Committee Members	3,827,501	3,661,055
Councillors	5,856,318	5,537,535
Councillors' pension contribution	794,381	766,101
Car allowance	3,960,697	3,796,350
Cellphone allowance	1,016,490	1,022,532
Councillors' contribution to medical aid	313,212	281,913
	<b>17,466,635</b>	<b>16,677,926</b>

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

**Executive Mayor**

Basic salary	477,555	451,178
Car allowance	196,765	186,507
Cellphone allowance	20,868	20,868
Contributions to medical aid and pension fund	112,741	108,344
	<b>807,929</b>	<b>766,897</b>

**Deputy Executive Mayor**

Basic salary	383,626	367,107
Car allowance	157,412	149,205
Cellphone allowance	20,868	20,868
Contributions to medical aid and pension fund	88,609	80,510
	<b>650,515</b>	<b>617,690</b>

**Speaker**

Basic salary	451,879	429,249
Car allowance	157,412	149,205
Cellphone allowance	20,868	20,868
Contributions to medical aid and pension fund	20,356	18,368
	<b>650,515</b>	<b>617,690</b>

**Chief Whip**

Basic salary	384,976	364,906
Car allowance	147,574	139,881
Cellphone allowance	20,868	20,868
Contributions to medical aid and pension funds	57,746	54,736
	<b>611,164</b>	<b>580,391</b>

**In-kind benefits**

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Executive Mayoral Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

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

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>31. Depreciation and amortisation</b>		
Property, plant and equipment	141,005,601	115,825,792
Intangible assets	414,036	336,441
Investment property	162,015	161,573
	<b>141,581,652</b>	<b>116,323,806</b>
<b>32. Impairment of assets</b>		
<b>Impairments</b>		
Trade receivables from exchange transactions	34,762,999	21,928,199
Trade and other receivables from non-exchange transactions	53,850,629	37,368,698
Loans and receivables	(97,422)	(175,635)
	<b>88,516,206</b>	<b>59,121,262</b>
<b>33. Finance costs</b>		
Loans and borrowings	42,451,911	46,462,978
Finance leases	1,539,967	837,496
Provision for rehabilitation of landfill site	1,394,985	1,037,404
Provision for Compensation Liability GIPTN	3,328,089	2,734,784
	<b>48,714,952</b>	<b>51,072,662</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.		
<b>34. Repairs and maintenance</b>		
Streets and Stormwater Network	16,228,223	24,428,935
Sewerage Network	18,230,338	20,090,847
Water Network	6,251,605	7,236,912
Vehicles	23,127,687	10,590,573
Electricity Network	6,387,723	5,458,695
Machinery	5,211,169	4,332,614
Buildings & properties	4,259,241	4,042,409
Other	7,959,607	6,884,999
	<b>87,655,593</b>	<b>83,065,984</b>
<b>35. Bulk purchases</b>		
Electricity	359,854,084	310,889,236

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. No water is purchased.



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

<b>Figures in Rand</b>	<b>2016</b>	<b>2015</b>
<b>36. Contracted services</b>		
Cemeteries		149,907
Electricity Distribution	16,577,165	15,208,866
Financial Services	3,376,179	2,327,656
Fire Services	65,262	97,509
Housing projects	9,927,308	28,967,361
Human Resources Contractors	185,326	1,098,594
IT Services Mainframe	420,339	1,014,208
Integrated Transport Services	171,083,174	70,614,447
Internal Auditors	2,866,101	3,166,409
Other Contractors	6,175,771	6,566,751
Parks and Garden Contractors	2,792,010	3,021,823
Proclaimed Roads	2,843,076	35,952,282
Refuse Removal	2,195,144	1,847,837
Street Cleansing	248,242	479,597
Streets and Stormwater	24,850	165,934
Town Planning	643,195	144,532
Traffic Contractors	1,942,259	2,431,686
Water Distribution	1,978,052	1,476,917
	<b>223,343,453</b>	<b>174,732,316</b>
<b>37. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Bursary Grants	87,780	38,273
Festival	950,738	812,004
Merit Grants and Donations	139,980	114,790
Sevens Rugby	282,978	279,746
SPCA - Small Animal Pound	1,510,357	1,455,882
	<b>2,971,833</b>	<b>2,700,695</b>

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

Donations were given to festival help by the local community and were considered upon application by the organisers.

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

SPCA Grant is available on application after consulting with the Municipal Manager on the merit of such an application.



# George Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>38. General expenses</b>		
Advertising and marketing	2,521,658	3,181,993
Auditors remuneration	3,120,835	3,092,309
Bank charges	1,574,722	1,607,857
Chemicals and Cleaning Materials	17,817,608	14,627,654
Clearing of alien vegetation	2,256,612	1,450,736
Connection fees for consumer debtors services	1,128,898	952,341
Consulting and professional fees	258,962	108,407
Easy Pay Cost	1,928,413	1,353,987
General and additional valuations	505,180	1,310,415
IT Expenses	348,841	233,275
Insurance	6,548,130	3,920,207
Laboratory services	777,836	584,766
Lease rentals on operating leases	10,454,144	4,176,788
Legal fees	3,428,534	2,872,159
Master planning on roads and storm water infrastructure	933,364	903,705
Membership fees	3,247,332	3,281,125
Motor vehicle expenses	8,717,188	9,022,213
Net Realisable Value written-down for inventory (Note 2)	1,159,200	-
Occupational safety	531,178	379,185
Other general expenses	13,107,420	10,100,185
Planning cost	3,094,232	1,943,413
Postage	1,768,150	1,803,683
Printing and stationery	2,496,416	2,270,520
Project maintenance costs	13,199,451	10,473,081
Refuse	13,995,809	10,294,414
Security	8,253,176	7,040,118
Software licences	3,990,025	2,424,408
Telephone and fax	1,800,126	1,634,398
Training	529,198	1,545,581
Travel - local	955,229	945,468
Uniforms	1,570,180	1,322,099
Vehicle tracking	358,707	1,093,902
	<b>132,376,754</b>	<b>105,950,392</b>





**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>39. Cash generated from operations</b>		
Surplus	108,549,023	111,408,758
<b>Adjustments for:</b>		
Depreciation and amortisation	141,581,652	116,323,806
Gain on sale of assets and liabilities	10,454,913	1,696,138
Donated asset receipts included in other income	-	(2,520,000)
Net realisable value adjustment of inventory	1,159,200	-
Finance costs - Finance leases	1,539,967	837,496
Impairment of assets	88,516,206	59,121,262
Housing Development Fund payments	(32,437)	-
Movements in bonus provision	1,006,448	677,760
Movements in provisions	10,738,963	2,467,241
Provisions utilised during the year	(2,416,385)	(61,576,914)
Movement in Employee benefit asset and liabilities - Medical Aid, Pension and Long Service Awards	451,643	23,957,352
Movement in Employee benefit asset and liabilities - Cape Joint Pension Fund	-	(1,272,817)
Movement in Employee benefit asset and liabilities - Staff leave	(280,784)	2,302,522
Movement in Employee benefit asset and liabilities - Performance bonus	-	(189,121)
Benefits paid regarding employee benefits	(7,117,085)	(6,362,985)
Unspent conditional grants received	443,697,329	397,816,496
Payments from unspent conditional grants	(426,958,546)	(416,049,555)
Non-cash movements on unspent conditional grants	(5,537,202)	(6,247,552)
<b>Changes in working capital:</b>		
(Increase) / Decrease in Inventories	4,488,643	7,826,664
(Increase) / Decrease in Receivables from exchange transactions	(50,521,502)	(32,671,898)
(Increase) / Decrease in Receivables from non-exchange transactions	(48,392,420)	(38,410,840)
(Increase) / Decrease in Prepayments	(3,668,222)	(5,239,612)
Increase / (Decrease) in Trade and other payables from exchange transactions	13,254,454	35,128,226
(Increase) / Decrease in VAT	(1,406,226)	4,421,968
Increase / (Decrease) in Consumer deposits	(1,826,522)	1,683,833
	<b>277,281,110</b>	<b>195,128,228</b>

**40. Commitments**

**Authorised capital expenditure**

**Approved and contracted for**

• Infrastructure	88,226,840	44,613,626
• Community	4,052,092	4,532,997
• Other	24,349,237	10,676,809
	<b>116,628,169</b>	<b>59,823,432</b>

**These expenses will be financed from:**

• Capital replacement reserve	5,202,367	314,050
• External loans	12,560,069	5,960,597
• Government Grants	98,865,733	52,311,985
• Other resources	-	1,236,800
	<b>116,628,169</b>	<b>59,823,432</b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>40. Commitments (continued)</b>		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	126,793	354,074
- in second to fifth year inclusive	2,475,304	230,731
	<b>2,602,097</b>	<b>584,805</b>

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.

**41. Financial instruments disclosure**

**Categories of financial instruments**

**2016**

**Financial assets**

	At amortised cost	Total
<b>Loans and Receivables</b>		
Housing Scheme Loans	421,572	421,572
Sale of Erven Loans	93,407	93,407
Loans to Other Organisations	18,612	18,612
Actaris Meter Debt	597,992	597,992
<b>Trade and other receivables from exchange transactions</b>		
Service Debtors	94,404,205	94,404,205
Other Debtors	8,359,763	8,359,763
<b>Other receivables from non-exchange transactions</b>		
Other Debtors	2,014,906	2,014,906
<b>Cash and cash equivalents</b>	365,322,659	365,322,659
	<b>471,233,116</b>	<b>471,233,116</b>

**Financial liabilities**

	At amortised cost	Total
<b>Compound instruments</b>		
Annuity Loans	368,670,712	368,670,712
Other Loans	723,376	723,376
<b>Consumer Deposits</b>		
Electricity and water	19,759,545	19,759,545
<b>Payables</b>		
Trade payables	145,503,571	145,503,571
	<b>534,657,204</b>	<b>534,657,204</b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

**40. Financial instruments disclosure (continued)**

**2015**

**Financial assets**

	<b>At amortised cost</b>	<b>Total</b>
<b>Loans and Receivables</b>		
Housing Scheme Loans	502,979	502,979
Sale of Erven Loans	101,772	101,772
Loans to Other Organisations	103,245	103,245
Actaris Meter Debt	333,503	333,503
<b>Trade and other receivables from exchange transactions</b>		
Service Debtors	81,243,653	81,243,653
Other Debtors	6,341,794	6,341,794
<b>Other receivables from non-exchange transactions</b>		
Other Debtors	4,802,256	4,802,256
<b>Cash and cash equivalents</b>	345,880,536	345,880,536
	<b>439,309,738</b>	<b>439,309,738</b>

**Financial liabilities**

	<b>At amortised cost</b>	<b>Total</b>
<b>Loans and Borrowings</b>		
Annuity Loans	410,464,547	410,464,547
Other Loans	904,220	904,220
<b>Consumer Deposits</b>		
Electricity and water	21,586,067	21,586,067
<b>Payables</b>		
Trade payables	123,068,896	123,068,896
	<b>556,023,730</b>	<b>556,023,730</b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>42. Contingencies</b>		
<b>Contingent liabilities</b>		
Motor vehicle allowance scheme for T-grade 14 employees		1,405,094
<b>Compensation for damages</b>		
SA Local Authorities Pension Fund		18,538,117
JE & JA Maree	108,000	108,000
J Kimari / T Gozongo	100,000	-
SAPS / Minister of Police	3,811	-
Nqela Civil Construction and D Christians	77,854	-
J Barnard	465,000	-
Expropriation of Portion 4 of the Farm Sandkraal No. 197	10,000,000	-
	<b>10,754,665</b>	<b>20,051,211</b>

Motor vehicle allowance scheme for T-grade 14 employees: Council approved a Motor Vehicle Policy on 26 September 2012, which entitled all employees at George Municipality on T-grade 14 to 19, and above to qualify for participation in the vehicle allowance scheme. The motor vehicle allowance have since been paid to all employees on T-grade 15 - 19 and excluded employees on T-grade 14 as it was not budgeted for that grade. One of the T-grade 14 employees went on a process of arbitration with the municipality and the arbitrator ruled that the motor vehicle allowance should be paid from 1 July 2014. After consultation with the internal legal department and an advocate, Council approved the payments of the vehicle allowances from 1 July 2014 to 30 November 2015. This matter has been resolved.

SA Local Authorities Pension Fund: The municipality was involved in a legal claim from SA Local Authorities Pension Fund to the value of R18,538,117, resulting from a retrospective employer contribution rate increase and interest on the outstanding amount. The claim was defended on grounds that the municipality is not liable. The trial was completed during the year and the court ruled in favour of the municipality.

JE & JA Maree: The municipality is involved in a legal claim of R108,000 from JE & JA Maree. The claim is for the repayment of municipal rates, taxes and costs pursuant to expropriation of portion 29 of the farm 197, Sandkraal. The matter is currently being disputed by the municipality but the case is pending due to no feedback received from the claimants.

J Kimari / T Gozongo: J Kimari instituted a defamation claim of R100,000 against the municipality. The summons was handed over to the municipality's insurers and the case is still pending.

