



**GEORGE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

GENERAL INFORMATION

Mayoral committee

Executive Mayor	C Standers
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
9	T Teyisi
10	MD Gingcana
11	NF Kamte
12	GN Sixolo
13	B Salmani
14	C Remas
15	FS Guga
16	HJ Jones
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



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GENERAL INFORMATION

Proportionally elected councillors

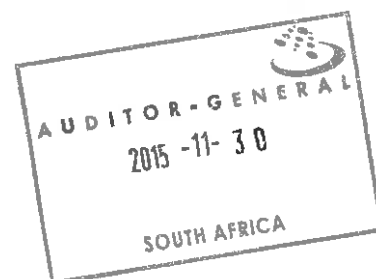
C Bob
BM Cornelius
NNE Dlephu
J du Toit
T Fortuin
V Gericke
WT Harris
LS Hayward
NV Kom
PB Komani
PS Leholo
R Lombaard
G Macclune
SM Mekana
MM Nyakathi
B Petrus
LN Qupe
GMY Sihoyiya
I Stemela
PJ van der Hoven
AJ van Zyl
M Viljoen
CT Williams
W Witbooi



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

GENERAL INFORMATION

Auditor	Auditor General
Bankers	ABSA Bank Limited
Registered office	Civic Centre York Street 77 GEORGE 6530
Postal address	PO Box 19 GEORGE 6530
Contact numbers	Tel: 044 801 9111 Fax: 044 873 3776
Website	www.george.org.za
E-mail	post@george.org.za
Accounting Officer	T Botha
Chief Financial Officer (CFO)	K Jordaan



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GIPTN	George Integrated Public Transport Network
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MLTF	Municipal Land Transport Fund



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

ACCOUNTING OFFICER'S APPROVAL OF THE FINANCIAL STATEMENTS

The Municipality is responsible for the preparation and fair presentation of the annual financial statements of the Municipality as at 30 June 2015, comprising of the Statement of Financial Position as at 30 June 2015, the Statement of Financial Performance as at 30 June 2015, 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.

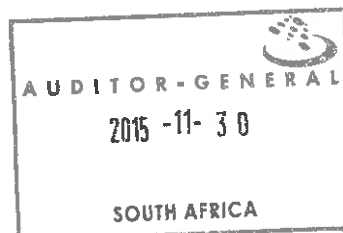
The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I am responsible for the preparation of these Financial Statements, which are set out on pages 6 to 120 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 29 for the disclosure of Councillor remuneration.



T BOTHA
ACCOUNTING OFFICER



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated
Assets			
Current Assets			
Inventories	2	166,860,044	174,686,708
Trade receivables from exchange transactions	3	81,243,653	70,145,049
Receivables from non-exchange transactions	4	111,737,297	114,772,867
Prepayments	5	8,152,712	143,105,100
VAT receivable	6	-	3,679,425
Loans and receivables	7	295,633	328,036
Cash and cash equivalents	8	345,880,536	387,194,924
		714,169,875	893,912,109
Non-Current Assets			
Property, plant and equipment	9	2,644,643,710	2,419,692,705
Intangible assets	10	463,125	799,566
Heritage assets	11	4,236,000	4,236,000
Investment property	12	152,411,992	152,579,362
Loans and receivables	7	745,866	991,954
		2,802,500,693	2,578,299,587
Total Assets		3,516,670,568	3,472,211,696
Current Liabilities			
Loans and borrowings	13	41,974,671	40,483,315
Finance lease obligation	14	2,735,598	1,793,004
Trade and other payables from exchange transactions	15	141,626,076	118,411,443
VAT payable	6	742,543	-
Consumer deposits	16	21,586,067	19,902,234
Employee benefit obligation	17	41,748,579	39,476,134
Provisions	18	35,993,404	101,874,424
Unspent conditional grants and receipts	19	35,793,306	62,923,610
		322,200,244	384,864,164
Non-Current Liabilities			
Loans and borrowings	13	369,394,096	409,587,140
Finance lease obligation	14	9,916,694	8,461,711
Employee benefit obligation	17	149,284,200	132,443,933
Provisions	18	45,836,410	39,065,064
Trade and other payables from exchange transactions	15	9,388,146	-
		583,819,546	589,557,848
Total Liabilities		906,019,790	974,422,012
Net Assets		2,610,650,778	2,497,789,684
Net Assets			
Housing development fund	20	67,508,943	69,484,478
Accumulated surplus		2,543,141,835	2,428,305,206
Total Net Assets		2,610,650,778	2,497,789,684



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated
Revenue			
Revenue from exchange transactions		763,499,323	725,997,390
Service charges	21	677,817,541	635,465,202
Rental revenue		2,562,589	2,272,949
Income from agency services		7,405,705	6,961,369
Licences and permits		2,316,999	2,088,827
Sale of erven		4,842,660	11,194,942
GIPTN Fare Revenue		7,829,235	-
Other income	22	31,860,001	41,696,616
Interest received	23	28,407,937	26,317,485
Gains on disposal of assets	24	456,656	-
Revenue from non-exchange transactions		626,306,514	782,420,947
Taxation revenue			
Property rates	25	172,060,819	154,010,771
Property rates - penalties imposed	25	3,872,348	3,759,202
Transfer revenue			
Government grants & subsidies	26	400,753,241	563,703,211
Fines	27	49,620,106	60,947,763
Total revenue		1,389,805,837	1,508,418,337
Expenditure			
Employee related cost	28	345,926,693	312,139,957
Remuneration of councillors	29	16,677,926	15,573,566
Depreciation and amortisation	30	116,323,806	110,883,152
Impairment losses	31	59,121,262	69,604,195
Finance costs	32	51,072,662	51,159,815
Collection costs		3,530,976	3,643,627
Repairs and maintenance	33	83,065,984	65,059,136
Bulk purchases	34	310,889,236	287,736,248
Contracted services	35	174,732,316	234,571,487
Grants and subsidies paid	36	2,700,695	2,368,266
Cost of erven sold		4,800,000	10,914,300
Loss on disposal of assets	24	2,152,795	99,085
General Expenses	37	105,950,392	101,514,895
Total expenditure		1,276,944,743	1,265,267,729
Operating surplus		112,861,094	243,150,608
Surplus for the year		112,861,094	243,150,608



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	77,330,118	2,170,221,040	2,247,551,158
Adjustments			
Correction of error - Refer to note 43.3	-	(1,695,616)	(1,695,616)
Correction of error - Refer to note 43.4	-	3,131,050	3,131,050
Correction of error - Refer to note 43.6	-	5,652,483	5,652,483
Balance at 01 July 2013 as restated	77,330,118	2,177,308,957	2,254,639,075
Changes in net assets			
Transfers to / (from) Housing Development Fund	(7,845,640)	7,845,640	-
Net income (losses) recognised directly in net assets	(7,845,640)	7,845,640	-
Surplus for the year	-	243,150,609	243,150,609
Total recognised income and expenses for the year	(7,845,640)	250,996,249	243,150,609
Total changes	(7,845,640)	250,996,249	243,150,609
Restated Balance at 01 July 2014	69,484,478	2,428,305,207	2,497,789,685
Changes in net assets			
Surplus for the year	-	112,861,093	112,861,093
Transfers to / (from) Housing Development Fund	(1,975,535)	1,975,535	-
Total changes	(1,975,535)	114,836,628	112,861,093
Balance at 30 June 2015	67,508,943	2,543,141,835	2,610,650,778
Note(s)	20		



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated
Cash flows from operating activities			
Receipts			
Taxation		182,601,093	172,096,377
Sale of goods and services		657,842,550	619,834,673
Grants		397,816,496	526,511,159
Interest income		24,911,853	22,625,319
Other receipts		41,085,042	48,264,367
		<u>1,304,257,034</u>	<u>1,389,331,895</u>
Payments			
Employee costs		(343,491,907)	(309,950,449)
Suppliers		(715,401,733)	(551,170,031)
Finance costs		(50,235,166)	(51,111,183)
		<u>(1,109,128,806)</u>	<u>(912,231,663)</u>
Net cash flows from operating activities	38	<u>195,128,228</u>	<u>477,100,232</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(200,217,593)	(190,156,961)
Proceeds on disposal of property, plant and equipment		-	1,358
Proceeds from sale of investment property		462,456	-
Repayment in loans and receivables		454,127	322,196
Net cash flows from investing activities		<u>(199,301,010)</u>	<u>(189,833,407)</u>
Cash flows from financing activities			
Repayment of loans and borrowings		(38,701,687)	(36,963,110)
Increase in finance lease liabilities		1,560,081	10,206,083
(Increase) / Decrease in Prepayments		-	(140,192,000)
Net cash flows from financing activities		<u>(37,141,606)</u>	<u>(166,949,027)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(41,314,388)</u>	<u>120,317,798</u>
Cash and cash equivalents at the beginning of the year		387,194,924	266,877,126
Cash and cash equivalents at the end of the year	8	<u>345,880,536</u>	<u>387,194,924</u>

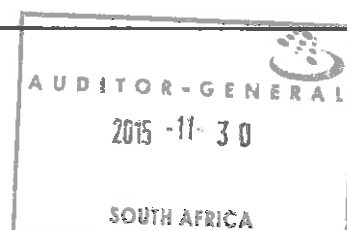


George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Financial Performance						
Revenue						
Revenue by source						
Property rates	177,082,173	(322,840)	176,759,333	175,933,167	(826,166)	Difference less than 10%
Service charges	668,136,067	2,200,000	670,336,067	677,817,541	7,481,474	Difference less than 10%
Investment revenue	23,124,430		23,124,430	28,407,937	5,283,507	54.1
Transfers recognised - operational	236,511,591	17,621,319	254,132,910	251,537,180	(2,595,730)	Difference less than 10%
Other own revenue	44,390,626	41,283,406	85,674,032	89,302,484	3,628,452	Difference less than 10%
Total Revenue (excluding capital transfers and contributions)	1,149,244,887	60,781,885	1,210,026,772	1,222,998,309	12,971,537	
Expenditure by type						
Employee costs	308,229,807	12,496,633	320,726,440	345,912,301	25,185,861	Difference less than 10%
Remuneration of councillors	18,138,774	-	18,138,774	16,659,558	(1,479,216)	Difference less than 10%
Debt impairment	20,000,000	31,517,100	51,517,100	59,121,262	7,604,162	54.2
Depreciation and asset impairment	111,411,612	3,378,019	114,789,631	116,323,806	1,534,175	Difference less than 10%
Finance charges	47,984,408	(1,296,000)	46,688,408	48,337,878	1,649,470	Difference less than 10%
Materials and bulk purchases	324,269,460	(6,067,230)	318,202,230	311,078,601	(7,123,629)	Difference less than 10%
Transfers and grants	3,043,000	(175,727)	2,867,273	2,700,695	(166,578)	Difference less than 10%
Other expenditure	382,918,627	23,142,328	406,060,955	376,810,643	(29,250,312)	Difference less than 10%
Total expenditure	1,215,995,688	62,995,123	1,278,990,811	1,276,944,744	(2,046,067)	
Surplus / (Deficit)	(66,750,801)	(2,213,238)	(68,964,039)	(53,946,435)	15,017,604	
Transfers recognised - capital	118,339,544	33,667,477	152,007,021	149,216,061	(2,790,960)	Difference less than 10%
Contributions recognised - capital and contributed assets	7,749,850	-	7,749,850	17,591,467	9,841,617	54.3
Surplus after capital transfers and contributions	59,338,593	31,454,239	90,792,832	112,861,093	22,068,261	
Share of Surplus of associate	-	-	-	-	-	
Surplus for the year	59,338,593	31,454,239	90,792,832	112,861,093	22,068,261	