SAPS / Minister of Police: An official of the municipality collided with a SAPS vehicle and the SAPS is claiming the damages of R3,811 from the municipality.

Nqela Civil Construction and D Christians is claiming damages of R77,854 to a vehicle caused by a pothole.

J Barnard: The individual was injured in a motor vehicle accident in Blanco when her vehicle crashed into grounded overhead electricity cables which were caused by another vehicle. She issued summons against the municipality of R465,000 for her alleged injuries. The summons was handed to the municipality's insurers but the matter is still pending.

Expropriation of Portion 4 of the Farm Sandkraal No. 197: Council is in the process of expropriating Portion 4 of the Farm Sandkraal No. 197, George for low cost housing purposes. Council is willing to compensate the owner in the amount of R1,613 000 which was not excepted. The owner wants R10,000,000. The matter is currently subject to arbitration.

**Contingent assets**

**George Housing Association**



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand

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2015

**42. Contingencies (continued)**

The municipality contributed an amount of R5,1 million towards the establishment of the George Housing Association. The contributions were made in the 2005/06 to 2007/08 financial years with the last amount contributed during March 2008. The association was established as an Article 21 company and was never legally regarded as a municipal entity as stipulated in the Municipal Finance Management Act.

Upon legal action taken by the municipality, a court order was issued on 8 June 2012 against George Housing Association that the R5,1 million should be repaid to the municipality. The municipality received R1,604,568, being the balance in the bank account of the George Housing Association, on 5 July 2012. It is uncertain if the municipality will receive the balance of the R5,1 million.

During the process of preparing the application for the liquidation of the George Housing Association it became apparent that the municipality would be the only creditor applying for the liquidation and as such runs a substantial risk of paying a contribution during the liquidation process. On legal advice received, the application was not finalised, pending a full report to Council regarding the financial risks involved in obtaining the liquidation of the George Housing Association compared to the possibility of recouping any of the money.

**Victoria Bay Caravan Park and Resort**

A Council resolution was taken by Eden District Municipality on 25 May 2015 to transfer the Victoria Bay Caravan Park and Resort to George Municipality. The transfer will be regarded as an all inclusive transaction, including all existing personnel.

The property (73.2553 hectares) is situated on the remainder of Erf 195 Kraaibosch and was valued on 5 May 2015 and a realistic market value of the property was determined to be R13,700,000.

The Council of George Municipality accepted the transfer during their meeting on 29 July 2015. By 30 June 2016 the necessary steps for the transfer were not completed and Eden District Municipality indicated that their Council will decide after year end if they would like to proceed with the transfer.



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**

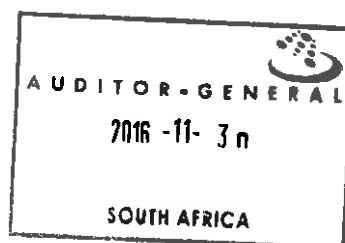
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**43. Related parties**

**Relationships**

**Councillor**

- Ward 1	MG Naik
- Ward 2	C Neethling
- Ward 3	EP De Villiers
- Ward 4	LD van Wyk
- Ward 5	LBC Esau
- Ward 6	HH Ingo
- Ward 7	FZ Ntozini
- Ward 8	C Standers (resigned 26 July 2016)
- Ward 9	T Teyisi
- Ward 10	MD Gingcana
- Ward 11	NF Kamte
- Ward 12	GN Sixolo
- Ward 13	B Salmani
- Ward 14	C Remas
- Ward 15	FS Guga
- Ward 16	HJ Jones (suspended 2 June 2016)
- Ward 17	D Maritz
- Ward 18	GC Niehaus
- Ward 19	IC Kritzinger
- Ward 20	M Draghoender
- Ward 21	JS Thanda
- Ward 22	PH de Swardt
- Ward 23	GJ Stander
- Ward 24	AM Wildeman
- Ward 25	MEF Kleynhans



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

**43. Related parties (continued)**

Proportional	C Bob
Proportional	BM Cornelius
Proportional	NNE Dlephu
Proportional	J du Toit
Proportional	T Fortuin (resign 26/04/2016)
Proportional	V Gericke
Proportional	WT Harris (resign 26/04/2016)
Proportional	LS Hayward
Proportional	NV Kom
Proportional	PB Komani
Proportional	PS Lehlo
Proportional	R Lombaard
Proportional	G Macclune
Proportional	VE Mashini (appointed 12/05/2016)
Proportional	SM Mekana (deceased 17/04/2016)
Proportional	ZM Moyi (appointed 30/05/2016)
Proportional	MM Nyakathi
Proportional	B Petrus
Proportional	LN Qupe
Proportional	GM Sihoyiya
Proportional	I Stemela
Proportional	PJ van der Hoven
Proportional	AJ van Zyl
Proportional	M Viljoen
Proportional	CT Williams
Proportional	W Witbooi

**Directors**

Directorate Financial Services	K Jordaan
Directorate Civil Engineering Services	HL Basson
Directorate Corporate & Social Services	EM Rankwana
Directorate Community Services	S James (Acting)
Directorate Human Settlement, Land Affairs & Planning	SB Erasmus
Directorate Electrotechnical Services	KD Grünewald

**Municipal Manager**

T Botha



**Related party transactions**

Additional text

**Related party transactions for the year ended 30 June 2016**

		<b>Rates</b>	<b>Services</b>	<b>Total</b>	<b>Outstanding / (Account in credit)</b>
<b>Councillors</b>					
Executive mayor	C Standers	2,813	5,055	7,868	43,254
Deputy Mayor	D Maritz	421	5,517	5,938	96
Speaker	M Draghoender	747	5,503	6,250	(986)
Councillor: Ward 3	EP De Villiers	6,061	6,327	12,388	(2,824)
Councillor: Ward 4	LD van Wyk	8,500	8,062	16,562	2,580
Councillor: Ward 5	LBC Esau	4,193	6,665	10,858	(905)
Councillor: Ward 6	HH Ingo	751	26,981	27,732	27,188
Councillor: Ward 7	FZ Ntozini	-	4,959	4,959	(555)

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**

**43. Related parties (continued)**

		<b>Rates</b>	<b>Services</b>	<b>Total</b>	<b>Outstanding / (Account in credit)</b>
Councillor: Ward 11	NF Kamte	-	5,864	5,864	363
Councillor: Ward 12	GN Sixolo	-	4,955	4,955	(7)
Councillor: Ward 14	C Remas	4,033	12,719	16,752	245
Councillor: Ward 15	FS Guga	-	6,086	6,086	(297)
Councillor: Ward 18	GC Niehaus	14,682	64,656	79,338	6,059
Councillor: Ward 19	IC Kritzinger	3,878	5,048	8,926	(1,161)
Councillor: Ward 21	JS Thanda	-	4,030	4,030	(93)
Councillor: Ward 22	PH de Swardt	11,662	4,030	15,692	(164)
Councillor: Ward 23	GJ Stander	13,711	6,197	19,908	1,649
Councillor: Ward 24	AM Wildeman	-	3,719	3,719	(33)
Councillor: PR	I Stemela	766	4,967	5,733	(43)
Councillor: PR	WT Harris	761	7,845	8,606	165
Councillor: PR	BM Cornelius	1,383	7,405	8,788	(247)
Councillor: PR	CT Williams	810	7,723	8,533	(353)
Councillor: PR	LS Hayward	11,355	7,627	18,982	(952)
Councillor: PR	NV Kom	-	4,958	4,958	(469)
Councillor: PR	T Fortuin	-	5,911	5,911	95
Councillor: PR	PS Lehlo	-	4,030	4,030	(336)
Councillor: PR	NNE Dlephu	699	7,747	8,446	1,507
Councillor: PR	R Lombaard	-	5,094	5,094	(298)
Councillor: PR	PJ van der Hoven	6,430	11,861	18,291	1,446
Councillor: PR	SM Mekana	-	4,951	4,951	411
Councillor: PR	PB Komani	561	7,082	7,643	9
Councillor: PR	C Bob	1,565	5,763	7,328	-
Councillor: PR	G Macclune	-	2,260	2,260	(1,302)
Councillor: PR	LN Qupe	-	5,893	5,893	(89)
Councillor: PR	GMV Sihoyiya	-	5,681	5,681	(898)
Councillor: PR	AJ Van Zyl	11,613	5,499	17,112	1,418
Councillor: PR	MM Nyakathi	-	6,072	6,072	(109)
<b>Section 56 and 57</b>					
<b>Personnel</b>					
Municipal Manager	T Botha	15,525	12,577	28,102	4,493
Director Electrotechnical Services	KD Grünewald	10,287	6,793	17,080	(722)
Director Civil Engineering Services	HL Basson	8,602	7,837	16,439	1,184
Director Human Settlement, Land Affairs & Planning	SB Erasmus	-	1,358	1,358	84
		<b>141,809</b>	<b>333,307</b>	<b>475,116</b>	<b>79,403</b>





**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

**43. Related parties (continued)**

**Related party transactions for the year ended 30 June 2015**

		<b>Rates</b>	<b>Services</b>	<b>Total</b>	<b>Outstanding / (Account in credit)</b>
<b>Councillors</b>					
Executive mayor	C Standers	2,567	5,712	8,279	(327)
Deputy Mayor	D Maritz	-	5,229	-	(687)
Speaker	M Draghoender	473	3,434	3,906	(86)
Chief Whipp	PH De Swart	10,644	3,735	14,379	(56)
Ex-Co Memb: Corporate & HR	I Stemela	594	4,603	5,198	(626)
Ex-Co Memb: Electrotechnical Services	WT Harris	694	10,664	11,358	(451)
Ex-Co Memb: Financial Services	LD Van Wyk	7,757	6,295	14,053	1,018
Ex-Co Memb: Community Services	IC Kritzing	3,540	4,620	8,159	(488)
Ex-Co Memb: Planning Services	GJ Stander	12,513	5,766	18,279	1,517
Ex-Co Memb: Community Services	EP De Villiers	5,532	6,244	11,776	1,055
Councillor: Ward 5	LBC Esau	3,827	6,332	10,159	(163)
Councillor: Ward 6	HH Ingo	685	23,709	24,395	17,759
Councillor: Ward 7	FZ Ntozini	-	4,658	4,658	(715)
Councillor: Ward 11	NF Kamte	-	11,951	11,951	3,601
Councillor: Ward 12	GN Sixolo	-	4,646	4,646	(163)
Councillor: Ward 14	C Remas	3,681	9,693	13,374	(1,512)
Councillor: Ward 15	FS Guga	1,523	5,456	6,979	(383)
Councillor: Ward 18	GC Niehaus	13,722	69,202	62,924	4,927
Councillor: Ward 21	JS Thanda	-	3,735	3,735	-
Councillor: Ward 24	AM Wildeman	-	3,481	3,481	(152)
Councillor: PR	BM Cornelius	1,263	6,301	7,563	(238)
Councillor: PR	CT Williams	739	6,915	7,654	(26)
Councillor: PR	LS Hayward	10,363	6,230	16,593	(442)
Councillor: PR	NV Korn	-	4,597	4,597	(27)
Councillor: PR	T Fortuin	-	5,184	5,184	(816)
Councillor: PR	PS Lehlo	-	3,735	3,735	(311)
Councillor: PR	R Lombaard	-	5,340	5,340	(42)
Councillor: PR	PJ Van der Hoven	5,869	9,789	15,658	1,105
Councillor: PR	SM Mekana	-	4,596	4,596	-
Councillor: PR	P Komani	512	6,902	7,414	(118)
Councillor: PR	C Bob	1,429	5,215	6,644	(239)
Councillor: PR	G Macclune	-	1,726	1,726	(67)
Councillor: PR	LN Qupe	-	8,795	8,796	4,973
Councillor: PR	GMV Sihoyiya	-	6,357	6,357	950
Councillor: PR	MM Nyakathi	-	5,177	5,177	(213)
<b>Section 56 and 57</b>					
<b>Personnel</b>					
Municipal Manager	T Botha	11,807	9,244	21,051	(230)
Director Electrotechnical Services	KD Grunewald	9,389	5,519	14,908	2,203
Director Civil Engineering Services	HL Basson	7,755	8,337	16,092	405

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**Notes to the Annual Financial Statements**

**43. Related parties (continued)**

		<b>Rates</b>	<b>Services</b>	<b>Total</b>	<b>Outstanding / (Account in credit)</b>
Director Human Settlement, Land Affairs & Planning	SB Erasmus		1,363	1,363	77
		<b>116,878</b>	<b>310,487</b>	<b>402,137</b>	<b>31,012</b>

Only related parties which entered into transactions with the municipality is listed above.

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.

**Loans granted to related parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in note 4 to the Annual Financial Statements.

**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 51 for details of payments made to related parties during the year.



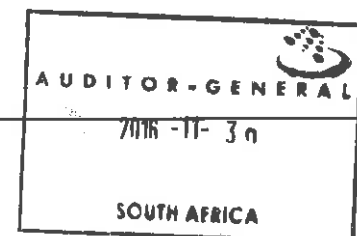
**George Local Municipality**  
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**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>44. Prior period errors and reclassifications</b>		
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2015 previously reported</b>	<b>2015 restated</b>
<b>Assets</b>		
<b>Current Assets</b>		
Inventories	166,860,044	166,860,044
Trade receivables from exchange transactions (Refer 44.1)	81,243,653	87,585,447
Trade and other receivables from non-exchange transactions (Refer 44.1, 44.3, 44.4)	111,737,297	106,468,617
Prepayments	8,152,712	8,152,712
Loans and receivables	295,633	295,633
Cash and cash equivalents	345,880,536	345,880,536
	<b>714,169,875</b>	<b>715,242,989</b>
<b>Non-current Assets</b>		
Property, plant and equipment	2,644,643,710	2,644,643,710
Intangible assets	463,125	463,125
Heritage assets	4,236,000	4,236,000
Investment property	152,411,992	152,411,992
Loans and receivables	745,866	745,866
	<b>2,802,500,693</b>	<b>2,802,500,693</b>
<b>Total Assets</b>	<b>3,516,670,568</b>	<b>3,517,743,682</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Loans and borrowings	41,974,671	41,974,671
Finance lease obligation	2,735,598	2,735,598
Trade and other payables from exchange transactions (Refer 44.2)	141,626,076	148,228,602
VAT payable	742,543	742,543
Consumer deposits	21,586,067	21,586,067
Employee benefits	41,748,579	41,748,579
Provisions	35,993,404	35,993,404
Unspent conditional grants and receipts	35,793,306	35,793,306
	<b>322,200,244</b>	<b>328,802,770</b>
<b>Non-Current Liabilities</b>		
Loans and borrowings	369,394,096	369,394,096
Finance lease obligation	9,916,694	9,916,694
Employee benefits	149,284,200	149,284,200
Provisions	45,836,410	45,836,410
Trade and other payables from exchange transactions	9,388,146	9,388,146
	<b>583,819,546</b>	<b>583,819,546</b>
<b>Total Liabilities</b>	<b>906,019,790</b>	<b>912,622,316</b>
<b>Total Net Assets</b>	<b>2,610,650,778</b>	<b>2,605,121,366</b>

**George Local Municipality**  
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**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015		
44. Prior period errors and reclassifications (continued)				
Net Assets				
Housing development fund	67,508,943	-		
Accumulated surplus	2,543,141,835	(5,529,412)		
	2,610,650,778	(5,529,412)		
STATEMENT OF FINANCIAL PERFORMANCE				
	2015 previously reported	Reclassify adjustments	Adjustments of errors	2015 restated
Revenue from exchange transactions	763,499,323	-	343,113	763,842,436
Service charges	677,817,541	-	-	677,817,541
Rental revenue	2,562,589	-	-	2,562,589
Income from agency services (Refer 44.3)	7,405,705	-	343,113	7,748,818
Licences and permits	2,316,999	-	-	2,316,999
Sale of erven	4,842,660	-	-	4,842,660
GIPTN Fare Revenue	7,829,235	-	-	7,829,235
Other income	31,860,001	-	-	31,860,001
Interest received	28,407,937	-	-	28,407,937
Gains on disposal of assets	456,656	-	-	456,656
Revenue from non-exchange transactions	626,306,514	-	730,000	627,036,514
Property rates	172,060,819	-	-	172,060,819
Property rates - penalties and collection charges	3,872,348	-	-	3,872,348
Government grants and subsidies	400,753,241	-	-	400,753,241
Fines (Refer 44.4)	49,620,106	-	730,000	50,350,106
	1,389,805,837	-	1,073,113	1,390,878,950
Expenditure				
Employee related cost (Refer 44.2)	345,926,693	-	2,525,449	348,452,142
Remuneration of councillors	16,677,926	-	-	16,677,926
Depreciation and amortisation	116,323,806	-	-	116,323,806
Impairment losses	59,121,262	-	-	59,121,262
Finance cost	51,072,662	-	-	51,072,662
Collection cost	3,530,976	-	-	3,530,976
Repairs and maintenance	83,065,984	-	-	83,065,984
Bulk purchases	310,889,236	-	-	310,889,236
Contracted services	174,732,316	-	-	174,732,316
Grants and subsidies paid	2,700,695	-	-	2,700,695
Cost of erven sold	4,800,000	-	-	4,800,000
Loss on disposal of assets	2,152,795	-	-	2,152,795
General Expenses	105,950,392	-	-	105,950,392
	1,276,944,743	-	2,525,449	1,279,470,192
Surplus / (Deficit) for the year	112,861,094	-	(1,452,336)	111,408,758



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Figures in Rand	2016	2015		
44. Prior period errors and reclassifications (continued)				
CASH FLOW STATEMENT	2015 previously reported	Reclassify adjustments	Adjustments of errors	2015 restated
Net cash from operating activities	195,128,228	-	-	195,128,228
Net cash from investing activities	(199,301,010)	-	-	(199,301,010)
Net cash from financing activities	(37,141,606)	-	-	(37,141,606)
Total cash movement for the year	(41,314,388)	-	-	(41,314,388)
Cash and cash equivalents at the beginning of the year	387,194,924	-	-	387,194,924
	345,880,536	-	-	345,880,536

Certain comparative figures have been reclassified due to incorrect allocations in the prior period. These reclassifications do not have any effect on the accumulated surplus except where indicated.

The correction of the error(s) and reclassifications are as follows:

**44.1 Reclassification: Exchange debtors reclassified to the correct note**

The following trade receivables formed part of the non-exchange receivables in the prior year (Note 4) even though they are exchange debtors. They have now been correctly reclassified exchange receivables.

The reclassified receivables are:

- GIPTN Fare Revenue
- Prepaid electricity deposits received in July from Itron
- Rent receivable from the rental of municipal property

**44.2 Prior year error: Standby allowances paid**

Standby allowances paid to employees did not comply with the terms as stated in the South African Local Government Bargaining Council's collective agreement. Standby allowances was recalculated from April 2012 and the shortfalls paid to employees during the year.

The effect of this correction is as follows:

(Increase) / Decrease in Employee Related Cost	(2,525,449)
Increase / (Decrease) in Trade and other payables from exchange transactions	6,602,526
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2014	(4,077,076)
<b>Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2015</b>	<b>(6,602,525)</b>

**44.3 Prior year error: Motor vehicle licences**

Motor vehicle licence fees received in June 2015 but only banked in July 2016 was not included in the 2014/2015 financial statements of the municipality.

The effect of this correction is as follows:

Increase / (Decrease) in Income from agency services	343,113
(Increase) / Decrease in Trade receivables from non-exchange transactions	(343,113)
<b>Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2015</b>	<b>343,113</b>

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**44. Prior period errors and reclassifications (continued)**

**44.4 Prior year error: Traffic fines**

During the year the municipality noted that the reports of traffic fines issued during the 2014/2015 financial year differs from the amount recognised as fine revenue in the financial statements. When the municipality obtained the traffic fine report for the 2014/2015 financial statements, not all camera fines were included since the report was drawn from the system right after year end and the service provider did not capture all the data of the fines issued at that time. The fine revenue was now corrected:

The effect of this correction is as follows:

Increase / (Decrease) in Fines	730,000
(Increase) / Decrease in Trade receivables from non-exchange transactions	(730,000)
<b>Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2015</b>	<b>730,000</b>

**45. Risk management**

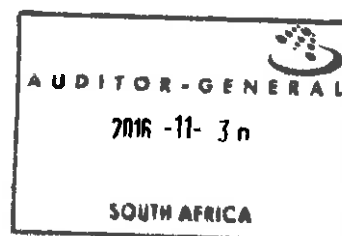
**Financial risk management**

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 and international financial 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 foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, 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.



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

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

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	76,773,934	69,350,926	165,233,142	504,084,039
Consumer Deposits	19,759,545	-	-	-
Trade and other payables	136,475,497	3,340,469	9,782,062	36,502
<b>At 30 June 2015</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	82,644,963	76,773,934	184,700,835	553,967,272
Consumer Deposits	21,586,067	-	-	-
Trade and other payables	124,296,133	3,033,935	8,564,332	-

The 2015 figures for Loans and borrowings have been restated to reflect the total actual cash flows which will take place on the repayment of the loans. The over 5 years repayments was corrected from R356,623,831 in the prior year's financial statements to R553,967,272.

#### Interest rate risk

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

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

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

This risk is managed on an ongoing basis.

#### Credit risk

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

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

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**45. 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 instrument</b>	<b>2016</b>	<b>2015</b>
Loans and receivables	1,131,583	1,041,499
Trade receivables from exchange transactions	94,404,205	81,243,653
Trade receivables from non-exchange transactions	88,506,853	106,468,617
Cash and cash equivalents	365,322,659	345,880,536

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

**Price risk**

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

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





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<b>46. Unauthorised expenditure</b>		
<b>Employee related cost</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	25,185,861	17,878,781
Unauthorised expenditure current year	-	25,185,861
Approved by Council	(25,185,861)	(17,878,781)
	<u>-</u>	<u>25,185,861</u>
<b>Impairment losses</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	7,604,162	47,604,195
Unauthorised expenditure current year	26,335,465	7,604,162
Approved by Council	(7,604,162)	(47,604,195)
	<u>26,335,465</u>	<u>7,604,162</u>
The unauthorised expenditure relates to budget overspending due to fine and consumer debtors debtors being impaired.		
Unauthorised expenditure for the year ending 30 June 2016 will be presented to the Council after year end to be condoned.		
<b>Depreciation and amortisation</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balances	1,534,175	-
Unauthorised expenditure	-	1,534,175
Approved by Council	(1,534,175)	-
	<u>-</u>	<u>1,534,175</u>
<b>Finance charges</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	1,649,470	546,547
Unauthorised expenditure current year	4,610,535	1,649,470
Approved by Council	(1,649,470)	(546,547)
	<u>4,610,535</u>	<u>1,649,470</u>
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 2016 will be presented to the Council after year end to be condoned.		
<b>Other expenses</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	-	99,085
Approved by Council	-	(99,085)
	<u>-</u>	<u>-</u>

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**46. Unauthorised expenditure (continued)**

**Capital expenditure**

**Reconciliation of unauthorised expenditure**

Opening balance	7,561,768	-
Unauthorised expenditure current year	2,350,696	7,561,768
Approved by Council	(7,561,768)	-
	<b>2,350,696</b>	<b>7,561,768</b>

The unauthorised expenditure relates to the new requirements in the provision for the rehabilitation of the landfill site (Refer to 54.16).

Unauthorised expenditure for the year ending 30 June 2016 will be presented to the Council after year end to be condoned.

**47. Fruitless and wasteful expenditure**

Interest paid for incorrect submission of the Value Added Tax return at SARS	22,193	-
Procurement of goods and services in the upgrading of various sport facilities during the previous financial year	103,063	-
Misuse of a 3G data card	43,112	-
	<b>168,368</b>	<b>-</b>

**Procurement of goods and services in the upgrading of various sport facilities**

The case reported in the 30 June 2015 financial statements as alleged irregular expenditure for the procurement of goods and services in the upgrading of various sport facilities have been investigated but is not finalised yet. To date the fruitless and wasteful expenditure amounts to R103,063. This matter still have to appear before a Section 32 committee for consideration and should be concluded in the following financial year. A debtor was raised for the this amount.

**48. Irregular expenditure**

Opening balance	12,241	98,300
Add: Procurement of goods and services in the upgrading of various sport facilities during the previous financial year	78,760	12,241
Add: Overpayment of telephone allowance and petrol advance for the previous mayor	46,070	-
Less: Amounts condoned	-	(98,300)
	<b>137,071</b>	<b>12,241</b>



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**48. Irregular expenditure (continued)**

**Details of Irregular expenditure**

**Procurement of goods and services in the upgrading of various sport facilities:**

The case reported in the 30 June 2015 financial statements for the procurement of goods and services in the upgrading of various sport facilities have been investigated but is not finalised yet. To date the irregular expenditure amounts to R78,760. This matter still have to appear before a Section 32 committee for consideration and should be concluded in the following financial year. A debtor was raised for this amount.

**Overpayment of telephone allowance and petrol advance for the previous mayor**

The previous mayor received an overpayment of this telephone allowance and petrol advance during the period 25 June 2011 to 25 January 2014. This expenditure incurred by the municipality is not in accordance with the requirement of the Public Office-Bearers Act. The overpayment was charged to the previous mayor's services account with the municipality and will be collected in the 2017 financial year in accordance with the Debt and Credit Control Policy of the Council.

**Alleged Irregular Expenditure under investigation**

The municipality had, in terms of Section 32 of the Municipal Finance Management Act (No. 56 of 2003), conducted or is in the process of conducting two investigation regarding alleged irregular expenditure committed by municipal officials.

An incident of alleged irregular expenditure committed by municipal officials in the procurement of sewer network, pumpstations and switchgear maintenance for pumpstations was reported to Council during the year. This incident is also under investigation and the quantum cannot be determined yet. This will be possible once the processes are concluded and the matter referred to the Section 32 committee and subsequently resolved by Council.