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Capital expenditure						
Assets						
Capital expenditure by vote						
Executive and Council	2,400,000	235,000	2,635,000	1,542,946	(1,092,054)	54.4
Budget and treasury office	350,000	120,000	470,000	459,731	(10,269)	Difference less than 10%
Corporate services	7,241,000	108,830	7,349,830	3,498,146	(3,851,684)	54.5
Community and social services	4,335,000	(69,930)	4,265,070	888,824	(3,376,246)	54.6
Sport and recreation	8,209,121	1,485,478	9,694,599	6,268,414	(3,426,185)	54.7
Public safety	2,939,000	1,882,880	4,821,880	4,106,596	(715,284)	54.8
Housing	14,035,800	(11,840,800)	2,195,000	484,800	(1,710,200)	54.9
Health	25,000	1,600,000	1,625,000	19,020	(1,605,980)	54.10
Planning and development	10,000	1,000	11,000	10,878	(122)	Difference less than 10%
Road transport	91,932,650	7,467,091	99,399,741	86,829,710	(12,570,031)	54.11
Environmental protection	70,000		70,000	112,876	42,876	54.12
Electricity	44,190,000	(9,631,430)	34,558,570	25,127,160	(9,431,410)	54.13
Water	22,808,011	(15,065,250)	7,742,761	4,663,146	(3,079,615)	54.14
Waste water management	41,407,454	15,434,921	56,842,375	57,725,237	882,862	Difference less than 10%
Waste management	12,290,000	(8,850,000)	3,440,000	10,958,892	7,518,892	54.15
Other	-	46,000	46,000	41,220	(4,780)	Difference less than 10%
	252,243,036	(17,076,210)	235,166,826	202,737,596	(32,429,230)	

Sources of Capital Funds

National Government	114,841,167	4,268,500	119,109,667	111,857,190	(7,252,477)
Provincial Government	16,742,869	10,906,595	27,649,464	24,495,581	(3,153,883)
District Municipality	6,000,000	(159,125)	5,840,875	4,890,853	(950,022)
Other transfers and grants	51,680,800	(27,764,800)	23,916,000	8,038,068	(15,877,932)
Public contributions and donations		144,777,535	144,777,535	2,520,000	(142,257,535)
Borrowings	13,505,000	20,000	13,525,000	4,237,484	(9,287,516)
Internally generated funds	49,473,200	(4,347,380)	45,125,820	46,698,420	1,572,600
	252,243,036	127,701,325	379,944,361	202,737,596	(177,206,765)

Capitalisation consist of the following:

Property, plant and equipment additions	202,737,596	202,737,596	202,737,596	9
	202,737,596	202,737,596	202,737,596	



George Local Municipality

Annual Financial Statements for the year ended 30 June 2015

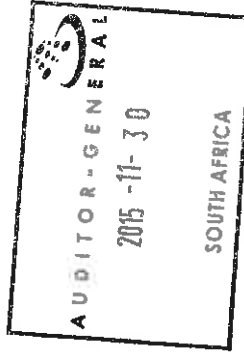
Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (l.i.o. s28 and budget s31 of the MFMA)	Final adjustments (l.i.o. of the MFMA)	Shifting of funds (l.i.o. of the MFMA)	Virement (l.i.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	177,082,173	(322,840)	176,759,333	-	-	176,759,333	175,933,167	(826,166)	7,481,474	100 %	99 %
Service charges	668,136,067	2,200,000	670,336,067	-	-	670,336,067	677,817,541	7,481,474	5,283,507	101 %	101 %
Investment revenue	23,124,430	-	23,124,430	-	-	23,124,430	28,407,937	5,283,507	(2,595,730)	123 %	123 %
Transfers recognised - operational	236,511,591	17,621,319	254,132,910	-	-	254,132,910	251,537,180	(2,595,730)	3,628,452	99 %	106 %
Other own revenue	44,390,626	41,283,406	85,674,032	-	-	85,674,032	89,302,484	3,628,452	12,971,537	104 %	201 %
Total revenue (excluding capital transfers and contributions)	1,149,244,887	60,781,885	1,210,026,772	-	-	1,210,026,772	1,222,998,309			101 %	106 %
Employee costs	308,229,807	10,888,633	319,118,440	-	1,608,000	320,726,440	345,912,301	25,185,861	25,185,861	108 %	112 %
Remuneration of councillors	18,138,774	-	18,138,774	-	-	18,138,774	16,659,558	(1,479,216)		92 %	92 %
Debt impairment	20,000,000	31,517,100	51,517,100	-	-	51,517,100	59,121,262	7,604,162	7,604,162	115 %	296 %
Depreciation and asset impairment	111,411,612	3,378,019	114,789,631	-	-	114,789,631	116,323,806	1,534,175	1,534,175	101 %	104 %
Finance charges	47,984,408	(1,250,000)	46,734,408	-	(46,000)	46,688,408	48,337,878	1,649,470	1,649,470	104 %	101 %
Materials and bulk purchases	324,269,460	(5,685,000)	318,584,460	-	(382,230)	318,202,230	311,078,601	(7,123,629)		98 %	96 %
Transfers and grants	3,043,000	-	3,043,000	-	(175,727)	2,867,273	2,700,695	(166,578)		94 %	89 %
Other expenditure	382,918,627	24,146,371	407,064,998	-	(1,004,043)	406,060,955	376,810,643	(29,250,312)		93 %	98 %
Total expenditure	1,215,995,688	62,995,123	1,278,990,811	-	-	1,278,990,811	1,276,944,744	35,973,668	(2,046,067)	100 %	105 %
Surplus/(Deficit)	(66,750,801)	(2,213,238)	(68,964,039)	-	-	(68,964,039)	(53,946,435)		15,017,604	78 %	81 %

George Local Municipality

Annual Financial Statements for the year ended 30 June 2015



Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s31 of the MFMA)	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
Transfers recognised - capital	118,339,554	33,667,477	152,007,031	-	-	152,007,031	149,216,061		(2,790,970)	98 %	126 %
Contributions recognised - capital and contributed assets	7,749,850	-	7,749,850	-	-	7,749,850	17,591,467		9,841,617	227 %	227 %
Surplus (Deficit) after capital transfers and contributions	59,338,603	31,454,239	90,792,842	-	-	90,792,842	112,861,093		22,068,251	124 %	190 %
Share of surplus (deficit) of associate	-	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	59,338,603	31,454,239	90,792,842	-	-	90,792,842	112,861,093		22,068,251	124 %	190 %
Capital expenditure and funds sources											
Total capital expenditure	252,243,036	(17,076,210)	235,166,826	-	-	235,166,826	202,737,596		(32,429,230)	86 %	80 %
Sources of capital funds											
Transfers recognised - capital	189,264,836	(12,748,830)	176,516,006	-	-	176,516,006	149,281,692		(27,234,314)	85 %	79 %
Public contributions and donations	-	-	-	-	-	-	2,520,000		2,520,000	DIV/0 %	DIV/0 %
Borrowing	13,505,000	20,000	13,525,000	-	-	13,525,000	4,237,484		(9,287,516)	31 %	31 %
Internally generated funds	49,473,200	(4,347,380)	45,125,820	-	-	45,125,820	46,698,420		1,572,600	103 %	94 %
Total sources of capital funds	252,243,036	(17,076,210)	235,166,826	-	-	235,166,826	202,737,596		(32,429,230)	86 %	80 %

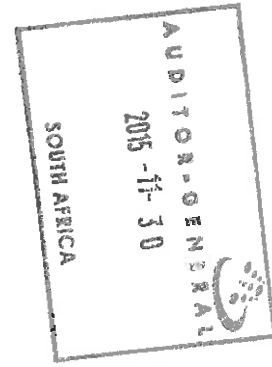
George Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (l.t.o. s28 and budget s31 of the MFMA)	Final adjustments	Shifting of funds (l.t.o. s31 of the MFMA)	Virement (l.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	230,897,979	(7,746,442)	223,151,537	-	-	223,151,537	195,128,228		(28,023,309)	87 %	85 %
Net cash from (used) investing	(161,570,125)	(349,856)	(161,919,981)	-	-	(161,919,981)	(199,301,010)		(37,381,029)	123 %	123 %
Net cash from (used) financing	(19,643,792)	20,000	(19,623,792)	-	-	(19,623,792)	(37,141,606)		(17,517,814)	189 %	189 %
Net increase/(decrease) in cash and cash equivalents	49,684,062	(8,076,298)	41,607,764	-	-	41,607,764	(41,314,388)		(82,922,152)	(99)%	(83)%
Cash and cash equivalents at the beginning of the year	387,194,294	-	387,194,294	-	-	387,194,294	387,194,924		630	100 %	100 %
Cash and cash equivalents at year end	436,878,356	(8,076,298)	428,802,058	-	-	428,802,058	345,880,536		82,921,522	81 %	79 %



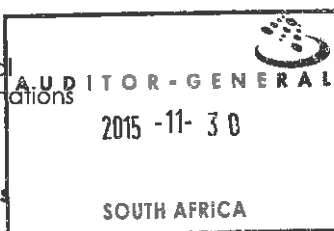
George Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be Restated recovered audited outcome
2014			
Financial Performance			
Property rates			157,769,973
Service charges			635,465,202
Investment revenue			26,317,485
Transfers recognised - operational			290,629,405
Other own revenue			125,162,466
Total revenue (excluding capital transfers and contributions)			1,235,344,531
Employee costs	(17,878,781)	(17,878,781)	- (312,139,957)
Remuneration of councillors	-	-	- (15,573,566)
Debt impairment	(47,604,195)	(47,604,195)	- (46,336,564)
Depreciation and asset impairment	-	-	- (134,150,783)
Finance charges	(546,547)	(546,547)	- (51,159,815)
Materials and bulk purchases	-	-	- (287,736,248)
Transfers and grants	-	-	- (2,368,266)
Other expenditure	(99,085)	(99,085)	- (415,802,530)
Total expenditure	(66,128,608)	(66,128,608)	- 1,265,267,729
Surplus/(Deficit)			(29,923,198)
Transfers recognised - capital			273,073,807
Surplus (Deficit) after capital transfers and contributions			243,150,609
Surplus/(Deficit) for the year			243,150,609
Capital expenditure and funds sources			
Total capital expenditure			346,196,739
Sources of capital funds			
Transfers recognised - capital			274,113,346
Public contributions and donations			15,847,777
Borrowing			10,594,988
Internally generated funds			45,640,628
Total sources of capital funds			346,196,739
Cash flows			
Net cash from (used) operating			477,100,232
Net cash from (used) investing			(189,833,407)
Net cash from (used) financing			(166,949,027)
Net increase/(decrease) in cash and cash equivalents			120,317,798
Cash and cash equivalents at the beginning of the year			266,877,126
Cash and cash equivalents at year end			387,194,924



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

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:

Standard	Description	Effective Date
GRAP 20	Related Party Disclosure	Unknown



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

ACCOUNTING POLICIES

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

Standard	Description	Effective Date (Year starting on)
GRAP 18	Segment Reporting Presentation of the financial statements will be affected by this standard.	Unknown
GRAP 32	Service Concession Arrangements : Grantor No significant impact is expected.	Unknown
GRAP105	Transfer of Functions between Entities under common control No significant impact is expected.	1 July 2015
GRAP 106	Transfer of Functions Between Entities not under Common Control No significant impact is expected.	1 July 2015
GRAP 107	Mergers No significant impact is expected.	1 July 2015
GRAP 108	Statutory Receivables No significant impact is expected.	Unknown
GRAP 109	Accounting by Principals and Agents No significant impact is expected.	Unknown
IGRAP11	Consolidation - Special Purpose Entities (SPE) No significant impact is expected.	1 April 2015
IGRAP12	Jointly Controlled Entities non-monetary contributions No significant impact is expected.	1 April 2015
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset No significant impact is expected.	Unknown
Directive 11	Changes in Measurement Bases following Initial Adoption of Standards of GRAP No significant impact is expected.	1 April 2015

1.1 Presentation currency

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

1.2 Going concern assumption

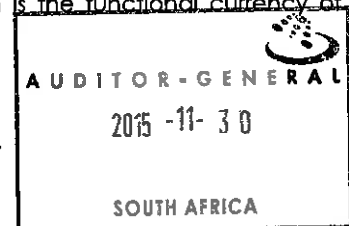
These annual financial statements have been prepared on a going concern basis.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

1.4 Significant judgements and sources of estimation uncertainty

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



ACCOUNTING POLICIES

1.4 Significant judgements and sources of estimation uncertainty (continued)

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

Significant judgements include:

Property, plant and equipment

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

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

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.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

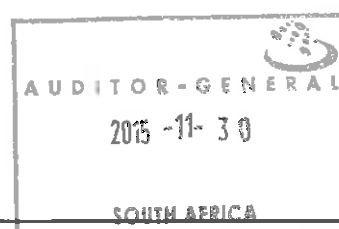
Investment property

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.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions

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 is included in note 18.



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.