**49. Material losses**

**Electricity distribution**

Units purchased (KWh)	461,910,028	451,736,971
Units lost during distribution	34,439,505	29,205,414
Percentage lost during distribution	7.45%	6.47%

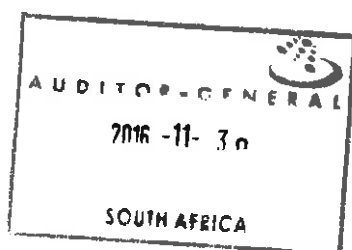
**Water distribution**

Kilolitres purifies	12,390,930	10,607,525
Kilolitres lost during distribution	3,047,375	1,673,175
Percentage lost during distribution	24.59%	15.77%

**50. In-kind donations and assistance**

The following assets have been donated to the municipality and form part of the Property, plant and equipment additions for the year:

-	2,520,000
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<b>51. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance - Prepayment	(3,074,886)	(2,913,100)
Current year subscription / fee	3,074,886	2,913,100
Amount paid	(3,245,749)	(3,074,886)
	<b>(3,245,749)</b>	<b>(3,074,886)</b>

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.

**Audit fees**

Current year subscription / fee	3,120,835	3,092,309
Amount paid - current year	(3,120,835)	(3,092,309)
	-	-

**PAYE and UIF**

Current year subscription / fee	50,951,175	47,774,126
Amount paid - current year	(50,951,175)	(47,774,126)
	-	-

**Pension and Medical Aid Deductions**

Current year subscription / fee	72,701,513	68,550,707
Amount paid - current year	(72,701,513)	(68,550,707)
	-	-

**VAT**

VAT receivable / (payable)	663,683	(742,543)
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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.



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**51. 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 2016:

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
HH Ingo	9,786	17,401	27,187
<b>30 June 2015</b>			
	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
HH Ingo	4,927	12,832	17,759

**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.

	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	742,257	1,131,686	208,162	-
Corporate Services	58,881	132,924	-	-
Civil Engineering Services	524,034	3,252,416	3,919,215	-
Electro-technical Services	744,671	1,822,300	482,661	-
Human Settlement, Land Affairs & Planning	74,135	81,145	-	-
Community Services	764,848	896,218	-	-
Financial Services	323,621	178,149	-	-
	<b>3,232,447</b>	<b>7,494,838</b>	<b>4,610,038</b>	<b>-</b>



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**51. Additional disclosure in terms of Municipal Finance Management Act (continued)**

The major deviations were as follows:

Awarded	Amount	Reason / Explanation
Metsi Chem IKapa	1,432,410	Emergency: To purify water: Flocculant
Metsi Chem IKapa	847,077	Emergency: To purify water: Ferrichloride
Metsi Chem IKapa	503,880	Emergency: To purify water: Soda Ash Light
Huber Technology	433,364	Sole supplier - Spares for Huber Beld presses
Metsi Chem IKapa	422,484	Sole supplier - Chemicals:Ultra floc
Much Asphalt	381,600	Impractical to follow the official procurement process
Eutsha Henra CC	280,000	Impractical to follow the official procurement process
Malaysian Switchgear	263,890	Sole supplier - 11kw circuit breakers
Altech Netstar	218,771	Sole supplier of specific product. V-Cam Solutions.
Eden FM	208,162	Sole supplier for specific community radio station. Utilization of radio airtime.
Metsi Chem IKapa	195,396	Emergency: Treatment of waste water - Chlorine gas
Transmission Gear Services Cape	183,147	Sole supplier - Service of aerators in WPC section
Webber Wentzel	183,129	Impractical to follow the official procurement process - Analysis of GIPTN contracts
Ernst & Young	178,174	Impossible to follow the official procurement process - Investigate allegation of financial misconduct
Inter Waste	177,600	Impossible to follow the official procurement process - Special project to address illegal dumping
Tricom Africa	173,680	Emergency - Supply of starter and rotar for pump
Andenco Construction	157,756	Emergency - Repair 66 kv line after damaged by veldfire
Improchem	156,362	Sole supplier - Zetag 7557
Altech Netstar	149,004	Impractical to follow the official procurement process - Replace units
Santorini K-9 services	148,428	Impossible to follow the official procurement process - Security services for Go George
Transmission Gear Services Cape	135,442	Sole supplier in Cape region. Service of Hansen aerators
Knowledge Base Sales	130,872	Sole supplier - Civil designer
Dimension Data	128,927	Sole supplier - DCRS recording machine for Municipal court
Altech Netstar	128,414	Impossible to follow the official procurement process - New Vigil V-Cam 4 cameras
Massamatic	127,965	Emergency - Repair and refurbish existing weighbridge
TFM Transtech	117,778	Impossible to follow the official procurement process - Repairs to trucks
October Sky	114,000	Sole supplier - Skyfloc C54
TFM Transtech	113,728	Emergency - Repair of ejector unit of refuse truck
Huber Technology	111,469	Sole supplier - Service the Huber Rotamat screens at WPC
AL Abbott	110,745	Impossible to follow the official procurement process - Complete SANS 241 2015 annual analysis of water samples.
DPI Trading	106,818	Emergency - Class 12 pipe
Huber Technology	103,529	Sole supplier - Repair screen 2 at Gwailing WWTW

**8,124,001**



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**51. Additional disclosure in terms of Municipal Finance Management Act (continued)**

**Purchases from persons in service of the state**

The municipality made the following payments to companies / persons in service of the state:

Company name	Related person	Company capacity	Capacity at State / Municipality	Relationship	Payments
Aurecon SA (Pty) Ltd	Various	Various	Various	Various	13,136,372
	ZB Ebrahim	Non-executive director	Social Housing Regulatory		
Royal Haskoning DHV	JD van Eeden	Member	Councillor Langeberg	Brother	13,825,491
			Department of Water Affairs	Nephew	
AON SA	NT Magau	Non-executive director	NT Radioisotopes		6,452,177
Moreki Distributors	MD Moreki	Director	Palm Springs Magistrates Courts	Spouse	4,895,241
SMEC South Africa (Pty) Ltd	M Phosa	Member	Finance - Mpumalanga Provincial Government	Spouse	4,482,175
ABSA Bank	M Ramos	CEO	SA Politician	Spouse	3,494,867
	LL Von Zeuner	Director	Department of Health	Brother	
Servelec (Pty) Ltd	W Louw	Proposals Manager	SARS Port Elizabeth - Debtors Clerk	Spouse	2,178,377
MVD Consulting Engineers	CV Swart	Director	Teacher	Spouse	1,923,497
Minolta SA:George	KR Mthimunye	Non-executive director	Mintek		1,736,365
Montidox CC	N Beja	Director	Department of Health	Spouse	1,690,572
Conlog	L Moodley	Commercial director	Provincial Health Department of KZN	Spouse	731,968
	L Gaxeni	Quality Manager	Eskom KZN: Deductor Manager	Spouse	
Otto Waste Systems	J Lekgetha	Non-executive director	African Exploration Mining and Finance Corporation		581,259
ISHS	CM Willemse	Director	Teacher	Spouse	478,230
Adenco Construction	V Machimana	Director	Department of Health	Parent	393,399
	DCC Jackson	Director	Teacher	Parent	
Raubenheimers Incorporated	WM Luttig	Director	Teacher	Spouse	320,785
Total Client Service	V Zitumane	Member	EC Parks & Tourism		284,374
	BKD Mafu	Non-executive director	EC Liquor Board		
Avela General Service and Construction	N Nongogo	Owner	Department of Health: Ambulance Assistant	Son	283,635
	P Nongogo	Owner	Department of Health: Admin Clerk	Daughter	
SMS ICT Choice (Pty) Ltd	SS Maqula	Director	Eastern Cape Department of Human Settlements (Director)	Spouse	148,074

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**Notes to the Annual Financial Statements**

Figures in Rand

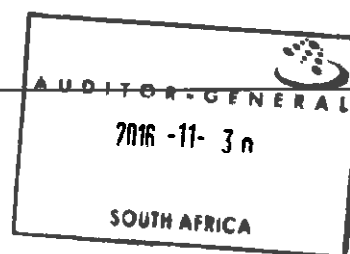
2016

2015

**51. Additional disclosure in terms of Municipal Finance Management Act (continued)**

Company name	Related person	Company capacity	Capacity at State / Municipality	Relationship	Payments
Bearing Warehouse	FC Zeelie	Member	Department of Agriculture	Spouse	145,076
Seebosrand Catering	ME Classen	Owner	Official at George Municipality	Daughter	96,750
Trentyre	MP Mona	Member	SA Forestry Company		86,991
	A Sing	Non-executive director	DBSA		
Wolfe Pack Race	K Langeveldt	Owner	Official at George Municipality	Spouse	71,872
INCA Portfolio Managers	M Mokoene	Non-executive director	Gautrain Management Agency		57,000
Tuiniqua Consulting Engineers	E Huistra	Member	Department of Education	Spouse	44,761
Zenobia Trading 209 CC	T Naidoo	Director	EC Education		33,060
DFN Construction	D Noemdoe	Member	Official at George Municipality	Brother	29,334
			Department of Labour	Sister	
Elster Kent Metering	NY Nkabinde	Director	Competition Commissioner		27,862
Jaji Bee Relocation and Honey Farming	QJ Jaji	Owner	Official at George Municipality	Daughter	24,608
IJ's Body Auto	IJ Kawie	Owner	Justice and Constitutional Development		20,750
Raylene's Catering Services	WR Whites	Owner	WC Education Department		26,720
AJ Construction	AE Jacobs	Director	WC Education Department		16,782
RE Konstruksie	RE Appels	Owner	Official at George Municipality	Spouse	9,106
PricewaterhouseCoopers and RSK & Associates Consortium	R Saptoe (RSK & Ass)	Director	George Municipality Traffic Superintendent	Spouse	5,968
Omnisolar	JE Albert	Member	Not Indicated	Spouse	4,629
Luluvolvethu Construction	G Rasi	Owner	Official at George Municipality	Spouse	4,400
Constitution Projects	M Meyer	Owner	Daughter of official at George Municipality in the previous twelve months		2,390
Lungisile's Maintenance and General Services	IG Booysen	Owner	Temporary official at George Municipality		2,000
Bushi Borduurwerke	L Basson	Owner	Official at George Municipality	Spouse	993
Ikapa Reticulation and Flow CC	SFA Davids	Director	Western Cape Education Department - Teacher		-

**57,747,910**





**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
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**52. Utilisation of Long-term liabilities reconciliation**

Long-term liabilities raised	369,394,088	411,368,767
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date. Refer to note 13 for detail of long-term liabilities.

**53. 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	351	-
Provincial grants	93,226,507	36,448,730
National grants	73,676,798	42,490,689
Fare Revenue	32,532,521	7,829,235
Other income	1,230,332	193,889
Interest received	2,150,759	-
Less: Expenses	(202,816,917)	(86,962,192)
	<b>351</b>	<b>351</b>

**54. Budget differences**

**54.1 Investment revenue**

The difference between the final adjustments budget and the actual amounts is 27%. The differences consist of interest received as a result of more short term investments made on surplus funds.

**54.2 Remuneration of Councillors**

The difference between the final adjustments budget and the actual amounts is 10%. The Councilors received a 5.5% increase in their remuneration but the municipality budgeted for a 7% increase.

**54.3 Debt impairment**

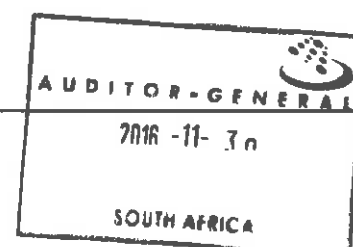
The difference between the final adjustments budget and the actual amounts is 42%. The difference consist of additional impairment of outstanding traffic fines and service debtors not budgeted for.

**54.4 Transfers and grants**

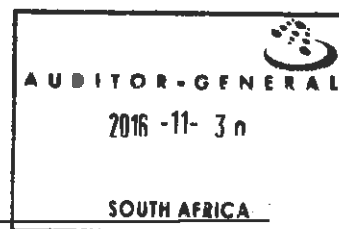
The difference between the final adjustments budget and the actual amounts is 14% and the majority of the difference consist of the underspending of tertiary bursaries and festivals budgets.

**54.5 Contributions recognised - capital and contributed assets**

The difference between the final adjustments budget and the actual amounts is 75% and consist mainly out of the once off capital contributions for the Eden Meander and SARS building development projects. The sale of erven was also more than anticipated.



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016  
**Notes to the Annual Financial Statements**



Figures in Rand

**54. Budget differences (continued)**

**54.6 Capital expenditure: Executive and Council**

The difference between the final adjustments budget and the actual amounts is 58% and consist mainly of ward projects and the renovation of the municipal court not completed on year end. These projects have been rolled over to the 2016/2017 financial year for completion. The procurement of two vehicles were also rolled over to the 2016/2017 financial year.