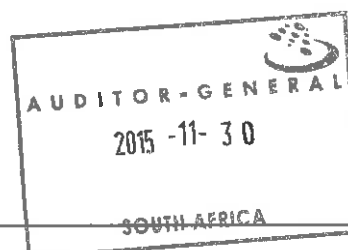
The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Trade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

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

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
• Pedestrian malls	20
• Airports	20
• Security measures	3 - 15
Community	
• Buildings	3-30
• Recreational facilities	20
Other	
• Office equipment	5 - 10
• Furniture and fittings	7 - 10
• Bins and containers	5 - 10
• Emergency equipment	5 - 15
• Motor vehicles	5 - 20
• Watercraft	15
• Plant and equipment	5 - 15
Other - general	
• Animal pounds	5
Land and buildings	
• Buildings	30
• Land	Indefinite



ACCOUNTING POLICIES

1.5 Property, plant and equipment (continued)

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.

Reviewing the useful life of an asset on an annual basis does not require the entity 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 entity, 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

ACCOUNTING POLICIES

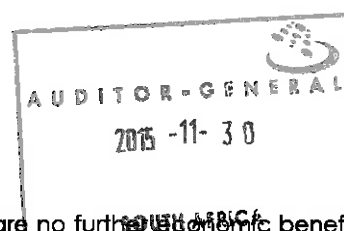
1.6 Investment property (continued)

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

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The 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.

Investment Property	Years
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

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 criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity 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 entity 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.

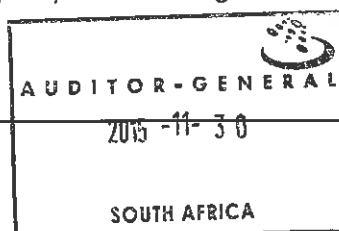
Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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. (2014: 5 to 10 years). Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.



ACCOUNTING POLICIES

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 of one entity 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, an entity 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 entity 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 entity.

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 entity.

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

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 entity 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:

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

The municipality has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

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

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity 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.

Subsequent measurement of financial assets and financial liabilities

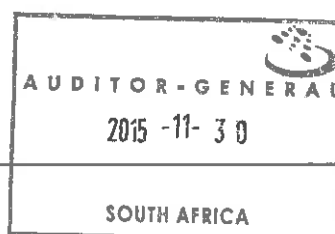
The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

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

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

Gains and losses

For financial assets and financial liabilities measured at amortised cost or 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

1.9 Financial Instruments (continued)

Impairment and uncollectibility of financial assets

The entity 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 entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 entity:
 - 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

1.9 Financial instruments (continued)

Financial liabilities

The entity 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 entity 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 entity 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 entity 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 entity assesses the classification of each element separately.

ACCOUNTING POLICIES

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

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

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

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

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

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

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

ACCOUNTING POLICIES

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 surplus or deficit.

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 entity 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 surplus or deficit.

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.



George Local Municipality
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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 entity, it generates a commercial return.

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

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

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

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

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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



George Local Municipality
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ACCOUNTING POLICIES

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 an entity 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. These obligations are valued periodically by independent qualified actuaries.

ACCOUNTING POLICIES

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 an entity 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)

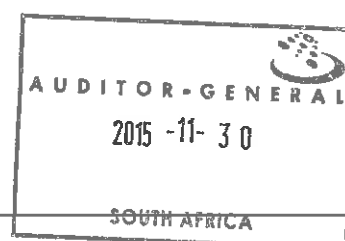
Post-employment benefits: Defined contribution plans

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 entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.





George Local Municipality
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ACCOUNTING POLICIES

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an entity (a fund) that is legally separate from the reporting entity 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 entity 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



George Local Municipality
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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, an entity 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, an entity 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.



George Local Municipality
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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 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

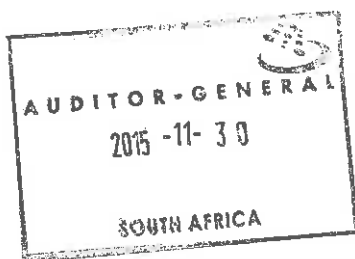
Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions 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.



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

ACCOUNTING POLICIES

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 entity. 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 Unpaid conditional government grants and receipts

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 provisions are 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 from 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 surplus or deficit 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 installment 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.



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

ACCOUNTING POLICIES

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 surplus or deficit 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 surplus or deficit 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

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.

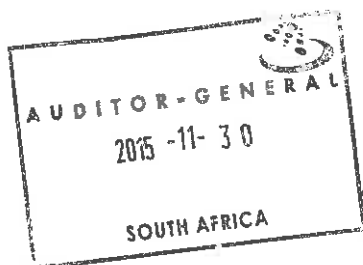
1.25 Capital commitments

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.





George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

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 2014/07/01 to 2015/06/30.

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

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Material differences are being defined by Management as 10% of a specific line-item. Explanations for material differences between the final budget amounts and actual amounts are included 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. If the expenditure is not condoned by Council it is treated as an asset until it is recovered or written off as irrecoverable.

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 the appropriate authority 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 43.

1.33 Change in accounting policies, estimates and errors

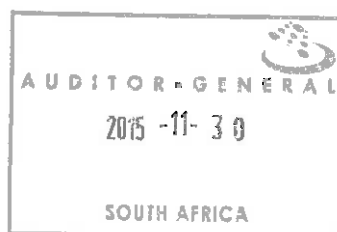
Changes in accounting policies that are effected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall 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 43 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

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
2. Inventories		
Consumable stores - at cost	7,396,767	9,687,934
Maintenance materials, chemicals and water reserve - at cost	10,349,668	11,028,265
Work-in-progress - Property Developments - at cost	173,109	230,009
Unsold Properties Held for Resale	148,940,500	153,740,500
	166,860,044	174,686,708

The cost of inventories recognised as an expense in the Statement of Financial Performance for stock issues were R16,930,028 (2014: R15,618,739) and RNil (2014: R1,217,000) 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

Gross balances

Electricity	45,402,671	41,432,612
Water	64,849,533	53,581,244
Sewerage	22,681,259	21,022,514
Refuse	15,898,744	15,252,277
Housing loan instalments	616,247	824,513
Housing rental	444,602	405,475
Other consumer debtors	9,048,761	10,063,315
	158,941,817	142,581,950

Less: Allowance for impairment

Electricity	6,791,596	9,468,684
Water	46,410,578	36,980,788
Sewerage	13,194,282	13,505,698
Refuse	9,469,903	10,623,246
Housing loan instalments	433,268	583,155
Housing rental	382,601	366,915
Other consumer debtors	1,015,935	908,414
	77,698,163	72,436,900

Net balance

Electricity	38,611,075	31,963,928
Water	18,438,954	16,600,456
Sewerage	9,486,977	7,516,816
Refuse	6,428,841	4,629,030
Housing loan instalments	182,979	241,358
Housing rental	62,001	38,560
Other consumer debtors	8,032,826	9,154,901
	81,243,653	70,145,049



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
3. Trade receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	30,635,589	28,156,465
31 - 60 days	2,990,322	1,824,306
61 - 90 days	1,584,000	412,065
91 - 120 days	1,086,195	550,695
121 - 365 days	9,106,566	10,489,081
Less: Allowance for impairment	(6,791,597)	(9,468,684)
	38,611,075	31,963,928
Water		
Current (0 -30 days)	18,288,085	15,735,596
31 - 60 days	3,121,402	3,018,273
61 - 90 days	2,364,809	2,065,409
91 - 120 days	2,422,039	2,165,562
121 - 365 days	38,653,197	30,596,404
Less: Allowance for impairment	(46,410,578)	(36,980,788)
	18,438,954	16,600,456
Sewerage		
Current (0 -30 days)	7,387,718	4,705,516
31 - 60 days	1,043,141	1,034,595
61 - 90 days	672,786	711,748
91 - 120 days	492,130	595,082
121 - 365 days	13,085,483	13,975,573
Less: Allowance for impairment	(13,194,281)	(13,505,698)
	9,486,977	7,516,816
Refuse		
Current (0 -30 days)	5,561,243	3,406,693
31 - 60 days	777,050	656,727
61 - 90 days	430,152	476,778
91 - 120 days	339,432	393,325
121 - 365 days	8,790,868	10,318,753
Less: Allowance for impairment	(9,469,904)	(10,623,246)
	6,428,841	4,629,030
Housing loans installments		
Current (0 -30 days)	113,171	157,435
31 - 60 days	12,571	19,793
61 - 90 days	11,554	15,166
91 - 120 days	11,448	12,943
121 - 365 days	467,502	619,176
Less: Allowance for impairment	(433,267)	(583,155)
	182,979	241,358



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015
Notes to the Annual Financial Statements

Figures in Rand	2015	2014
3. Trade receivables from exchange transactions (continued)		
Housing rental		
Current (0 -30 days)	73,136	43,515
31 - 60 days	11,923	11,613
61 - 90 days	10,072	10,463
91 - 120 days	9,264	9,413
121 - 365 days	340,207	330,471
Less: Allowance for impairment	(382,601)	(366,915)
	62,001	38,560
Other		
Current (0 -30 days)	1,051,104	2,298,437
31 - 60 days	640,723	785,745
61 - 90 days	584,833	735,021
91 - 120 days	538,426	516,048
121 - 365 days	6,233,675	5,728,064
Less: Allowance for impairment	(1,015,935)	(908,414)
	8,032,826	9,154,901
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	30,659,879	23,129,135
31 - 60 days	5,561,853	5,071,914
61 - 90 days	3,746,849	3,540,700
91 - 120 days	3,446,920	3,587,895
121 - 365 days	66,005,970	61,408,217
	109,421,471	96,737,861
Less: Allowance for impairment	(71,717,422)	(65,956,512)
	37,704,049	30,781,349
Industrial/ commercial		
Current (0 -30 days)	28,891,301	27,991,141
31 - 60 days	2,638,553	1,714,356
61 - 90 days	1,836,653	838,812
91 - 120 days	1,384,393	620,226
121 - 365 days	9,773,430	10,008,052
	44,524,330	41,172,587
Less: Allowance for impairment	(5,980,741)	(6,480,162)
	38,543,589	34,692,425
National and provincial government		
Current (0 -30 days)	3,558,867	3,383,380
31 - 60 days	396,727	564,783
61 - 90 days	74,705	47,137
91 - 120 days	67,621	34,946
121 - 365 days	898,097	641,254
	4,996,017	4,671,500



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
3. Trade receivables from exchange transactions (continued)		
Total		
Current (0 -30 days)	63,110,047	54,503,656
31 - 60 days	8,597,132	7,351,053
61 - 90 days	5,658,207	4,426,649
91 - 120 days	4,898,934	4,243,067
121 - 365 days	76,677,496	72,057,524
	<u>158,941,816</u>	<u>142,581,949</u>
Less: Allowance for impairment	<u>(77,698,163)</u>	<u>(72,436,900)</u>
	<u>81,243,653</u>	<u>70,145,049</u>



Reconciliation of allowance for impairment for receivables from exchange transactions

2015	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectable (normal)	Amounts written off as uncollectable (indigent)	Balance at the end of the year
Electricity	9,468,684	(1,920,946)	(699,127)	(57,014)	6,791,597
Water	36,980,788	16,793,415	(3,009,556)	(4,354,069)	46,410,578
Sewerage	13,505,699	4,378,373	(1,796,423)	(2,893,366)	13,194,283
Refuse	10,623,246	2,795,512	(1,374,184)	(2,574,671)	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	(593,921)	(127,739)	1,015,933
	<u>72,436,900</u>	<u>22,741,333</u>	<u>(7,473,211)</u>	<u>(10,006,859)</u>	<u>77,698,163</u>

2014	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectable (normal)	Amounts written off as uncollectable (indigent)	Balance at the end of the year
Electricity	8,111,885	1,436,347	(54,349)	(25,199)	9,468,684
Water	24,455,596	16,870,488	(585,059)	(3,760,237)	36,980,788
Sewerage	12,449,713	4,024,863	(232,014)	(2,736,863)	13,505,699
Refuse	10,148,032	3,214,629	(170,395)	(2,569,020)	10,623,246
Housing loan instalments	792,290	(209,135)	-	-	583,155
Housing rentals	345,150	21,765	-	-	366,915
Other consumer debtors	1,304,707	(396,294)	-	-	908,413
	<u>57,607,373</u>	<u>24,962,663</u>	<u>(1,041,817)</u>	<u>(9,091,319)</u>	<u>72,436,900</u>

Total debtors past due but not impaired

	2015	2014
31 - 60 days	5,157,848	1,723,404
61 - 90 days	2,765,504	1,094,312
91 - 120 days	2,062,428	1,383,101
121 - 365 days	18,323,462	14,030,075
	<u>28,309,242</u>	<u>18,230,892</u>

George Local Municipality
Annual Financial Statements for the year ended 30 June 2015
Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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3. Trade receivables from exchange transactions (continued)

Credit quality of consumer debtors

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

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. 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	21,994,162	16,134,898
Gross rates	32,082,475	26,253,567
Allowance for impairment on rates	(10,088,313)	(10,118,669)

Transfer receivable

Net Fines	15,244,954	15,520,736
Fines	63,489,620	54,411,500
Allowance for impairment on fines	(48,244,666)	(38,890,764)

Government grants and subsidies (Refer to note 19)	62,368,457	65,018,150
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Other receivables

Sundry receivables	12,129,724	18,099,083
Allowance for impairment on sundry receivables	10,649,260	16,708,994
Deposits	(41,860)	(66,989)
George Link (Pty) Ltd - GIPTN Fare Revenue	20,000	20,000
Non-cash portion of Housing Development Fund	151,676	-
Operating lease receivables	1,116,989	1,240,795
	233,659	196,283
	111,737,297	114,772,867

The prior period balances were restated for prior year errors. Refer to notes 43.2 and 43.4.

The ageing of trade receivables from non-exchange transactions

Rates

Current (0 - 30 days)	12,613,082	7,875,316
31 - 60 days	2,433,977	1,340,793
61 - 90 days	1,340,364	876,377
91 - 120 days	959,522	723,106
121 - 365 days	14,735,530	15,437,976

Less: Allowance for impairment

	32,082,475	26,253,568
	(10,088,313)	(10,118,669)
	21,994,162	16,134,899



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
4. Receivables from non-exchange transactions (continued)		
Summary of Rates by customer classification		
Residential consumers		
Current (0 - 30 days)	10,388,604	6,069,900
31 - 60 days	1,937,416	1,103,674
61 - 90 days	1,003,353	680,815
91 - 120 days	810,289	534,823
121 - 365 days	12,424,044	13,174,267
	<u>26,563,706</u>	<u>21,563,479</u>
Less: Allowance for impairment	(9,167,596)	(9,168,781)
	<u>17,396,110</u>	<u>12,394,698</u>
Industrial / commercial		
Current (0 - 30 days)	1,799,411	1,493,563
31 - 60 days	399,251	234,647
61 - 90 days	262,221	193,548
91 - 120 days	83,087	186,303
121 - 365 days	1,612,131	1,629,126
	<u>4,156,101</u>	<u>3,737,187</u>
Less: Allowance for impairment	(920,718)	(949,888)
	<u>3,235,383</u>	<u>2,787,299</u>
National and provincial government and other		
Current (0 - 30 days)	425,067	311,852
31 - 60 days	97,310	2,472
61 - 90 days	74,790	2,014
91 - 120 days	66,146	1,980
121 - 365 days	699,356	634,582
	<u>1,362,669</u>	<u>952,900</u>
Less: Allowance for impairment		
	<u>1,362,669</u>	<u>952,900</u>
Total of rates by customer classification	<u>21,994,162</u>	<u>16,134,899</u>
Fines		
The ageing of fines are as follows:		
Current (0 - 30 days)	1,796,500	3,802,300
31 - 60 days	2,638,400	3,977,850
61 - 90 days	3,092,050	5,594,700
91 - 120 days	3,528,050	6,028,900
121 - 365 days	52,434,620	35,007,750
	<u>63,489,620</u>	<u>54,411,500</u>
Less: Allowance for impairment	(48,244,666)	(38,890,764)
	<u>15,244,954</u>	<u>15,520,736</u>



George Local Municipality
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Notes to the Annual Financial Statements

Figures in Rand	2015	2014			
4. Receivables from non-exchange transactions (continued)					
Reconciliation of provision for impairment of receivables from non-exchange transactions					
2015	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectable (normal)	Amounts written off as uncollectable (indigent)	Balance at the end of the year
Taxation receivables (Gross Rates)	10,118,669	1,180,012	(664,412)	(545,956)	10,088,313
Transfer receivables (Fines)	38,890,764	36,188,687	(26,834,785)	-	48,244,666
Other receivable	66,989	-	(25,129)	-	41,860
	49,076,422	37,368,699	(27,524,326)	(545,956)	58,374,839
2014	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectable (normal)	Amounts written off as uncollectable (indigent)	Balance at the end of the year
Taxation receivables (Gross Rates)	3,006,646	7,907,800	(65,220)	(730,557)	10,118,669
Transfer receivables (Fines)	-	38,890,764	-	-	38,890,764
Other receivables	225,424	(158,435)	-	-	66,989
	3,232,070	46,640,129	(65,220)	(730,557)	49,076,422

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.

Rates debtors past due not impaired

31 - 60 days
61 - 90 days
91 - 120 days
121 - 365 days



2015	2014
1,460,264	314,340
655,116	216,649
403,954	235,709
8,895,434	7,867,045
11,414,768	8,633,743

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
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Figures in Rand	2015	2014
4. Receivables from non-exchange transactions (continued)		
Operating lease asset		
Opening balance	196,283	174,930
Revenue recognised in the Statement of Financial Performance	37,376	21,353
	233,659	196,283
Operating leases - as lessor (Income)		
Minimum lease payments due		
- within one year	623,173	445,432
- in second to fifth year inclusive	1,623,336	1,039,758
- later than five years	439,337	471,306
	2,685,846	1,956,496

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:

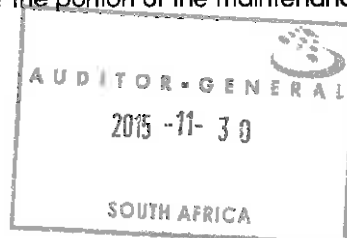
SALGA	3,074,886	2,913,100
Mercedes-Benz South Africa Ltd for buses	-	140,192,000
Mercedes-Benz South Africa Ltd for maintenance of buses	5,077,826	-
	8,152,712	143,105,100

SALGA

SALGA membership fees for the 2015/2016 financial year were paid in May 2015 and the Municipality received a 5% discount for early settlement.

Mercedes-Benz South Africa Ltd

Payments for the assembly of the buses and the maintenance for the first year were made to Mercedes-Benz South Africa Ltd in terms of the signed service level agreement. The maintenance on the buses is for a year after date of delivery and a prepayment was created for the portion of the maintenance that falls within the 2015/2016 financial year.



George Local Municipality
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Figures in Rand	2015	2014
6. VAT receivable / (payable)		
VAT receivable from / (payable to) SARS	1,017,365	2,086,318
VAT input provision	7,211,029	7,777,075
VAT output provision	(8,970,937)	(6,183,968)
	(742,543)	3,679,425

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.

The prior period balances were restated for prior period error adjustments. Refer to note 43.2.

7. Loans and receivables

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
	1,618,547	(577,048)	1,041,499	(295,633)	745,866

As at 30 June 2014	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	1,407,039	(752,683)	654,356	(121,610)	532,746
Sale of erven loans	163,228	-	163,228	(9,007)	154,221
Loans to other organisations	240,141	-	240,141	(136,897)	103,244
Actaris meter debt	262,265	-	262,265	(60,522)	201,743
	2,072,673	(752,683)	1,319,990	(328,036)	991,954



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

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Figures in Rand	2015	2014
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7. Loans and receivables (continued)

The prior period balances were restated for prior period error adjustments. Refer to note 43.2.

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.

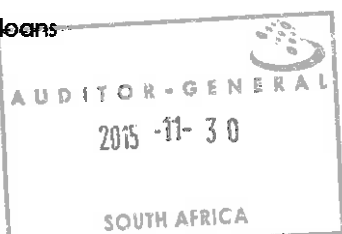
The management of the municipality is of the opinion that the carrying value of loans and receivables recorded at amortised cost in the Financial Statements approximate their fair values.

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

2015	Balance at beginning of year	Impairment losses reversed	Amounts written off as uncollectable	Balance at end of the year
Housing scheme loans	752,683	(175,635)	-	577,048
2014	Balance at beginning of the year	Impairment losses reversed	Amounts written off as uncollectable	Balance at end of the year
Housing scheme loans	926,781	(174,098)	-	752,683



George Local Municipality
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Figures in Rand	2015	2014
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	18,350	20,250
Bank balances	275,862,186	287,174,674
Short-term deposits	70,000,000	100,000,000
	345,880,536	387,194,924

Cash and cash equivalents pledged as collateral

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

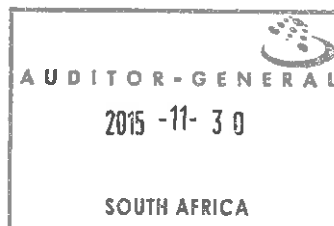
The municipality had the following bank accounts:

	Cash book balances	
	30 June 2015	30 June 2014
ABSA BANK - Cheque Account - 102 222 0981	275,862,186	287,174,674
Nedbank Fixed Deposit	-	100,000,000
Investec Fixed Deposit	70,000,000	-
Cash on hand	18,350	20,250
Total	345,880,536	387,194,924

On year end, the bank statement balances agrees with the cash book balances except for the ABSA Bank cheque account which had a balance of R272,129,707. The difference between the bank statement and the cash book balance is outstanding payments and receipts which were captured in the cash book before year end but the actual transaction passed through the bank account in July 2015.

The bank balances on year end were:

	Bank balances	
	2015	2014
ABSA BANK - Cheque Account - 102 222 0981	272,129,707	284,338,650
ABSA - George Charitable Relief Fund -914 955 4208	49,103	194,368
ABSA FINES - Cheque Account - 405 4797318	10,800	33,000
Nedbank Fixed Deposit	-	100,000,000
Investec Fixed Deposit	70,000,000	-
	342,189,610	384,566,018



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

C-	-	384,566,018
Baa2	342,566,459	-
	342,566,459	384,566,018

George Local Municipality


Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2015			2014		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	923,729,683	-	923,729,683	923,729,683	-	923,729,683
Infrastructure	1,881,396,464	(697,368,961)	1,184,027,503	1,705,770,108	(607,986,763)	1,097,783,345
Community	257,675,150	(82,307,218)	175,367,932	245,372,944	(73,369,945)	172,002,999
Other	132,275,860	(70,458,674)	61,817,186	118,933,600	(63,326,798)	55,606,802
Other - GIPTN Buses	172,890,059	(6,540,410)	166,349,649	-	-	-
Work in progress	133,351,757	-	133,351,757	170,569,876	-	170,569,876
Total	3,501,318,973	(856,675,263)	2,644,643,710	3,164,376,211	(744,683,506)	2,419,692,705



AUDITOR-GENERAL

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SOUTH AFRICA



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 - GIPTN 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
Total	2,419,692,704	342,929,593	(2,152,792)	-	(115,825,795)	2,644,643,710

George Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014



	Opening balance	Additions	Disposals	WIP transfers - completed projects	Transfer from Inventory	Depreciation	Total
Land	923,697,083	-	-	-	32,600	-	923,729,683
Infrastructure	1,135,279,456	54,483,522	(32,048)	2,096,513	-	(94,044,098)	1,097,783,345
Community	157,967,140	20,578,897	(27,074)	2,643,388	-	(9,159,352)	172,002,999
Other	44,856,607	17,820,210	(41,321)	-	-	(7,028,695)	55,606,801
Work in progress	62,187,666	113,122,111	-	(4,739,901)	-	-	170,569,876
	2,323,987,952	206,004,740	(100,443)	-	32,600	(110,232,145)	2,419,692,704

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

The municipality received public donated assets of R2,520,000 (2014: R15,847,777) which forms part of the asset additions for the year.

The prior period balances were restated for prior year errors. Refer to note 43.6.

The cost and accumulated depreciation of the different asset classes have been reclassified due to work in progress assets incorrectly included in infrastructure, community and other assets. The opening balance and additions of the prior year have been reclassified to reflect the correct classifications. Refer to note 55 for detail regarding these reclassifications. The reclassification was between asset classes and did not have an effect on the carrying value of Property, Plant and Equipment.

Assets subject to finance lease (Net carrying amount)

	2015	2014
Vehicles	11,387,541	10,544,640

Refer to note 14 for details of finance leases.