**54.7 Capital expenditure: Budget and Treasury Office**

The difference between the final adjustments budget and the actual amounts is 21% and consist mainly out of the procurement of a vehicle that was rolled over to the 2016/2017 financial year.

**54.8 Capital expenditure: Corporate Services**

The difference between the final adjustments budget and the actual amounts is 19% and consist mainly out of the procurement of four vehicles that was rolled over to the 2016/2017 financial year.

**54.9 Capital expenditure: Community and Social Services**

The difference between the final adjustments budget and the actual amounts is 79% and consist mainly of the upgrading of the Conville library that was not completed before year end. This project has been rolled over to the 2016/2017 financial year for completion. The procurement of a vehicles was also rolled over to the 2016/2017 financial year.

**54.10 Capital expenditure: Sport and Recreation**

The difference between the final adjustments budget and the actual amounts is 30% and consist mainly out of the procurement of seven vehicles and implements that were rolled over to the 2016/2017 financial year.

**54.11 Capital expenditure: Public safety**

The difference between the final adjustments budget and the actual amounts is 38% and consist mainly out of the procurement of traffic vehicles that were rolled over to the 2016/2017 financial year.

**54.12 Capital expenditure: Housing**

The difference between the final adjustments budget and the actual amounts is 15% and consist mainly out of the procurement of a vehicle that was rolled over to the 2016/2017 financial year.

**54.13 Capital expenditure: Health**

The difference between the final adjustments budget and the actual amounts is 35% and consist mainly out the building of new community halls that was not completed on year end and rolled over to the 2016/2017 financial year.

**54.14 Capital expenditure: Electricity**

The difference between the final adjustments budget and the actual amounts is 19% and consist mainly out the electrification of informal areas which was not completed on year end and rolled over to the 2016/2017 financial year.

**54.15 Capital expenditure: Water**

The difference between the final adjustments budget and the actual amounts is 40% and consist of the rehabilitation of the reservoir roof that was not completed on year end and rolled over to the 2016/2017 financial year. The procurement of a generator for the pump stations was also rolled over to the 2016/2017 financial year.

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

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**Figures in Rand**

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**54. Budget differences (continued)**

**54.16 Capital expenditure: Waste water management**

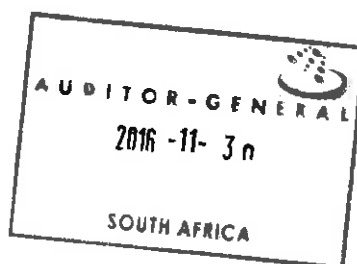
The difference between the final adjustments budget and the actual amounts is 23% and consist mainly out of underspending of the budget because of the limited grant funding available. The upgrading of the pump station was also not completed on year end and was rolled over to the 2016/2017 financial year. The procurement of a super sucker was also rolled over to the 2016/2017 financial year.

**54.17 Capital expenditure: Waste management**

The difference between the final adjustments budget and the actual amounts is 68%. This difference consist mainly out of an additional provision raised for the rehabilitation of the George and Uniondale landfill sites. Refer to note 18 for more detail. The procurement of a vehicle was also rolled over to the 2016/2017 financial year.

**54.18 Capital expenditure: Other**

The difference between the final adjustments budget and the actual amounts is 63%. This difference consist mainly out of the purchasing of small assets which were not completed on year end and rolled over to the 2016/2017 financial year.

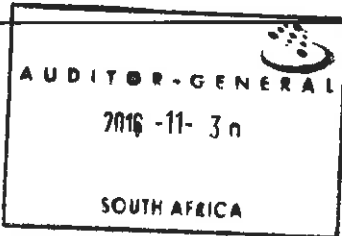


# GEORGE LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

## Notes to the Financial Statements

2015	Type	Cost					Work in progress					Accumulated depreciation					Carrying Value
		I/Pwtd.Cost	Additions	Completed Constructions	Disposals	C/Pwtd.Cost	I/Pwtd.WIP	Additions	Completed Constructions	C/Pwtd.WIP	I/Pwtd.Deprec.	Additions	Disposals	C/Pwtd.Deprec.			
INFRASTRUCTURE	Access control	856,302	90,826,55	-	-	927,028	-	-	-	-	-419,879	-104,047	-	-523,926	403,102		
	Bridges, subways & culverts	17,505,884	499,785,55	-	-	17,625,389	-	-	-	-	-4,004,882	-	-	-4,004,882	12,924,424		
	Bus terminals	2,682,971	-	-	-	2,682,971	-	-	-	-	-1,107,371	-	-	-1,281,198	3,347,441		
	Bus stop	-	19,411,854,90	-	-	19,411,855	-	-	-	-	-1,252,797	-	-	-2,659	19,409,195		
	Car parks	3,477,980	24,991,000	-	-	3,502,961	-	-	-	-	-8,152,240	-	-	-9,359,120	2,079,750		
	Fencing	14,700,031	393,215,44	-	-	15,153,246	-	-	-	-	-2,249,246	-	-	-3,779,875	5,424,122		
	Footways	9,338,490	1,041,339,91	-	-	10,285,681	-	-	-	-	-105,022	-	-	-144,047	7,555,806		
	Kerbing	780,240	113,044,31	-	-	893,226	-	-	-	-	-2,685,003	-	-	-3,113,814	745,279		
	Local control equipment	12,130,183	1,099,840,33	-	-	13,230,026	-	-	-	-	-3,354,529	-	-	-11,801,616	10,114,212		
	Main	12,169,295	-	-	-	12,169,295	-	-	-	-	-100,014	-	-	-3,372,467	3,813,116		
	Mains	38,1018	-	-	-	38,1018	-	-	-	-	-3,354,529	-	-	-11,801,616	245,002		
	Meters	6,694,146	415,440,50	-	-	7,299,596	-	-	-	-	-3,032,800	-	-	-3,032,800	3,952,631		
	Meterwaps	303,314	-	-	-	303,314	-	-	-	-	-14,499	-	-	-14,499	14,261		
	Outfall sewers	514,058	727,842	-	-	727,842	-	-	-	-	-16,127	-	-	-16,127	530,343		
	Paving	23,581,447	122,081,36	-	-	23,519,736	-	-	-	-	-1,178,635	-	-	-7,287,113	37,701,556		
	Pipelines	73,141,367	-	-	-	73,141,367	-	-	-	-	-11,783,571	-	-	-15,439,812	16,268,419		
	Power stations	527,889	-	-	-	527,889	-	-	-	-	-3,802,757	-	-	-3,802,757	21,174		
	Pump stations	92,661,614	-	-	-	92,661,614	-	-	-	-	-4,652,173	-	-	-4,652,173	87,460,535		
	Purification works	44,709,893	-	-	-	44,709,893	-	-	-	-	-2,197,254	-	-	-8,999,817	54,312,806		
	Other roads	404,471,698	-	-	-	404,471,698	-	-	-	-	-2,121,720	-	-	-2,121,720	246,353,333		
	Security lighting	-	44,100,306,95	-	-	44,100,306,95	-	-	-	-	-2,121,720	-	-	-2,121,720	11,318		
	Security systems	5,681,475	11,320,11	-	-	11,320,11	-	-	-	-	-2,121,720	-	-	-2,121,720	67,16,241		
	Sewage machines	212,235,519	4,096,119,40	-	-	212,235,519	-	-	-	-	-2,121,720	-	-	-2,121,720	221,342,716		
	Sewerage pumps	3,407,381	-	-	-	3,407,381	-	-	-	-	-2,121,720	-	-	-2,121,720	1,750,071		
	Street lighting	16,800,350	102,472,20	-	-	16,910,822	-	-	-	-	-5,517,448	-	-	-6,480,910	11,750,071		
	Supply/distribution - Electricity	25,731,408	2,447,777,69	-	-	26,384,694	-	-	-	-	-4,652,173	-	-	-4,652,173	18,641,595		
	Supply/distribution - Gas	195,441,726	21,053,500,20	-	-	216,495,226	-	-	-	-	-1,171,126	-	-	-1,171,126	137,428,276		
	Supply/distribution - Water	2,469,547	-	-	-	2,469,547	-	-	-	-	-4,652,173	-	-	-4,652,173	1,574,056		
	Stormwater drains	264,718,132	2,854,083,45	-	-	3,118,801,58	-	-	-	-	-4,652,173	-	-	-4,652,173	75,578,086		
	Switchgear equipment	92,931,389	12,193,919,59	-	-	104,047,914	-	-	-	-	-4,652,173	-	-	-4,652,173	72,135,279		
	Transformer & towers	24,267,425	2,265,228,11	-	-	26,532,653	-	-	-	-	-4,652,173	-	-	-4,652,173	18,213,550		
	Transformer blocks	22,962,577	130,841,32	-	-	153,803,90	-	-	-	-	-4,652,173	-	-	-4,652,173	12,950,787		
	Traffic lights	207,218	26,762,532	-	-	26,969,750	-	-	-	-	-4,652,173	-	-	-4,652,173	74,474,537		
	Street names & traffic signs	860,794	-	-	-	860,794	-	-	-	-	-4,652,173	-	-	-4,652,173	157,236		
		1,765,770,718	122,844,191	58,045,582	-4,488,140	1,881,042,443	128,487,548	48,837,261	-58,045,582	114,142,264	-407,984,245	-92,448,394	-	-473,348,91	1,900,170,783		
COMMUNITY	Bench developments	2476,711	-	-	-	2,476,711	-	-	-	-	-830,005	-	-	-949,225	1,727,486		
	Blowing grass buildings	106,488	-	-	-	106,488	-	-	-	-	-45,594	-	-	-49,481	32,997		
	Buildings	1,528,999	-	-	-	1,528,999	-	-	-	-	-323,882	-	-	-323,882	1,155,952		
	Caravan Parks	893,140	-	-	-	893,140	-	-	-	-	-207,536	-	-	-237,433	665,927		
	Core centres	9,102,217	120,031,72	-	-	9,222,269	-	-	-	-	-1,739,383	-	-	-2,043,099	7,179,170		
	Cemeteries	6,764	-	-	-	6,764	-	-	-	-	-4,652,173	-	-	-4,652,173	33,949		
	Community centres	20,899,757	97,994,44	-	-	20,897,731	-	-	-	-	-4,652,173	-	-	-4,652,173	15,345,955		
	Fire stations	1,762,589	-	-	-	1,762,589	-	-	-	-	-4,652,173	-	-	-4,652,173	1,245,402		
	Fluoridation	6,667,584	-	-	-	6,667,584	-	-	-	-	-4,652,173	-	-	-4,652,173	3,028,542		
	Crèches/nursery	3,032,743	-	-	-	3,032,743	-	-	-	-	-4,652,173	-	-	-4,652,173	1,505,411		
	Housing schemes	37,474,235	-	-	-	37,474,235	-	-	-	-	-4,652,173	-	-	-4,652,173	26,439,950		
	Hotels	170,249	-	-	-	170,249	-	-	-	-	-4,652,173	-	-	-4,652,173	49,103		
	Informal housing	621,285	-	-	-	621,285	-	-	-	-	-4,652,173	-	-	-4,652,173	3,807		
	Indoor sports	127,552	-	-	-	127,552	-	-	-	-	-4,652,173	-	-	-4,652,173	3,807		
	Law and dams	119,845	-	-	-	119,845	-	-	-	-	-4,652,173	-	-	-4,652,173	9,121,756		
	Localities	10,327,044,76	-	-	-	10,327,044,76	-	-	-	-	-4,652,173	-	-	-4,652,173	9,039,919		
	Libraries	1,864,766	-	-	-	1,864,766	-	-	-	-	-4,652,173	-	-	-4,652,173	41,425		
	Masibos	51,945	-	-	-	51,945	-	-	-	-	-4,652,173	-	-	-4,652,173	42,962,647		
	Municipal buildings	65,344,161	539,457,21	-	-	66,083,329	-	-	-	-	-4,652,173	-	-	-4,652,173	219,889		
	Municipal houses	469,900	-	-	-	469,900	-	-	-	-	-4,652,173	-	-	-4,652,173	3,196,982		
	Nicelet court	295,304	-	-	-	295,304	-	-	-	-	-4,652,173	-	-	-4,652,173	42,962,647		
	Office buildings	4,977,465	-	-	-	4,977,465	-	-	-	-	-4,652,173	-	-	-4,652,173	233,081		
	Organ and care	1,792	-	-	-	1,792	-	-	-	-	-4,652,173	-	-	-4,652,173	3,196,982		
	Outdoor sports facilities	45,935,550	2,017,010,11	-	-	48,134,655	-	-	-	-	-4,652,173	-	-	-4,652,173	42,413,170		
	Parks	1,625,751	-	-	-	1,625,751	-	-	-	-	-4,652,173	-	-	-4,652,173	946,222		
	Public conveniences/bathrooms	3,390,149	-	-	-	3,390,149	-	-	-	-	-4,652,173	-	-	-4,652,173	2,057,324		
	Recreation centres	3,803,557	-	-	-	3,803,557	-	-	-	-	-4,652,173	-	-	-4,652,173	2,686,618		
	Stadiums	3,598,841	-	-	-	3,598,841	-	-	-	-	-4,652,173	-	-	-4,652,173	2,686,618		
	Swimming pool	8,535,807	-	-	-	8,535,807	-	-	-	-	-4,652,173	-	-	-4,652,173	5,397,257		
	The City George	1,132,771	-	-	-	1,132,771	-	-	-	-	-4,652,173	-	-	-4,652,173	1		
	Town planning	9,887,992	-	-	-	9,887,992	-	-	-	-	-4,652,173	-	-	-4,652,173	6,865,514		
	Workshop	985,492	-	-	-	985,492	-	-	-	-	-4,652,173	-	-	-4,652,173	379,594		
	Tennis courts	215,804	-	-	-	215,804	-	-	-	-	-4,652,173	-	-	-4,652,173	75,557		
		246,579,742	13,101,749	333,465	-1,132,187	257,475,150	3,468,416	2,324,782	-333,465	4,002,074	-73,345,144	-8,237,536	-	-82,307,220	181,370,004		
OTHER	Air conditioning	949,225	109,189,24	-	-	1,058,414	-	-	-	-	-4,652,173	-	-	-4,652,173	262,471		
	ANNUAL POUND	103,413	-	-	-	103,413	-	-	-	-	-4,652,173	-	-	-4,652,173	116,18		
	Bus companies	1,942,465	340,200,00	-	-	2,314,465	-	-	-	-	-4,652,173	-	-	-4,652,173	1,425,330		
	Cable/tv providers	1,526,456	118,422,43	-	-	1,644,878	-	-	-	-	-4,652,173	-	-	-4,652,173	762,871		



**GEORGE LOCAL MUNICIPALITY**  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015  
**Notes to the Financial Statements**

2016	Type	S/Prod.Cost	Additions	Completed Constructions	Disposals	C/Prod.Cost	S/Prod.WIP	Additions	Completed Constructions	C/Prod.WIP	S/Prod.Degrts.	Additions	Disposals	C/Prod.Degrts.	Recommended depreciation	Cumpling Value
	Caravan	46,381	6,413.26	-	-	52,844	-	-	-	-	-13,595	-7,207	-	-20,792	-	32,262
	Ceiling	29,000	-	-	-	29,000	-	-	-	-	-27,584	-	-	-27,584	-	1,017
	Chairs	1,436,767	384,194.68	-	-	1,820,961	-	-	-	-	-873,491	-84,076	-	-873,491	-	822,576
	Computer hardware	8,007,201	1,220,747.27	-	-	9,227,948	-	250,000	-	250,000	-5,897,574	-24,999	-	-5,897,574	-	3,453,582
	Conspecter - photo	174,423	-	-	-	174,423	-	-	-	-	-122,274	-	-	-122,274	-	81,363
	Control system - co-driver	1,257,258.65	-	497,800	-	1,757,399	697,820	-	-	-	-99,300	-	-	-99,300	-	1,756,346
	Curtains	20,528	-	-	-	20,528	-	-	-	-	-1,139	-	-	-1,139	-	12,265
	Drift - concrete	3,340	-	-	-	3,340	-	-	-	-	-4,104	-	-	-4,104	-	385
	Equipment/apparatus - Chikchi	1,009,097	34,464.68	-	-	1,043,561	-	-	-	-	-5,615	-113	-	-5,615	-	265,048
	Equipment/apparatus - Traffic	7,007,280	1,418,476.08	-	-	8,425,756	-	-	-	-	-3,989,164	-54,121	-	-3,989,164	-	3,415,570
	Excluded equipment	1,105,994	83,500.00	-	-175	1,189,494	-	-	-	-	-219,105	-212,319	175	-1,392,289	-	7,950
	Gas cylinder	2,988,356	697,665.01	-	-	3,686,021	-	-	-	-	-1,735,116	-203,585	-	-1,735,116	-	1,714,750
	Radio equipment	2,043,104	52,000.00	-	-	2,095,104	-	-	-	-	-1,454,231	-83,664	-	-1,454,231	-	971,779
	Telecommunication equipment	1,273,374	-	-	-	1,273,374	-	-	-	-	-520,007	-73,657	-	-520,007	-	671,366
	Fire equipment	806,955	-	-	-	806,955	-	-	-	-	-35,355	-41,980	-	-35,355	-	210,510
	Generators	2,362,283	533,894.74	-	-8,743	2,896,178	-	-	-	-	-1,599,328	-170,697	-	-1,599,328	-	1,076,143
	General plant	15,253,132	256,394.22	830,000	-4,927	16,079,526	830,000	-	-830,000	-	-7,682,757	-6,307,864	4,991	-8,307,864	-	7,444,724
	Household refuse bins	1,096	-	-	-	1,096	-	-	-	-	-222	-442	-	-222	-	57,145
	Fire hoses	283,192	-	-	-	283,192	-	-	-	-	-157,469	-178,044	-	-157,469	-	37,788
	Hold - refuse bins	704,293	-	-	-	704,293	-	-	-	-	-291,492	-386,504	-	-291,492	-	312,786
	Irrigation systems	75,117	338,000.00	-	-	413,117	-	-	-	-	-25,735	-30,601	-	-25,735	-	382,315
	Laundry	55,042	-	-	-	55,042	-	-	-	-	-59,159	-40,605	-	-59,159	-	14,437
	Emergency light	9,446	-	-	-	9,446	-	-	-	-	-1,776	-1,444	-	-1,776	-	6,214
	Loader - off	771,676	-	-	-	771,676	-	-	-	-	-568,345	-61,26	-	-568,345	-	197,208
	Loader - front-end	3,960,282	1,494,473.88	-	-3,749	5,454,754	-	-	-	-	-2,770,541	-104,643	-	-2,770,541	-	2,567,379
	Miscellaneous furniture	2,994,580	217,281.04	-	-	3,211,861	-	-	-	-	-1,600,027	-198,906	-	-1,600,027	-	1,012,269
	Motor - concrete	7,318	-	-	-	7,318	-	-	-	-	-584	-4,442	-	-584	-	876
	Office machines	1,604,074	207,365.54	-	-64	1,811,439	-	-	-	-	-1,203,470	-105,717	-	-1,203,470	-	501,285
	PLANT & EQUIPMENT	113,061	147,669.00	-	-	260,730	-	-	-	-	-20,614	-12,429	-	-20,614	-	227,787
	Pump	455,990	131,817.00	929,261	-	917,658	929,261	-	-929,261	-	-167,228	-262,457	-	-167,228	-	655,111
	Roller - pavement	199,600	-	-	-	199,600	-	-	-	-	-119,578	-39,919	-	-119,578	-	59,203
	Roller - water/road	1,435,571	-	-	-	1,435,571	-	-	-	-	-994,744	-918,159	-	-994,744	-	552,451
	Tables/decks	2,414,204	-	-	-	2,414,204	-	-	-	-	-72,068	-3,120	-	-72,068	-	3,122
	Tripods	78,320	-	-	-	78,320	-	-	-	-	-918,159	-918,159	-	-918,159	-	1,383,126
	Trails	1,493,629	-	-	-	1,493,629	-	-	-	-	-69,875	-3,713	-	-69,875	-	1,447,1
	Watercraft/boats	11,459,241	152,167.06	-	-274,280	11,583,120	-	-	-	-	-4,397,916	-177,224	-	-4,397,916	-	746,527
	Compressor	201,160	-	-	-	201,160	-	-	-	-	-67,210	-11,251	-	-67,210	-	132,399
	Corrosion tank -	118,581	-	-	-	118,581	-	-	-	-	-162,616	-4,464	-	-162,616	-	18,148
	Motor cycles	5,125,401	-	-	-	5,125,401	-	-	-	-	-1,621,668	-282,532	-	-1,621,668	-	3,021,401
	Fire engines	583,315	-	-	-	583,315	-	-	-	-	-267,545	-38,562	-	-267,545	-	251,287
	Fire equipment	3,829,222	-	-	-	3,829,222	-	-	-	-	-870,694	-154,116	-	-870,694	-	2,894,146
	Form equipment	6,187	-	-	-	6,187	-	-	-	-	-5,693	-247	-	-5,693	-	247
	Grades	2,867,294	-	-	-	2,867,294	-	-	-	-	-948,333	-139,805	-	-948,333	-	979,153
	Lowmower	101,368	37,897.474	-	-37,750	140,152	-	-	-	-	-77,776	-46,362	-	-77,776	-	65,150
	Roller - mechanically driven	1,185,779	-	-	-	1,185,779	-	-	-	-	-797,606	-62,978	-	-797,606	-	305,427
	Round vehicle	217,48	-	-	-	217,48	-	-	-	-	-20,064	-278	-	-20,064	-	1,366
	Rear maintenance equipment	284,534	-	-	-	284,534	-	-	-	-	-25,474	-4,909	-	-25,474	-	257,652
	Trucks/boats	11,459,241	2,744,156.80	-	-	14,203,397	-	-	-	-	-14,605,795	-1,228,314	-	-14,605,795	-	16,404,004
	Trucks	466,380	-	-	-	466,380	-	-	-	-	-148,504	-32,829	-	-148,504	-	275,017
	Welder	8,695	-	-	-	8,695	-	-	-	-	-1,779	-7,111	-	-1,779	-	7,111
	Bar Go George Helibus	118,935,000	12,081,734	1,459,581	-582,734	132,278,981	1,459,581	230,000	-1,459,581	250,000	-43,326,799	-7,281,453	249,378	-7,281,453	-	63,057,186
	Bus Go George	-	12,270,746.56	-	-	12,270,747	-	-	-	-	-	-185,011	-	-185,011	-	12,085,736
	Bus Go George	-	6,391,171.636	145,908,342	-	162,619,212	36,427,269	140,192,000	-165,978,342	10,956,427	-	-4,553,899	-	-4,553,899	-	162,220,341
		-	-	165,908,342	-	172,890,087	36,427,269	140,192,000	-165,978,342	10,956,427	-	-4,553,899	-	-4,553,899	-	177,300,076
		118,935,000	11,892,448	147,817,408	-344,734	288,148,119	38,891,831	149,488,000	-159,247,403	11,204,427	-45,326,799	-18,931,644	249,378	-45,326,799	-	239,373,812
	LAND	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	BUSINESS	9,497,000	-	-	-	9,497,000	-	-	-	-	-	-	-	-	-	9,497,000
	BUSINESS INDUSTRIAL	65,590	-	-	-	65,590	-	-	-	-	-	-	-	-	-	65,590
	CEMENTERIES	5,678,500	-	-	-	5,678,500	-	-	-	-	-	-	-	-	-	5,678,500
	CHURCHES	85,000	-	-	-	85,000	-	-	-	-	-	-	-	-	-	85,000
	COMMERCE	9,950,000	-	-	-	9,950,000	-	-	-	-	-	-	-	-	-	9,950,000
	CINECHE	479,780	-	-	-	479,780	-	-	-	-	-	-	-	-	-	479,780
	GENERAL RESIDENTIAL	3,785,000	-	-	-	3,785,000	-	-	-	-	-	-	-	-	-	3,785,000
	GOVERNMENT	50,000	-	-	-	50,000	-	-	-	-	-	-	-	-	-	50,000
	INDUSTRIAL	14,798,900	-	-	-	14,798,900	-	-	-	-	-	-	-	-	-	14,798,900
	INSTITUTIONS	1,953,850	-	-	-	1,953,850	-	-	-	-	-	-	-	-	-	1,953,850
	OPEN PLACE	8,000	-	-	-	8,000	-	-	-	-	-	-	-	-	-	8,000
	Other land	610,405,951	-	-	-	610,405,951	-	-	-	-	-	-	-	-	-	610,405,951
	PARKING	30,785,000	-	-	-	30,785,000	-	-	-	-	-	-	-	-	-	30,785,000
	PUBLIC OPEN SPACE	161,587,150	-	-	-	161,587,150	-	-	-	-	-	-	-	-	-	161,587,150
	PRIVATE OPEN SPACE	7,880,000	-	-	-	7,880,000	-	-	-	-	-	-	-	-	-	7,880,000
	ROADS	1,250,000	-	-	-	1,250,000	-	-	-	-	-	-	-	-	-	1,250,000
	SPECIAL HOUSING	26,670,000	-	-	-	26,670,000	-	-	-	-	-	-	-	-	-	26,670,000
	SINGLE RESIDENTIAL	18,099,500	-	-	-	18,099,500	-	-	-	-	-	-	-	-	-	18,099,500
	Vacantland	20,500,253	-	-	-	20,500,253	-	-	-	-	-	-	-	-	-	20,500,253
		923,779,484	-	-	-	923,779,484	-	-	-	-	-	-	-	-	-	923,779,484
	3% OF PROPERTY POINT FUND EXPENSE	2,918,334.354	154,201,851.80	226,744,111	-5,185,533	3,307,747,714	170,569,877	180,726,002	-225,744,111	133,351,799	-744,433,597	-115,865,735	3,054,089	-744,433,597	-	9,444,433,708
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**GEORGE LOCAL MUNICIPALITY**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## Notes to the Financial Statements