George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

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Figures in Rand	2015	2014
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10. Intangible assets

	2015			2014		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3,667,246	(3,204,121)	463,125	3,667,246	(2,867,680)	799,566

Reconciliation of intangible assets - 2015

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

Reconciliation of intangible assets - 2014

	Opening balance	Amortisation	Total
Computer software	1,289,003	(489,437)	799,566

11. Heritage assets

	2015			2014		
	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 2015

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

Reconciliation of heritage assets 2014

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



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Figures in Rand	2015	2014
11. Heritage assets (continued)		
Details of heritage assets		
Wilderness Commonage	4,050,000	4,050,000
Old Uniondale Fort	186,000	186,000
	4,236,000	4,236,000

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

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

12. Investment property

	2015			2014		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	149,777,700	-	149,777,700	149,783,500	-	149,783,500
Buildings	4,981,973	(2,347,681)	2,634,292	4,981,973	(2,186,111)	2,795,862
Total	154,759,673	(2,347,681)	152,411,992	154,765,473	(2,186,111)	152,579,362

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
	152,579,362	(5,800)	(161,570)	152,411,992

Reconciliation of investment property - 2014

	Opening balance	Additions	Transfers from / (to) property, plant and equipment	Depreciation	Total
Land	149,783,500	-	-	-	149,783,500
Buildings	2,957,435	-	-	(161,573)	2,795,862
	152,740,935	-	-	(161,573)	152,579,362



George Local Municipality
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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
12. Investment property (continued)		
Other disclosure		
Included in the surplus for the year are the following:		
Total rental income from investment property	654,458	584,966
Total operating expenses arising from investment property generating rental revenue	-	(403)
Total operating expenses arising from investment property not generating rental revenue	-	-
	654,458	584,563
13. Loans and borrowings		
At amortised cost		
Annuity loans	410,464,547	448,465,183
Other loans	904,220	1,605,272
	411,368,767	450,070,455
Non-current liabilities		
Annuity loans	368,670,720	408,682,920
Other loans	723,376	904,220
	369,394,096	409,587,140
Current liabilities		
Annuity loans	41,793,827	39,782,263
Other loans	180,844	701,052
	41,974,671	40,483,315

Annuity loans

Annuity loans are repaid over periods varying from 2 years to 14 years (2014: 2 years to 15 years) and at interest rates varying from 6.75% to 12.665% (2014: 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 5 years (2014: 1 year to 6 years) and at interest rates varying from 7.835% to 12% (2014: 7.835% and 12%) per annum. Other loans are not secured.



George Local Municipality
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Figures in Rand	2015	2014
14. Finance lease obligation		
Minimum lease payments due		
- within one year	3,795,802	2,641,794
- in second to fifth year inclusive	11,544,739	10,142,180
	<u>15,340,541</u>	<u>12,783,974</u>
Less: Future finance charges	(2,688,249)	(2,529,259)
Present value of minimum lease payments	<u>12,652,292</u>	<u>10,254,715</u>
Present value of minimum lease payments due		
- within one year	2,735,598	1,793,004
- in second to fifth year inclusive	9,916,694	8,461,711
	<u>12,652,292</u>	<u>10,254,715</u>
Non-current liabilities	9,916,694	8,461,711
Current liabilities	2,735,598	1,793,004
	<u>12,652,292</u>	<u>10,254,715</u>

The municipality entered into hire purchase agreements for vehicle acquisitions. The average lease term is 5 years and the average effective borrowing rate is 8.79% (2014: 8.70%). 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

Current liabilities		
Trade payables	88,950,661	73,691,294
Payments received in advance	17,408,211	13,863,385
Retentions	13,737,553	13,488,508
Sundry Deposits	7,623,921	7,030,952
Other payables	11,133,971	10,337,304
GIPTN compensation liability	2,771,759	-
	<u>141,626,076</u>	<u>118,411,443</u>
Non-current liabilities		
GIPTN compensation liability	9,388,146	-
Total	<u>151,014,222</u>	<u>118,411,443</u>



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

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

George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
15. Trade and other payables from exchange transactions (continued)		
The prior period balances were restated for prior year errors. Refer to notes 43.2 and 43.3 for more detail.		
George Integrated Public Transport Network (GIPTN) compensation liability		
The public transport bus services commenced during the 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	-	-
Transferred from Provisions - Non-current portion	9,388,146	-
Transferred from Provisions - Current portion	2,771,759	-
	<u>12,159,905</u>	<u>-</u>
16. Consumer deposits		
Electricity and water	<u>21,586,067</u>	<u>19,902,234</u>
Guarantees		
Guarantees held in lieu of electricity and water deposits	<u>10,710,718</u>	<u>9,644,374</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.		
17. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Non-current liabilities		
Post-Retirement Medical Aid benefits liability	129,620,148	113,770,796
Ex-gratia pension benefits liability	2,120,878	2,458,492
Long service awards	17,543,174	16,214,645
	<u>149,284,200</u>	<u>132,443,933</u>
Current liabilities		
Post-Retirement Medical Aid benefits liability	4,424,268	3,997,188
Ex-gratia pension benefits liability	561,050	598,877
Long service awards	2,131,767	1,766,920
Performance bonus	-	189,121
Staff leave	26,035,348	23,732,826
Staff annual bonus	8,596,146	7,918,385
Cape Joint Pension Fund	-	1,272,817
	<u>41,748,579</u>	<u>39,476,134</u>

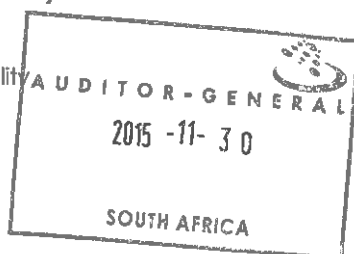


George Local Municipality

Annual Financial Statements for the year ended 30 June 2015

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Figures in Rand	2015	2014
17. Employee benefit obligations (continued)		
Total liabilities		
Post-Retirement Medical Aid benefits liability	134,044,416	117,767,984
Ex-gratia pension benefits liability	2,681,928	3,057,369
Long service awards	19,674,941	17,981,565
Performance bonus	-	189,121
Staff leave	26,035,348	23,732,826
Staff annual bonus	8,596,146	7,918,385
Cape Joint Pension Fund	-	1,272,817
	191,032,779	171,920,067



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 continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2015. 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	495	509
In-service (Employees) non-members	471	483
Continuation members (Retirees, widowers and orphans)	126	123
	1,092	1,115
In-service members	69,259,206	59,202,494
Continuation members	64,785,210	58,565,490
	134,044,416	117,767,984

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 2016 is estimated to be R5,359,426 (2015: R4,709,095) whereas the interest cost for the same year is estimated to be R11,744,680 (2015: R10,388,010).

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

i) Rate of interest		
Discount rate	8.91 %	8.97 %
Health care cost inflation rate	8.00 %	8.17 %
Net effective discount rate	0.84 %	0.74 %

George Local Municipality
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17. Employee benefit obligations (continued)

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 8.91% per annum has been used. The corresponding index-linked yield at this term is 1.79%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2015.

ii) Mortality rates

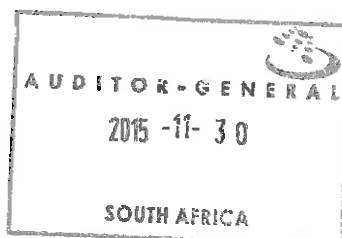
Pre-retirement	SA 85 - 90 mortality table
Post-retirement	PA (90 - 1) ultimate mortality table

iii) Normal retirement age

The normal retirement age for employees of the municipality was assumed to be 65 years where data was unavailable.

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

Present value of fund obligations	134,044,416	117,767,984
Fair value plan assets	-	-
	134,044,416	117,767,984
Unrecognised past-service cost	-	-
Unrecognised actuarial losses / (gains)	-	-
Present value of unfunded obligations	134,044,416	117,767,984
	134,044,416	117,767,984



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

Current service cost	4,709,095	3,731,100
Interest cost	10,388,010	8,808,662
Recognised actuarial losses / (gains)	5,176,515	3,908,875
Total included in employee related cost (refer to note 28)	20,273,620	16,448,637

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

Balance at the beginning of the year	117,767,984	105,422,207
- Current service cost	4,709,095	3,731,100
- Interest cost	10,388,010	8,808,662
- Actuarial losses (gains)	5,176,515	3,908,875
- Benefits paid	(3,997,188)	(4,102,860)
Balance at the end of the year	134,044,416	117,767,984

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17. Employee benefit obligations (continued)

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

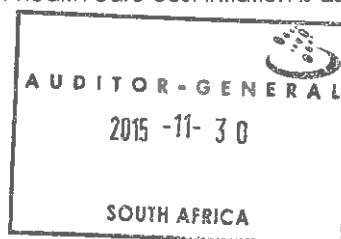
Liability History	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Accrued liability	82.990	96.840	105.422	117.768	134.044
Fair value of plan asset	-	-	-	-	-
Surplus / (Deficit)	(82.990)	(96.840)	(105.422)	(117.768)	(134.044)

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 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Liabilities: (Gain) / Loss	(0.829)	2.329	4.342	1.743	5.507
Assets: Gain / (Loss)	-	-	-	-	-
	(0.829)	2.329	4.342	1.743	5.507

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

Increase		
Effect on the current service cost and interest cost	17,403,300	14,328,100
Effect on the defined benefit obligation	151,447,716	132,096,084
Decrease		
Effect on the current service cost and interest cost	(12,976,400)	(10,930,900)
Effect on the defined benefit obligation	121,068,016	106,837,084



Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2015, 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 2016 is estimated to be Rnil (2015: Rnil) whereas the interest cost for the same year is estimated to be R193,046 (2015: R207,953).

Pensioners	15	19
Eligible employees	3	3
	18	22

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17. Employee benefit obligations (continued)

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

i) Rate of interest		
Discount rate	8.02 %	7.53 %
Pension increase rate	3.00 %	2.93 %
Net effective discount rate	4.87 %	4.47 %

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 8.02% per annum has been used. The corresponding index-linked yield at this term is 1.43%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield curve after the market close on 30 June 2015.

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 65 years where data was unavailable.

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

Present value of fund obligations	2,681,928	3,057,369
Fair value of plan assets	-	-
	<u>2,681,928</u>	<u>3,057,369</u>
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	2,681,928	3,057,369
Net Liability	<u>2,681,928</u>	<u>3,057,369</u>

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

Interest cost	207,953	219,405
Recognised actuarial losses / (gains)	15,483	(88,087)
Total included in employee related cost (refer to note 28)	<u>223,436</u>	<u>131,318</u>



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17. Employee benefit obligations (continued)		
The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	3,057,369	3,187,340
- Interest cost	207,953	219,405
- Actuarial losses / (gains)	15,483	(88,087)
- Benefits paid	(598,877)	(261,289)
	2,681,928	3,057,369

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

Liability History	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Accrued liability	2,872,263	3,039,160	3,187,340	3,057,369	2,681,928
Fair value of plan assets	-	-	-	-	-
Surplus / (Deficit)	(2,872,263)	(3,039,160)	(3,187,340)	(3,057,369)	(2,681,928)

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 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Liabilities: (Gain) / Loss	(259,381)	92,031	(2,548)	31,653	85,984
Assets: Gain / (Loss)	-	-	-	-	-
	(259,381)	92,031	(2,548)	31,653	85,984

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

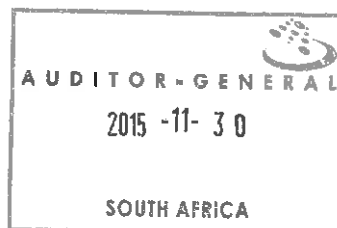
Increase		
Effect on the interest cost	224,459	235,626
Effect on the defined benefit obligation	2,862,798	3,276,715
Decrease		
Effect on interest cost	193,270	205,008
Effect on the defined benefit obligation	2,520,094	2,862,255

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 2015.



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17. Employee benefit obligations (continued)

At year end, 966 (2014: 992) employees were eligible for Long-services Allowances. The future service cost for the ensuing year is estimated to be R1,490,172 (2015: R1,300,024), whereas the interest cost for the ensuing year is estimated to be R1,499,845 (2015: R1,372,305).

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

i) Rate of interest		
Discount rate	8.05 %	8.02 %
Benefit inflation rate	7.10 %	7.16 %
Net effective discount rate	0.88 %	0.80 %
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 8.05% 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 1.36%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2015.

ii) Mortality rates

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

iii) Normal retirement age

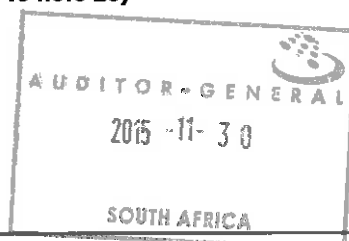
The normal retirement age for employees of the municipality was assumed to be 65 years where data was unavailable.

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

Project fund obligations	19,674,941	17,981,565
Plan assets	-	-
	19,674,941	17,981,565
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Post-Retirement Gratuity Obligation	19,674,941	17,981,565
	19,674,941	17,981,565

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

Current service cost	1,300,024	1,238,555
Interest cost	1,372,305	1,152,511
Recognised actuarial losses / (gains)	787,967	832,967
Total included in employee related cost (refer to note 28)	3,460,296	3,224,033



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17. Employee benefit obligations (continued)		
The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	17,981,565	16,636,020
- Current service cost	1,300,024	1,238,555
- Interest cost	1,372,305	1,152,511
- Recognised actuarial losses	787,967	832,967
- Benefits paid	(1,766,920)	(1,878,488)
	19,674,941	17,981,565

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

Liability History	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Accrued Liability	11,420,234	14,368,240	16,636,020	17,981,565	19,674,941
Fair value of plan assets	-	-	-	-	-
Surplus / (Deficit)	(11,420,234)	(14,368,240)	(16,636,020)	(17,981,565)	(19,674,941)

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

Experience adjustment	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Liabilities: (Gain) / Loss	217,681	827,273	751,311	1,276,184	908,105
Assets: Gain / (Loss)	-	-	-	-	-
	217,681	827,273	751,311	1,276,184	908,105

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

Increase		
Effect on the current service cost and interest cost	2,890,100	2,592,100
Effect on the defined benefit obligation	21,047,000	19,255,000
Decrease		
Effect on the current service cost and interest cost	2,478,500	2,212,600
Effect on the defined benefit obligation	18,441,000	16,837,000

Multi-employer retirement benefit information



Employees belong to a variety of approved Pension and Provident Funds as described below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Cape Joint Pension Fund is a defined benefit plan, whereas the Joint Retirement Fund, the Municipal Councillors Fund and the Provident 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.

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17. Employee benefit obligations (continued)

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

The total expense recognised in the Statement of Financial Performance of R23,957,352 represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

Included in defined contribution plan information above, are the following plans which is a Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information are not available to enable the municipality to account for the plans as defined benefit plans, the municipality accounted for these plans as defined contribution 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 2014 showed that the funding level is 104.4%.

The pension fund completed its restructuring process during the year and all of the municipal employees who contributed to the fund were transferred to the Cape Joint Defined Contribution Fund.

Cape Joint Retirement Fund

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 2014 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 2014 the SALA Pension Fund was 100% funded and revealed that the fund was certified to be in a sound financial position.

The municipality is involved in a legal claim from SA Local Authorities Pension Fund to the value of R18,538,117 (2014: 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 Municipality is awaiting judgement. Refer to note 41 for detail.

Municipal Councillors Pension Fund

The actuarial valuator of the Pension Fund for councillors on 30 June 2012 stated that it was 102% 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.

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17. Employee benefit obligations (continued)

Staff leave

The movement on the leave accrual consist of the following:

Opening balance	23,732,826	22,230,646
Payments	(1,121,855)	(787,163)
Additional provision	3,424,377	2,289,343
	26,035,348	23,732,826

Staff annual bonus

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

Balance at the beginning of the year	7,918,385	6,491,659
Payments	(7,918,385)	(6,491,659)
Additional bonus accrual recognised during the year	8,596,146	7,918,385
	8,596,146	7,918,385



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18. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Provisions reversed	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
	140,939,488	14,640,845	(13,700)	(61,576,914)	(12,159,905)	81,829,814

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Recognised as Trade and Other payables	Total
Cape Joint Pension Fund	6,030,344	2,173,480	(6,931,007)	(1,272,817)	-
Rehabilitation of landfill site	5,721,707	775,361	-	-	6,497,068
Provision relating to legal claims	1,964,000	-	-	-	1,964,000
Clearing of alien vegetation	1,487,500	770,217	(366,717)	-	1,891,000
Compensation Liability GIPTN	-	130,587,420	-	-	130,587,420
	15,203,551	134,306,478	(7,297,724)	(1,272,817)	140,939,488

Current liabilities consist of

Rehabilitation of landfill site	-	6,497,068
Provision relating to legal claims	1,964,000	1,964,000
Clearing of alien vegetation	353,525	-
Compensation Liability GIPTN	33,675,879	93,413,356
	35,993,404	101,874,424
Non-current liabilities	45,836,410	39,065,064
Current liabilities	35,993,404	101,874,424
	81,829,814	140,939,488



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 2014/2015 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 2014 cost was increased by 5.058% to determine the rehabilitation cost as at 30 June 2015.

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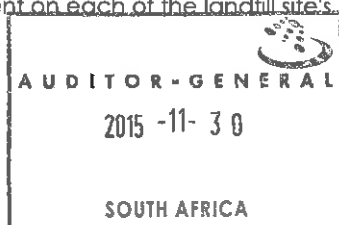
18. Provisions (continued)

Provision is made in terms of the municipality's licensing stipulations on the landfill waste sites, 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 year for both the George and Uniondale landfill sites. The closure licence states that the rehabilitation process should start within five years of the issued date of the licence. The increase in the provision is due to additional requirements as stipulated in the closure licences obtained.

The cost as at 30 June 2015 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 (7.57%).

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

	Opening balance	Additions	Reversal of provision	Total
George	4,968,744	10,500,529	-	15,469,273
Uniondale	1,528,323	863,922	-	2,392,245
	6,497,067	11,364,451	-	17,861,518



Provision relating to legal claims

An amount of R1,964,000 was provided for the claim of James and 10 others. A number of individuals drowned after a bridge collapsed due to heavy rains. The Municipality is in the process of negotiating the quantum of the claims which should be substantially less than the amount claimed. The Municipality received a contribution from their insurance company for the settlement of these claims.

Clearing of alien vegetation

The municipality has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation. This was based on the current clearing cost of between R10,674 and R17,244 per hectare depending on the location (2014: R10,000 to R16,000 per hectare) and the total size of land of 151 hectares to be cleared.

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 current taxi owners who form part of the operating company will 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 (2014: 230) licences were subject to the buy-in option, while 277 (2014: 272) 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 R143,321,566 (2014: R138,515,495). A discount rate of 7.57% (2014: 6.2%) (3 year Government Bond rate) was used to discount the provision.

George Local Municipality
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Figures in Rand	2015	2014
18. Provisions (continued)		
During the year the Municipality paid R61,040,737 of the provision and expects to pay the R33,675,879 within the next twelve months as the next phases of the bus network are rolled out.		
19. Unspent conditional grants and receipts		
Unspent Grants	35,793,306	62,923,610
National Government Grants	11,304,314	11,772,676
Provincial Government Grants	16,267,900	50,950,934
Other	8,221,092	200,000
Less: Unpaid claims i.r.o. grants (Note 4)	(62,368,457)	(65,018,150)
National Government Grants	(34,781,162)	(42,695,335)
Provincial Government Grants	(27,587,295)	(21,185,761)
Other	-	(1,137,054)
	(26,575,151)	(2,094,540)



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

Unconditional Grants		
Grants	92,472,800	85,716,000
Conditional Grants		
Grants and Donations	308,195,051	476,334,510
Subsidies	85,390	1,652,701
Total Government Grants and Subsidies	400,753,241	563,703,211
Government Grants and Subsidies - Capital	149,216,062	273,073,807
Government Grants and Subsidies - Operating	251,537,179	290,629,404
	400,753,241	563,703,211

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

Equitable share		
Opening balance	-	-
Grants received	92,397,000	85,716,000
Conditions met - Operating	(92,397,000)	(85,716,000)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

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

National: Finance Management Grant (FMG)		
Opening balance	-	-
Grants received	1,450,000	1,300,000
Conditions met - Operating	(1,390,613)	(1,213,171)
VAT income on grants transferred to Other Income	(59,387)	(86,829)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Program (e.g. salary costs of the Financial Management Interns).



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Figures in Rand	2015	2014
19. Unspent conditional grants and receipts (continued)		
National: Municipal Systems Improvement Grant (MSIG)		
Opening balance	-	-
Grants received	934,000	890,000
Conditions met - Operating	(822,148)	(805,999)
VAT income on grants transferred to Other Income	(111,852)	(84,001)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
National: Infrastructure Skills Development		
Opening balance	382,313	260,744
Grants received	3,000,000	3,000,000
Conditions met - Operating	(3,166,813)	(2,418,640)
Conditions met - Capital	(103,472)	(336,804)
VAT income on grants transferred to Other Income	(112,028)	(122,987)
Conditions still to be met/(Grant expenditure to be recovered)	-	382,313
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.		
National: Municipal Infrastructure Grant (MIG)		
Opening balance	-	-
Grants received	46,667,000	33,094,000
Conditions met - Operating	(1,897,300)	(1,680,707)
Conditions met - Capital	(44,254,847)	(27,649,301)
VAT income on grants transferred to Other Income	(5,050,662)	(3,763,992)
Conditions still to be met/(Grant expenditure to be recovered)	(4,535,809)	-
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.		
National: Regional Bulk Infrastructure Grant (RBIG)		
Opening balance	11,390,365	11,390,365
Grants received	-	-
Conditions met - Capital	(86,047)	-
VAT income on grants transferred to Other Income	-	-
Conditions still to be met/(Grant expenditure to be recovered)	11,304,318	11,390,365
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.		
National: Integrated National Electrification Grant		
Opening balance	-	4,468,474
Grants received	8,900,000	5,000,000
Conditions met - Capital	(16,096,513)	(8,336,800)
VAT income on grants transferred to Other Income	(775,924)	(1,131,674)
Conditions still to be met/(Grant expenditure to be recovered)	(7,972,437)	-

George Local Municipality
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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
19. Unspent conditional grants and receipts (continued)		
The National Electrification Grant was used to upgrade the sub-station and electrification network.		
National: Electricity Demand Side Management Grant		
Opening balance	-	(3,111,668)
Grants received	-	4,999,700
Conditions met - Operating	-	(1,675,861)
VAT income on grants transferred to Other Income	-	(212,171)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The National Electrification Grant was used during the previous year to implement the Electricity Demand Side Management (EDSM) program by providing capital subsidies to licensed distributors to address EDSM in residential dwellings, communities and commercial buildings in order to mitigate the risk of load shedding and supply interruptions.

National: Expanded Public Works Program Grant (EPWP) Pointduty		
Opening balance	-	-
Grants received	-	360,880
Conditions met - Operating	-	(360,880)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Expanded Public Works Program Grant was used to increase labour employment through infrastructure programs that increase jobs creation and skills development. This additional grant was given specifically to create 40 additional work opportunities.

National: Expanded Public Works Program Grant (EPWP)		
Opening balance	-	-
Grants received	2,933,000	3,285,000
Conditions met - Operating	(2,933,000)	(3,269,924)
VAT income on grants transferred to Other Income	-	(15,076)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

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

National: Lawaakamp Sports Grounds (Lotto)		
Opening balance	(262,147)	337,223
Grants received	-	-
Conditions met - Capital	-	(599,370)
Conditions still to be met/(Grant expenditure to be recovered)	(262,147)	(262,147)

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





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Figures in Rand	2015	2014
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19. Unspent conditional grants and receipts (continued)

National: Public Transport Network Operations Grant (PTNOG)

Opening balance	(41,198,420)	-
Grants received	51,946,000	89,389,000
Conditions met - Operating	(32,758,350)	(130,587,420)
Conditions still to be met/(Grant expenditure to be recovered)	(22,010,770)	(41,198,420)

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.

National: Public Transport Infrastructure Grant (PTIG)

Opening balance	(1,234,769)	-
Grants received	70,308,000	175,630,000
Conditions met - Capital	(59,288,747)	(176,864,769)
Conditions met - Operating	(9,784,484)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	(1,234,769)

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

Provincial: Western Cape Financial Management Support Grant

Opening balance	223,516	-
Grants received	500,000	400,000
Conditions met - Operating	(664,663)	(154,811)
VAT income on grants transferred to Other Income	(58,853)	(21,673)
Conditions still to be met/(Grant expenditure to be recovered)	-	223,516

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.