**U.S. Property, plant and equipment - detailed analysis**

2016

Type	Cost					Work in Progress			Accumulated depreciation			Carrying Value	
	E/Fixed Cost	Additions	Completed Constructions	Deposits	C/Fixed Cost	E/Fixed WIP	Additions	Completed Constructions	C/Fixed WIP	E/Fixed Deprec.	Additions	Deposits	C/Fixed Deprec.
INFRAStructure	922,028	155,046	-	-	1,082,074	-	121,128	-	121,128	-523,926	-115,389	-	-489,284
Access control	17,525,389	5,149,596	-	-	22,775,387	-	-	-	-	-4,700,945	-842,880	-	-5,543,824
Bridges, viaducts & culverts	2,682,871	367,694	1,005,749	-	4,586,819	1,905,948	-	-1,905,948	-	-1,241,158	-134,156	-	-1,375,314
Bus stop	19,411,855	-	-	-	19,799,549	-	-	-	-	-2,459	-973,514	-	-975,974
Car park	3,502,941	-	-	-	3,502,941	-	-	-	-	-1,420,210	-172,180	-	-1,592,391
Fencing	15,153,246	12,141,190	-	-	16,367,437	-	186,940	-	186,940	-9,526,125	-1,074,017	-	-10,600,141
Footways	10,265,681	3,183,196	-	-	13,473,877	-	-	-	-	-2,729,575	-558,457	-	-3,288,032
Garaging	895,326	-	-	-	895,326	-	-	-	-	-144,047	-44,786	-	-188,834
Local control equipment	13,230,026	-	-	-	13,230,026	-	-	-	-	-3,113,815	-545,147	-	-3,658,962
Walls	6,405,422	-	-	-	6,405,422	-	-	-	-	-2,772,304	-346,142	-	-3,118,446
Widens	12,169,295	406,222	-	-	12,577,517	-	-	-	-	-3,872,447	-520,007	-	-4,392,454
Melton	31,018	460,793	-	-	491,811	-	-	-	-	-118,016	-19,731	-	-137,747
Melton	7,899,586	369,351	-	-	8,268,937	-	-	-	-	-3,466,956	-463,113	-	-3,930,069
Motoways	306,314	-	-	-	306,314	-	-	-	-	-165,053	-20,810	-	-185,863
Outfall sewers	727,842	375,792	-	-	1,103,634	-	92,946	-	92,946	-7,232,113	-38,492	-	-7,270,605
Paving	23,519,726	-	-	-	23,519,726	-	-	-	-	-1,179,776	-19,106,108	-	-15,894,574
Pipes	73,141,267	-	-	-	73,141,267	-	-	-	-	-15,439,812	-3,466,296	-	-19,106,108
Power stations	527,859	-	-	-	527,859	-	-	-	-	-506,634	-3,878	-	-510,513
Pump stations	92,641,614	983,363	-	-	93,644,977	2,330,722	1,987,268	-	4,317,990	-27,351,861	-4,444,116	-	-32,175,117
Purification works	44,709,885	-532,702	-	-	44,177,183	18,102,538	7,899,233	-	26,001,771	-8,499,417	-2,724,586	-	-11,223,999
Other roads	472,138,639	44,242,655	2,397,703	-	518,778,997	17,441,160	12,540,077	-2,397,703	27,583,534	-243,224,466	-38,200,443	-	-281,425,109
Security lighting	11,320	929,487	-	-	940,807	-	-	-	-	-2	-1,096	-	-1,098
Security systems	9,917,595	1,185,284	-	-	11,102,879	-	-	-	-	-3,201,384	-1,571,487	-	-4,772,871
Sewers	227,272,705	4,038,596	15,742,748	-	237,053,049	73,225,755	10,884,609	-15,742,748	68,367,596	-79,156,745	-10,972,267	1,911	-90,028,012
Signage machines	3,427,381	1,363,801	-	-	4,791,182	-	-	-	-	-2,445,310	-2,457,816	-	-2,333,367
Sewerage pumps	16,910,822	2,462,680	-	-	19,373,501	-	-	-	-	-4,490,979	-7,631,791	-	-11,411,711
Street lighting	78,384,694	95,995	-	-	78,480,689	-	383,410	-	383,410	-9,517,096	-1,140,812	-	-10,657,908
Supply/reticulation B/c	288,822,345	13,745,919	-	-	298,568,265	-	2,822,224	-	2,822,224	-78,402,090	-12,456,548	-	-90,858,638
Supply/reticulation G/s	2,439,947	-	-	-	2,439,947	-	-	-	-	-865,389	-967,620	-	-1,832,009
Supply/reticulation Water	272,659,678	3,615,511	-	-	276,275,189	2,274,323	193,647	-	2,467,970	-46,768,963	-12,800,300	-	-59,569,263
Stormwater drains	104,047,814	4,573,102	-	-	108,620,916	-	-	-	-	-33,912,558	-4,416,623	-	-38,329,181
Switchgear equipment	24,522,653	26,359,025	-	-	50,881,678	-	-	-	-	-4,309,102	-1,224,644	-	-5,533,746
Telecoms & radio	23,112,908	2,194,169	-	-	25,307,077	449,245	3,243,037	-	3,692,282	-10,771,366	-697,946	-	-11,779,314
Reservoirs & tanks	-	-	-	-	-	-	-	-	-	-23,392,227	-3,341,174	-	-26,733,401
Transformer blocks	97,453,310	3,799,920	-	-327	101,253,230	415,544	6,997,838	-	7,413,402	-49,962	-21,012	-	-50,974
Transformer blocks	207,218	149,800	-	-	357,019	-	-	-	-	-5,373,102	-497,143	-	-5,870,245
Traffic lights	12,952,338	2,130,421	-	-	15,082,759	-	-	-	-	-45,027,16	-300,417	-	-45,327,577
Street names & traffic signs	660,794	-	-	-	660,794	-	-	-	-	-	-	-	-
	1,381,894,443	98,103,892	20,044,419	-281,738	1,794,084,184	114,143,352	47,422,348	-20,044,419	142,817,202	-487,348,141	-159,730,845	144,791	-636,763,158
COMMUNITY	2,674,711	-	-	-	2,674,711	-	-	-	-	-949,225	-39,467	-	-1,038,697
Beach developments	104,488	-	-	-	104,488	-	-	-	-	-48,491	-2,542	-	-50,933
Bowling greens	1,528,989	-	-	-	1,528,989	-	-	-	-	-95,007	-72,153	-	-1,601,140
Buildings	895,940	-	-	-	895,940	-	-	-	-	-20,743	-27,879	-	-48,622
CARAVANS PARKS	9,222,269	-	-	-	9,222,269	-	693,025	-	693,025	-20,403,099	-3,360,794	-	-23,763,893
Caravans	-	-	-	-	-	-	-	-	-	-	-	-	-
Community centres	20,957,751	298,871	-	-	21,256,622	3,000	1,093,446	-	1,093,446	-43,892	-4,814,849	-	-44,986,681
Community centres	1,762,589	-	-	-	1,762,589	-	-	-	-	-3,917,102	-576,016	-	-4,893,115
Fire stations	6,669,584	-	-	-	6,669,584	-	-	-	-	-3,374,579	-3,374,579	-	-10,044,163
Floodlighting	3,023,743	-	-	-	3,023,743	-	-	-	-	-1,519,352	-94,389	-	-1,613,741
Offices/hospitals	170,349	-	-	-	170,349	-	-	-	-	-1,211,346	-5,492	-	-1,216,842
Halls	37,494,235	-	-	-	37,494,235	-	-	-	-	-1,178,885	-1,259,972	-	-2,438,857
Housing schemes	621,383	-	-	-	621,383	-	-	-	-	-49,504	-31,154	-	-80,658
Informal housing	127,552	-	-	-	127,552	-	-	-	-	-123,255	-174,421	-	-297,676
Indoor sports	119,843	-	-	-	119,843	-	-	-	-	-43,882	-6,039	-	-50,000
Lakes and dams	10,327,047	-	-	-	10,327,047	-	-	-	-	-1,205,990	-3,276,388	-	-4,482,378
Landscape life	1,864,736	-	-	-	1,864,736	-	28,000	-	28,000	-1,040,647	-1,117,710	-	-2,158,357
Libraries	51,965	-	-	-	51,965	-	-	-	-	-103,540	-64,842	-	-168,402
MARKETS	-	-	-	-	-	-	-	-	-	-	-	-	-
Monuments	392,072	-	-	-	392,072	-	657,877	-	657,877	-2,093,442	-2,093,442	4,488	-4,128,006
Municipal buildings	44,630,269	-	-4,600	-	44,630,269	-	-	-	-	-226,509	-18,173	-	-244,682
Municipal houses	459,390	-	-	-	459,390	-	-	-	-	-15,415	-22,046	-	-37,461
Natural areas	255,304	-	-	-	255,304	-	-	-	-	-	-11,631	-	-11,631
Natural courts	4,927,405	-	-	-	4,927,405	-	-	-	-	-1,728,423	-164,695	-	-2,893,118
Office buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Organ and care	1,792	-	-	-	1,792	-	-	-	-	-1,553	-15	-	-1,568
Outdoor sports facilities	48,134,654	1,691,984	2,843,114	-	50,626,732	5,205,539	2,287,180	-2,843,114	5,203,915	-10,927,305	-2,309,469	-	-13,236,763
Parks	1,453,543	-	-	-	1,453,543	-	-	-	-	-776,589	-54,609	-	-1,531,138
Public conveniences/bathhouses	3,201,142	105,359	-	-	3,306,501	27,400	211,784	-	239,184	-1,220,218	-107,679	-	-1,331,897
Recreation centres	3,903,357	-	-	-	3,903,357	-	-	-	-	-1,116,508	-126,715	-	-2,026,863
Stadiums	3,978,841	-	-	-	3,978,841	-	1,271,024	-	1,271,024	-912,484	-180,433	-	-1,093,117
Swimming pools	6,735,807	-	-	-	6,735,807	-	-	-	-	-3,536,551	-448,010	-	-8,273,858
Tennis courts	215,824	3,945,374	-	-	4,161,198	-	-	-	-	-140,267	-5,054	-	-453,321
Tip sites	9,887,592	-	-	-	9,887,592	-	-	-	-	-3,022,078	-3,403	-	-6,289,571
Town planning	7,443,752	-	-	-	7,443,752	-	-	-	-	-4,976,177	-94,293	-	-7,540,045
TRANSPORT FACILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-
Tram stops	955,492	23,420	-	-	978,912	-	-	-	-	-	-401	-	-401
Other structures	247,192,159	4,457,840	2,843,114	-4,600	254,893,513	4,002,074	4,741,075	-3,843,114	10,010,435	-605,897	-29,182	4,498	-13,393,385
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Type	B/Prod.Cost	Additions	Completed Constructions	Diposals	C/Prod.Cost	B/Prod.WIP	Additions	Completed Constructions	C/Prod.WIP	B/Prod.Degrec.	Additions	Diposals	C/Prod.Degrec.	Cumyng Value
OTHER														
At conditions	1,058,414	290,488	-	-	1,354,902	-	131,474	-	131,474	-775,942	-45,277	-	-821,220	657,164
ANNUAL-ROUND	100,112	-	-	-	100,112	-	-	-	-	-91,976	-2,183	-	-94,161	9,433
9/11 centaries	2,301,645	-	-	-	2,301,645	-	-	-	-	-906,515	-201,018	-	-1,107,533	1,224,313
Cablest/cablecards	1,445,029	344,140	-	-	1,999,219	-	-	-	-	-802,188	-103,902	-	-906,090	998,129
Conspiry	58,914	-	-	-	58,914	-	-	-	-	-20,702	-8,449	-	-29,151	23,413
Caravan	29,000	-	-	-	29,000	-	-	-	-	-27,983	-988	-	-28,971	418
Chain	320,268	-	-	-	320,268	-	-	-	-	-470,385	-145,911	-	-616,296	997,873
Computer hardware	1,292,941	4,912,051	250,000	-20,279	15,134,624	250,000	-	-250,000	-	-4,589,500	-940,012	6,035	-7,529,477	7,411,347
Computer - idle	9,993,052	-	-	-	9,993,052	-	-	-	-	-144,141	-4,336	-	-148,477	25,956
Compendium	174,423	-	-	-	174,423	-	-	-	-	-	-	-	-	-
Compendium	1,257,329	134,972	-	-	1,392,301	-	-	-	-	-348,678	-348,678	-	-697,346	1,542,660
Control system/tracker	20,528	-	-	-	20,528	-	-	-	-	-8,245	-4,117	-	-12,362	8,166
Dial - conditions	3,340	-	-	-	3,340	-	-	-	-	-2,940	-113	-	-3,053	257
Equipment/conditions - Clinic/H	1,095,544	-	-	-	1,095,544	-	-	-	-	-860,496	-41,854	-	-902,352	184,950
Equipment/conditions - Traffic	554,286	-	-	-	554,286	-	-	-	-	-4,840,014	-681,946	-	-5,521,960	3,287,910
Electric equipment	8,465,584	206,199	-	-	9,009,873	-	-	-	-	-432,134	-229,958	-	-462,092	796,401
Inventory equipment	1,189,494	-	-	-	1,189,494	-	-	-	-	-1,799,299	-294,529	-	-2,093,828	2,611,052
Radio equipment	3,466,021	1,188,889	-	-	4,654,910	-	-	-	-	-1,717,925	-90,423	-	-2,372,837	316,672
Telecommunication equipment	2,095,104	29,981	-	-	2,125,085	-	-	-	-	-401,844	-74,154	-	-475,998	1,121,385
Fire equipment	1,273,374	524,031	-	-	1,797,405	-	-	-	-	-6,600	-41,560	-	-47,160	151,445
Fire equipment	306,955	2,895	-	-	309,850	-	-	-	-	-1,781,252	-294,537	-	-2,065,789	853,109
Generator	2,857,415	71,484	-	-	2,928,899	-	-	-	-	-9,023,776	-979,628	63,718	-9,903,018	6,930,018
Generator	16,374,402	222,844	-	-	16,597,246	-	21,830	-	21,830	-8,707,866	-220	-	-8,708,086	435
Household release bin	1,096	-	-	-	1,096	-	-	-	-	-442	-220	-	-662	38,731
Pre poses	233,192	-	-	-	233,192	-	-	-	-	-176,046	-18,415	-	-194,461	262,826
Hold - release bin	704,293	-	-	-	704,293	-	-	-	-	-886,504	-54,943	-	-941,447	262,826
Inflation system	413,117	-	-	-	413,117	-	-	-	-	-30,801	-27,616	-	-58,417	354,699
Leaves	55,042	-	-	-	55,042	-	-	-	-	-40,405	-1,560	-	-41,965	12,787
Emergency light	9,446	-	-	-	9,446	-	-	-	-	-3,432	-1,560	-	-4,992	4,554
Ladder - fire	771,676	-	-	-	771,676	-	-	-	-	-574,448	-41,442	-	-615,896	191,066
Ladder - fire	5,444,756	-	-	-	5,444,756	-	-	-	-	-2,877,384	-21,782	-	-3,099,166	2,355,990
Miscellaneous furniture	2,808,042	308,101	-	-	3,116,143	-	-	-	-	-1,795,783	-284,451	-	-2,080,234	1,080,909
Office machines	7,318	-	-	-	7,318	-	-	-	-	-6,442	-293	-	-6,735	583
EQUIPMENT	1,811,386	220,451	-	-	2,031,837	-	-	-	-	-1,310,133	-153,902	-	-1,464,035	407,801
Pumps	917,568	402,893	-	-	1,320,461	-	-	-	-	-52,943	-28,021	-	-80,964	602,499
Roller - pavement	199,400	27,880	-	-	227,280	-	-	-	-	-602,457	-49,040	-	-651,497	593,951
Roller - water/hot	78,320	-	-	-	78,320	-	-	-	-	-199,887	-18,296	-	-218,183	28,409
Tables/desks	1,877,543	346,061	-	-	2,223,604	-	-	-	-	-75,196	-1,044	-	-76,240	2,077
Tipper	2,414,204	-	-	-	2,414,204	-	-	-	-	-1,031,028	-113,280	-	-1,144,307	802,046
Tools	67,047	-	-	-	67,047	-	-	-	-	-52,576	-3,720	-	-56,296	10,748
Trailers	1,495,629	132,496	-	-	1,628,125	-	-	-	-	-747,102	-140,897	-	-887,999	718,343
Watercraft/boat	201,160	-	-	-	201,160	-	-	-	-	-435,541	-83,360	-	-518,901	4,479,027
Compressor	185,551	-	-	-	185,551	-	-	-	-	-11,382	-4,078	-	-15,460	11,0917
Compactor truck - rubber	6,128,401	1,818,540	-	-	7,946,941	-	-	-	-	-171,581	-4,078	-	-175,659	13,990
Melker circles	586,215	-	-	-	586,215	-	-	-	-	-2,841,244	-345,275	-	-3,186,519	3,902,876
Fire engines	3,829,023	-	-	-	3,829,023	-	-	-	-	-1,171,489	-154,609	-	-1,326,098	212,840
Ram equipment	6,187	-	-	-	6,187	-	-	-	-	-4,023	-164	-	-4,187	4,447,336
Grades	2,047,294	-	-	-	2,047,294	-	-	-	-	-1,228,550	-44,054	-	-1,272,604	538,141
Lawnmower	101,512	-	-	-	101,512	-	-	-	-	-87,281	-11,897	-	-99,178	24,025
Roller - mechanically driven	1,155,779	-	-	-	1,155,779	-	-	-	-	-900,532	-33,072	-	-933,604	253,355
Roller vehicles	21,748	-	-	-	21,748	-	-	-	-	-20,045	-276	-	-20,321	1,108
Road maintenance equipment	244,534	-	-	-	244,534	-	-	-	-	-257,654	-2,621	-	-260,275	4,041
Trucks/bodies	31,447,708	3,033,084	-	-	34,480,792	-	-	-	-	-13,629,104	-1,000,346	224,798	-17,803,392	17,930,392
Tractors	464,350	-	-	-	464,350	-	-	-	-	-101,333	-45,917	-	-147,250	24,098
Velder	8,845	-	-	-	8,845	-	-	-	-	-4,548	-8,327	-	-12,875	4,548
Bus Go Go	132,275,841	15,455,537	250,000	-762,841	147,298,537	250,000	-	-250,000	-	-70,650,574	-48,650,946	293,837	-78,979,833	70,572,038
Bus Go Go	12,270,747	15,319,433	-	-744,922	26,222,258	-	-	-	-	-185,011	-296,172	55,488	-3,090,446	23,752,613
Bus Go Go	140,619,312	28,898,827	-	-1,070,074	179,487,263	10,954,427	-	-10,954,427	-	-13,845,827	-8,405,002	914,409	-17,547,846	176,547,846
Bus Go Go	172,890,059	44,283,240	-	-1,037,776	216,160,025	10,954,427	-	-10,954,427	-	-13,845,827	-8,405,002	914,409	-17,547,846	176,547,846
Bus Go Go	200,116,919	44,283,240	250,000	-11,420,457	243,169,512	11,284,427	-	-11,284,427	-	-13,845,827	-8,405,002	914,409	-17,547,846	176,547,846
LAND														
BUSINESS														
BUSINESS INDUSTRIAL	9,497,000	-	-	-	9,497,000	-	-	-	-	-	-	-	-	9,497,000
CEMETERIES	65,550	-	-	-	65,550	-	-	-	-	-	-	-	-	65,550
CHURCHES	5,678,500	-	-	-	5,678,500	-	-	-	-	-	-	-	-	5,678,500
CHURCHES	85,000	-	-	-	85,000	-	-	-	-	-	-	-	-	85,000
COMMAGE	9,950,000	-	-	-	9,950,000	-	-	-	-	-	-	-	-	9,950,000
CRECHE	479,750	-	-	-	479,750	-	-	-	-	-	-	-	-	479,750
GENERAL RESIDENTIAL	3,785,000	-	-	-	3,785,000	-	-	-	-	-	-	-	-	3,785,000
GOVERNMENT	30,000	-	-	-	30,000	-	-	-	-	-	-	-	-	30,000
INDUSTRIAL	14,798,800	-	-	-	14,798,800	-	-	-	-	-	-	-	-	14,798,800
INSITUATIONS	1,963,859	-	-	-	1,963,859	-	-	-	-	-	-	-	-	1,963,859
OPEN PLACE	410,405,950	-	-	-	410,405,950	-	-	-	-	-	-	-	-	410,405,950
Other land	30,765,000	-	-	-	30,765,000	-	-	-	-	-	-	-	-	30,765,000
PARKING	161,597,150	-	-	-	161,597,150	-	-	-	-	-	-	-	-	161,597,150
PRIVATE OPEN SPACE	7,860,000	-	-	-	7,860,000	-	-	-	-	-	-	-	-	7,860,000
ROADS	1,250,000	-	-	-	1,250,000	-	-	-	-	-	-	-	-	1,250,000
SPECIAL HOUSING	26,670,000	-	-	-	26,670,000	-	-	-	-	-	-	-	-	26,670,000
SINGLE RESIDENTIAL	18,099,900	-	-	-	18,099,900	-	-	-	-	-	-	-	-	18,099,900
Vacantland	20,500,253	-	-	-	20,500,253	-	-	-	-	-	-	-	-	20,500,253
	923,779,483	-	-	-	923,779,483	-	-	-	-	-	-	-	-	923,779,483
TOTAL OF PROPERTY, PLANT AND EQUIPMENT	3,387,167,218	159,252,540	25,157,583	-11,974,046	3,588,483,333	138,383,737	144,487,348	-23,157,533	144,487,348	-466,478,243	-141,055,491	1,421,132	-774,257,731	2,769,812,897