Provincial: Western Cape Management Support Grant (Good Governance)

Opening balance	290,961	-
Grants received	-	1,100,000
Conditions met - Operating	(254,992)	(709,683)
VAT income on grants transferred to Other Income	(35,969)	(99,356)
Conditions still to be met/(Grant expenditure to be recovered)	-	290,961

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.

Provincial: Integrated Public Transport Network Operations

Opening balance	20,372,114	18,080,492
Repayment of grant	(15,372,114)	-
Grants received	25,000,000	5,000,000
Conditions met - Operating	(36,396,586)	(2,708,378)
Conditions still to be met/(Grant expenditure to be recovered)	(6,396,586)	20,372,114

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Figures In Rand	2015	2014
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19. Unspent conditional grants and receipts (continued)

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.

Provincial: Integrated Public Transport Network Infrastructure

Opening balance	2,457,405	32,073
Grants received	1,500,000	17,500,000
Conditions met - Capital	(3,888,216)	(15,074,668)
Conditions still to be met/(Grant expenditure to be recovered)	69,189	2,457,405

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.

Provincial: Integrated Transport Planning Grant

Opening balance	-	-
Grants received	600,000	396,000
Conditions met - Operating	(564,247)	(348,367)
VAT income on grants transferred to Other Income	(35,753)	(47,633)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

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).

Provincial: Accelerated Housing Program: Bulk Services

Opening balance	5,409,749	1,912,015
Grants received	-	7,500,000
Conditions met - Capital	(5,409,749)	(4,002,265)
Conditions still to be met/(Grant expenditure to be recovered)	-	5,409,750

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.

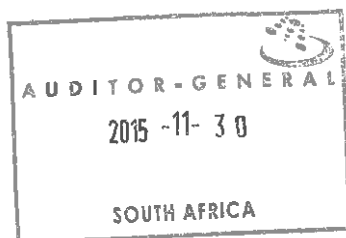
Provincial: Compliance Management System

Opening balance	-	-
Grants received	75,800	-
Conditions met - Operating	(75,800)	-
	-	-

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

Provincial: Human Settlements Operating Grants

Opening balance	(4,553,956)	(5,884,241)
Grants received	26,674,844	17,265,844
Transfer	(2,663,577)	-
Conditions met - Operating	(25,943,869)	(15,935,559)
Conditions still to be met/(Grant expenditure to be recovered)	(6,486,558)	(4,553,956)



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Figures in Rand	2015	2014
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19. Unspent conditional grants and receipts (continued)

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.

Provincial: Human Settlements Capital Grant

Opening balance	-	-
Grants received	14,888,491	35,780,381
Conditions met - Capital	(14,888,491)	(35,780,381)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

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.

Provincial: N2/York Bridge

Opening balance	9,647,721	14,383,890
Grants received	7,876,974	10,000,000
Conditions met - Operating	(17,524,695)	(14,736,168)
Conditions still to be met/(Grant expenditure to be recovered)	-	9,647,722

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

Provincial: Proclaimed Roads

Opening balance	-	(1,181,009)
Grants received	309,026	4,528,645
Conditions met - Operating	(309,026)	(3,347,636)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

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

Provincial: Thembaletu & Pacaltsdorp sport fields (YDVS)

Opening balance	(4,201,270)	(1,629,112)
Grants received	2,658,627	1,465,907
Conditions met - Capital	-	(4,038,066)
Conditions still to be met/(Grant expenditure to be recovered)	(1,542,643)	(4,201,271)

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

Provincial: Haarlem Public Transport Infrastructure

Opening balance	-	1,879,600
Grants received	-	-
Conditions met - Operating	-	(1,879,600)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

This grant was given to the municipality by Provincial Treasury for the construction of pedestrian walkways along Berg Street in Haarlem.

George Local Municipality
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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
19. Unspent conditional grants and receipts (continued)		
Provincial: Library Services		
Opening balance	-	166,721
Grants received	10,349,000	1,602,000
Conditions met - Operating	(7,049,000)	(1,387,358)
Conditions met - Capital	(305,432)	(381,363)
VAT income on grants transferred to Other Income	(1,509)	-
Conditions still to be met/(Grant expenditure to be recovered)	2,993,059	-
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.		
Provincial: Community Development Workers' Operational Grant		
Opening balance	118,931	171,771
Grants received	87,440	98,400
Conditions met - Operating	(152,923)	(141,219)
Conditions met - Capital	(3,694)	(10,021)
VAT income on grants transferred to Other Income	(5,613)	-
Conditions still to be met/(Grant expenditure to be recovered)	44,141	118,931
This grant is for financial assistance to Municipalities to cover the operational expenses i.r.o the functions of the community development workers including the supervisors and regional organisers.		
Provincial: Greenest Town Competition		
Opening balance	-	30,634
Conditions met - Operating	-	(30,634)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
This grant is for the implementation and enhancement program to interact with stakeholders and empower communities to partner with government in implementing environmental and socio-economic programmes.		
Provincial: Thembaletu Thusong Service Centre		
Opening balance	-	-
Grants received	218,000	-
Conditions met - Operating	(218,000)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-
This grant is given to provide financial assistance to Municipalities, ensuring the financial sustainability of the Thusong Service Centres.		
Other: Eden District Municipality Electrification Grant		
Opening balance	200,000	200,000
Grants received	-	-
Conditions met - Operating	-	-
Conditions still to be met/(Grant expenditure to be recovered)	200,000	200,000
The Eden District Municipality grant was given for electrification of certain areas.		

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Figures in Rand	2015	2014
19. Unspent conditional grants and receipts (continued)		
Other: Eden District Municipality Emergency Relief Funds		
Opening balance	-	-
Grants received	6,034,781	1,448,480
Conditions met - Operating	-	(1,448,480)
Conditions met - Capital	(4,890,853)	-
Conditions still to be met/(Grant expenditure to be recovered)	1,143,928	-
This grant was given to reimburse municipalities for flood damage incurred by the Municipality.		
Other: SANRAL N2 /York Bridge		
Opening balance	(1,137,054)	(423,419)
Grants received	22,498,924	17,706,576
Conditions met - Operating	(14,484,705)	(18,420,211)
Conditions still to be met/(Grant expenditure to be recovered)	6,877,165	(1,137,054)
This grant was utilised to widen the N2/York Street bridge and to add a pedestrian crossing to the bridge.		
Other: Department of Water Affairs		
Opening balance	-	(401,646)
Grants received	-	1,440,131
Conditions met - Operating	-	(1,038,485)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
These amounts were given by the Department of Water Affairs for the Working with Water project.		
Other: LG Seta		
Opening balance	-	-
Grants received	85,390	614,216
Conditions met - Operating	(85,390)	(614,216)
Conditions met - Capital	-	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-
These amounts were received from LG Seta based on the Municipality's workplace skills plan.		
Total Grants		
Opening balance	(2,094,540)	40,682,905
Grants received	397,892,294	526,511,160
Repayment	(15,372,114)	-
Transfer	(2,663,577)	-
Conditions met - Operating	(248,873,602)	(290,629,405)
Conditions met - Capital	(149,216,062)	(273,073,807)
VAT income on grants transferred to Other Income	(6,247,550)	(5,585,393)
Conditions still to be met/(Grant expenditure to be recovered)	(26,575,151)	(2,094,540)

George Local Municipality

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Figures in Rand	2015	2014
20. Housing development fund		
Unappropriate surplus	14,125,700	16,101,235
Loans extinguished by Government on 1 April 1998	53,383,243	53,383,243
	67,508,943	69,484,478
The housing development fund is represented by the following assets and liabilities		
Housing selling scheme loans	1,080,027	1,407,039
Inventory	173,109	230,009
Trade and other receivables from exchange transactions	1,060,849	1,229,988
Trade and other receivables from non-exchange transactions	1,400,758	1,507,229
Government grants in debit	12,508,247	-
Bank and cash	51,285,953	65,110,214
Total Housing Development Fund Assets and Liabilities	67,508,943	69,484,478
The prior year values of Trade and other receivables from exchange and non-exchange transactions and Bank and cash is restated to correspond with the records of the Housing Development Fund.		
21. Service charges		
Electricity	470,434,413	439,811,582
Water	97,849,448	91,034,667
Sewerage and sanitation charges	64,419,884	63,811,392
Refuse removal	44,812,272	40,432,083
Other	301,524	375,478
	677,817,541	635,465,202
The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to the approved tariffs.		
The prior period balances were restated for prior period error adjustments. Refer to note 43.2 for more detail.		
22. Other income		
Application fees for second dwelling	174,402	275,304
Building plan fees and related income	3,537,125	3,646,602
Contributions received for capital projects	9,949,493	5,083,379
Public contributions for donated asset additions	2,520,000	15,847,777
Sundry income	9,431,428	11,258,161
VAT income from grants	6,247,552	5,585,393
	31,860,000	41,696,616

The amounts disclosed above for Other Income are in respect of services rendered, other than described in notes 21, 25 and 27 which are billed to or paid for by the users of the services are required according to approved tariffs.

George Local Municipality

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Figures in Rand	2015	2014
23. Investment revenue		
Interest revenue		
Art. 185(a) arrangements	32,755	52,997
Land sales	(16,468)	11,304
Outstanding trade receivables	3,496,084	3,692,316
Selling schemes	121,503	171,597
Victoria Bay loans	1,059	3,680
Interest revenue		
Interest income on bank deposits	15,594,188	17,913,153
Interest income on short term investments	9,178,815	4,472,439
	28,407,936	26,317,486
24. Gains or (losses) on sale of assets		
Property, plant and equipment	(2,152,795)	(99,085)
Investment property	456,657	-
	(1,696,138)	(99,085)



George Local Municipality
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Figures in Rand	2015	2014
25. Property rates		
Rates received		
Commercial	44,028,877	33,538,064
Housing Schemes	46,750	42,699
Industrial	10,840,087	10,291,623
Other (Flat rate)	(130,995)	56,910
Residential	138,565,527	146,897,519
State (Domestic)	349,401	435,455
State (Erven and schools - business tariff)	8,339,359	7,317,080
Less: Impermissible rates	(6,012,650)	(4,064,157)
Less: Income forgone	(23,965,538)	(40,504,422)
	<u>172,060,818</u>	<u>154,010,771</u>
Property rates - penalties imposed	3,872,348	3,759,202
	<u>175,933,166</u>	<u>157,769,973</u>
Valuations		
Commercial	5,991,138,590	5,157,321,790
Industrial	1,475,042,400	1,582,596,200
Municipal (non-taxable valuations)	1,070,083,950	1,150,784,050
Residential	26,554,514,050	27,133,960,550
State (Domestic)	75,027,100	80,416,500
State (Erven and schools)	1,134,761,100	1,125,185,300
	<u>36,300,567,190</u>	<u>36,230,264,390</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 0,5821 (2014: 0,5415) cent in the Rand on total valuations were applied to determine assessment rates. Business tariffs are levied at 0,7349 (2014: 0,6503) for Commercial, Industrial, State Erven and Schools, and this were applicable for all Areas.

A rebate of 17% (2014: 20%) was allowed on residential properties, excluding residential properties in the rural areas, whilst rebates of 10% - 20% (2014: 10% - 20%) were applied to pensioners, based on the annual income of the ratepayer. A rebate of 75% (2014: 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.

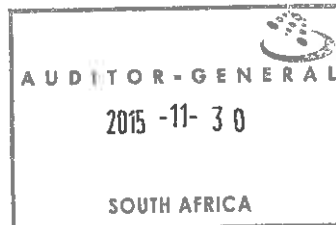
The current General Valuation came into effect on 1 July 2012.