## George Local Municipality

Annual Financial Statements for the year ended 30 June 2016

### APPENDIX: GEORGE INTEGRATED PUBLIC TRANSPORT NETWORK

A bus service was introduced to provide a quality public transport service that is reliable, affordable, safe, convenient, and accessible, and contributes to a better quality of life for all.

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.

The GO GEORGE bus service will be operated by the public transport operator "George Link" within the entire George area. The first phase was launched on 8 December 2014; a phased approach is used for service route roll out.

At the heart of the project is an empowerment model where public transport operators were operating minibus taxi or bus services in George forming a company to deliver the new scheduled bus service in terms of an operating contract. The municipality is responsible for the service, ensuring that safety, quality and customer service standards are maintained.

The George Municipality, with the support of the Western Cape Government, has negotiated a 12-year contract with this new company, in line with national policy. Part of the agreement is that other public transport services cease to operate on the GO GEORGE routes.

#### Establishment of a Municipal Land Transport Fund (MLTF)

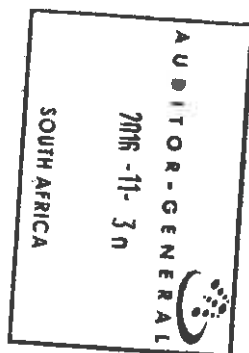
The Municipal Land Transport Fund was established on 8 December 2014, which is the date the transport service commenced.

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 (MLTF) 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 funds are utilised to defray the costs of the functions in terms of its integrated transport plan.

The transactions for the transport department during the year consist of the following:

#### STATEMENT OF FINANCIAL PERFORMANCE

	MLTF	NON-MLTF	Total
<b>Revenue</b>			
Fare revenue	32,532,520	-	32,532,520
Government Grants and subsidies	166,903,306	82,647,042	249,550,348
Other income	1,230,332	10,070,875	11,301,207
Interest received	2,150,759	-	2,150,759
<b>Total revenue</b>	<b>202,816,917</b>	<b>92,717,917</b>	<b>295,534,834</b>
<b>Expenditure</b>			
Employee related cost	1,434,726	-	1,434,726
Depreciation	-	17,269,224	17,269,224
Finance cost	3,328,089	-	3,328,089
Contracted services	171,083,174	-	171,083,174
Repairs and maintenance	15,204,761	-	15,204,761
Loss on disposal of assets	-	9,867,700	9,867,700
General expenses	11,766,167	-	11,766,167
<b>Total expenditure</b>	<b>202,816,917</b>	<b>27,136,924</b>	<b>229,953,841</b>
<b>Surplus for the year</b>	<b>-</b>	<b>65,580,993</b>	<b>65,580,993</b>





**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**APPENDIX: GEORGE INTEGRATED PUBLIC TRANSPORT NETWORK**

Items in the Statement of Financial Position consisted of the following on year end:

**Items relating to the Statement of Financial Position**

**Assets**

**Property, plant and equipment**

	<b>Cost price</b>	<b>Accumulated depreciation</b>	<b>Book value</b>
Standard 12m & Midi 10.5m bus (70 buses)	190,393,692	(13,845,827)	176,547,865
Sprinter / Mini bus (35 buses)	26,823,258	(3,090,646)	23,732,612
	<b>217,216,950</b>	<b>(16,936,473)</b>	<b>200,280,477</b>

**Receivables from exchange and non-exchange transactions**

	<b>Note</b>	<b>2016</b>
GIPTN Fare Revenue	3	237,484
Conditional grants and subsidies: National Transport Operations Grants	19	22,010,770
Conditional grants and subsidies: Integrated Public Transport Network Operations	19	10,391,933
		<b>32,640,187</b>

**Prepayments**

Mercedes-Benz South Africa Ltd - maintenance contracts for buses	5	6,875,185
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**Liabilities**

**Provisions**

Compensation liability GIPTN	18	(64,874,836)
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**Trade and other payables from exchange transactions**

GIPTN Compensation Accrual	(11,358,460)
George Link (Pty) Ltd	(19,705,905)
Department of Transport	(13,573,396)
George Link (Pty) Ltd retentions (including interest)	(4,466,648)
	<b>(49,104,409)</b>