George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2015	2014
26. Government grants and subsidies		
Operating grants		
Equitable share	92,397,000	85,716,000
National: Finance Management Grant (FMG)	1,390,613	1,213,171
National: Municipal Systems Improvements Grant (MSIG)	822,148	805,999
National: Infrastructure Skills Development	3,166,813	2,418,640
National: Municipal Infrastructure Grant (MIG)	1,897,300	1,680,707
National: Electricity Demand Side Management Grant	-	1,675,861
National: Expanded Public Works Program Grant (EPWP) Pointduty	-	360,880
National: Expanded Public Works Program Grant (EPWP)	2,933,000	3,269,924
National: Public Transport Operations Grant	32,758,349	130,587,420
National: Public Transport Infrastructure Grant	9,784,484	-
Provincial: Financial Management Support Grant	664,663	154,811
Provincial: Management Support Grant (Governance support)	254,992	709,683
Provincial: Integrated Public Transport Network	36,396,586	2,708,378
Provincial: Integrated Transport Planning Grant	564,247	348,367
Provincial: Human Settlements Operating Grant	28,607,445	15,935,560
Provincial: N2/York Bridge	17,524,695	14,736,168
Provincial: Proclaimed Roads	309,026	3,347,636
Provincial: Harlem Public Transport Infrastructure	-	1,879,600
Provincial: Library Grant	7,049,000	1,387,357
Provincial: Community Development Workers Operational Grant	152,923	141,219
Provincial: Cleanest / Greenest Town	-	30,634
Provincial: Thembaletu Thusong Service Centre	218,000	-
Provincial: Compliance Management System	75,800	-
District: Eden District Municipality Grants	-	1,448,480
Other: Sanral N2/York Street Bridge	14,484,705	18,420,210
Other: Department of Water Affairs	-	1,038,485
Other: LG Seta	85,390	614,216
	251,537,179	290,629,406
Capital grants		
National: Infrastructure Skills Development	103,472	336,804
National: Municipal Infrastructure Grant (MIG)	44,254,847	27,649,301
National: Regional Bulk Infrastructure Grant	86,047	-
National: Integrated National Electrification Grant	16,096,513	8,336,800
National: Lawaakamp Sports Grounds (Lotto)	-	599,370
National: Public Transport Infrastructure Grant	59,288,748	176,864,768
Provincial: Integrated Public Transport Network Infrastructure	3,888,216	15,074,668
Provincial: Accelerated Housing Program: Bulk Services	5,409,749	4,002,265
Provincial: Human Settlements Capital Grant	14,888,491	35,780,381
Provincial: Thembaletu & Pacaltsdorp sport fields (YDVS)	-	4,038,066
Provincial: Library Grant	305,432	381,363
Provincial: Community Development Workers Operational Grant	3,694	10,021
Other: Eden District Municipality Emergency Relief Funds	4,890,853	-
	149,216,062	273,073,807
	400,753,241	563,703,213

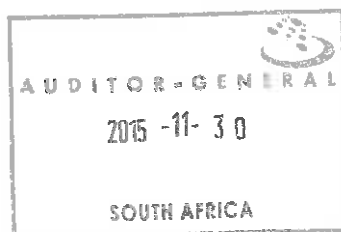


George Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
26. Government grants and subsidies (continued)		
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Office of the Municipal Manager	721,129	513,345
Corporate Services	2,336,889	3,346,669
Community Services	43,091,189	38,050,153
Human Settlements, Land Affairs & Planning	28,929,356	16,770,665
Civil Engineering Services	290,351,615	480,363,894
Electrotechnical Services	30,821,639	21,673,693
Financial Services	4,501,424	2,984,794
	400,753,241	563,703,213
27. Fines		
Building plan penalties	271,742	250,895
Traffic fines	49,119,700	60,460,900
Other fines	228,664	235,968
	49,620,106	60,947,763



The prior period balances were restated for prior period error adjustments. Refer to note 43.4 for more detail.

28. Employee related costs

Basic	222,345,943	194,204,352
Housing benefits and allowances	1,139,846	1,135,271
Long-service awards	1,413,170	1,708,317
Medical aid - company contributions	13,950,130	12,471,033
Other payroll levies	3,013,008	2,762,775
Overtime payments	20,785,834	23,939,458
Employee benefit obligations	23,957,352	19,803,988
- Current service cost	6,009,119	4,969,655
- Interest cost	11,968,268	10,180,578
- Actuarial losses recognised	5,979,965	4,653,755
Travel, motor car, accommodation, subsistence and other allowances	21,513,691	18,716,302
UIF	1,619,464	1,578,260
Pension	28,958,943	28,795,462
WCA	1,515,136	2,002,087
Acting allowances	286,778	353,236
SDL	2,944,956	2,576,867
Ad hoc trips	1,474,075	1,082,479
Subsistence and Travelling Allowance	1,008,368	1,010,070
	345,926,694	312,139,957

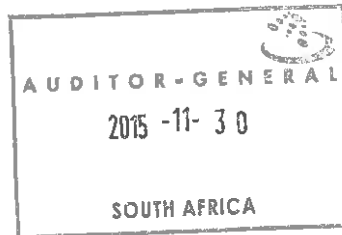
A reclassification of expenses was made from Employee related cost to Remuneration of councillors. Refer to note 43.1 for more detail.

Remuneration of Municipal Manager

Annual Remuneration	1,764,834	1,665,720
Contributions to UIF, Medical and Pension Funds	18,316	16,757
	1,783,150	1,682,477

George Local Municipality
Annual Financial Statements for the year ended 30 June 2015
Notes to the Annual Financial Statements

Figures in Rand	2015	2014
28. Employee related costs (continued)		
Remuneration of Director Financial Services		
Annual Remuneration	1,244,607	1,150,193
Car Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	253,102	230,367
Acting expenses	28,615	47,177
	1,586,324	1,487,737
Remuneration of Director Corporate Services		
Annual Remuneration	1,205,190	1,026,147
Car Allowance	148,140	148,140
Contributions to UIF, Medical and Pension Funds	198,361	188,133
Acting expense	12,332	-
	1,564,023	1,362,420
Remuneration of Director Human Settlement, Land Affairs & Planning		
Annual Remuneration	1,133,892	1,027,735
Car Allowance	96,000	96,000
Contributions to UIF, Medical and Pension Funds	250,021	244,885
Acting expenses	83,169	9,390
	1,563,082	1,378,010
Remuneration of Acting Director Community Services		
Annual Remuneration	930,039	368,230
Car Allowance	130,282	48,511
Bonus	58,218	-
Contributions to UIF, Medical and Pension Funds	148,137	56,500
Acting expenses	44,763	274,539
	1,311,439	747,780
Remuneration of Director Civil Engineering Services		
Annual Remuneration	1,325,558	1,216,044
Car Allowance	132,000	132,000
Contributions to UIF, Medical and Pension Funds	22,355	20,577
Acting expenses	19,838	12,763
	1,499,751	1,381,384
Remuneration of Director Electro- Technical Services		
Annual Remuneration	1,303,298	1,194,910
Car Allowance	144,000	144,000
Contributions to UIF, Medical and Pension Funds	32,615	29,710
Acting expenses	35,483	9,368
	1,515,396	1,377,988



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015
Notes to the Annual Financial Statements

Figures in Rand	2015	2014
29. Remuneration of councillors		
Executive Mayor	451,178	422,966
Deputy Executive Mayor	367,107	367,200
Speaker	429,249	416,451
Chief Whip	364,906	344,251
Mayoral Committee Members	3,661,055	3,220,149
Councillors	5,537,535	5,294,121
Councillors' pension contribution	766,101	734,286
Car allowance	3,796,350	3,534,003
Cellphone allowance	1,022,532	1,019,617
Councillors' contribution to medical aid	281,913	220,524
	16,677,926	15,573,568

A reclassification of expenses was made from Employee related cost to Remuneration of councillors. Refer to note 43.1 for more detail.

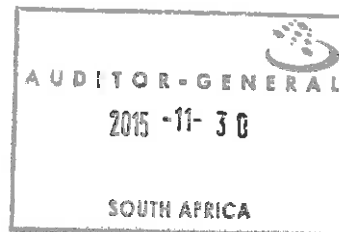
Remuneration for the Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip are:

Executive Mayor

Annual remuneration	451,178	422,966
Car allowance	186,507	175,950
Cellphone allowance	20,868	20,868
Contributions to medical aid and pension fund	108,344	104,885
	766,897	724,669

Deputy Executive Mayor

Annual remuneration	367,107	367,200
Car allowance	149,205	140,760
Cellphone allowance	20,868	20,868
Contributions to medical aid and pension fund	80,510	55,080
	617,690	583,908



Speaker

Annual remuneration	429,249	416,451
Car allowance	149,205	140,760
Cellphone allowance	20,868	20,868
Contributions to medical aid and pension fund	18,368	5,829
	617,690	583,908

Chief Whip

Annual remuneration	364,906	344,251
Car allowance	139,881	131,963
Cellphone allowance	20,868	20,868
Contributions to medical aid and pension fund	54,736	51,638
	580,391	548,720

In-kind benefits

The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Executive Mayor 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.

George Local Municipality
Annual Financial Statements for the year ended 30 June 2015
Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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29. Remuneration of councillors (continued)

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

30. Depreciation and amortisation

Property, plant and equipment	115,825,795	110,232,141
Intangible assets	336,441	489,437
Investment property	161,570	161,573
	116,323,806	110,883,151

31. Impairment of assets

Impairments

Trade receivables from exchange transactions	21,928,199	23,441,729
Trade and other receivables from non-exchange transactions	37,368,699	46,336,564
Other financial assets	(175,635)	(174,098)
	59,121,263	69,604,195

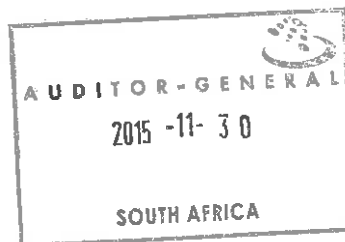
32. Finance costs

Loans and borrowings	46,462,978	50,335,823
Finance leases	837,496	48,632
Provision for rehabilitation of landfill site	1,037,404	775,360
Provision for Compensation Liability GIPTN	2,734,784	-
	51,072,662	51,159,815

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

33. Repairs and maintenance

Streets and Stormwater Network	24,428,935	20,207,605
Sewerage Network	20,090,847	16,883,571
Water Network	7,236,912	6,553,588
Vehicles	10,577,731	5,691,291
Electricity Network	5,458,695	4,508,565
Machinery	4,332,614	3,739,405
Buildings & properties	4,042,409	3,227,939
Other	6,897,841	4,247,171
	83,065,984	65,059,135



34. Bulk purchases

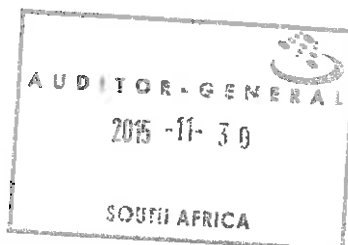
Electricity	310,889,236	287,736,248
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Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom. No water is purchased.

George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
35. Contracted services		
Cemeteries	149,907	230,959
Dumping Site Contractors		4,209,735
Electricity Distribution	15,208,866	14,892,993
Financial Services	2,327,656	2,068,926
Fire Services	97,509	851,291
Housing projects	28,967,361	16,734,784
Human Resources Contractors	1,098,594	822,810
IT Services Mainframe	1,014,208	1,452,370
Integrated Transport Services	70,614,447	132,466,541
Internal Auditors	3,166,409	3,569,788
Other Contractors	6,566,752	1,534,278
Parks and Garden Contractors	3,021,823	3,597,098
Proclaimed Roads	35,952,282	43,245,822
Refuse Removal	1,847,837	2,848,880
Street Cleansing	479,597	628,145
Streets and Stormwater	165,934	892,725
Town Planning	144,532	242,363
Traffic Contractors	2,431,686	3,684,343
Water Distribution	1,476,917	597,637
	174,732,317	234,571,488



36. Grants and subsidies paid

Other subsidies		
Bursary Grants	38,273	149,349
Festival	812,004	941,939
Merit Grants and Donations	114,790	67,850
Sevens Rugby	279,746	-
SPCA - Small Animal Pound	1,455,882	1,209,129
	2,700,695	2,368,267

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 2015
Notes to the Annual Financial Statements

Figures in Rand	2015	2014
37. General expenses		
Advertising	947,544	1,152,740
Auditors remuneration	3,092,309	2,925,837
Bank charges	1,607,857	1,467,771
Chemicals and Cleaning Materials	14,627,654	13,561,558
Clearing of alien vegetation	1,450,736	770,217
Lease rentals on operating lease	2,029,349	1,670,250
Consulting and professional fees	108,407	532,073
Easy Pay Cost	1,353,987	901,388
Vehicle tracking	1,093,902	-
Energy management	-	1,678,195
Motor vehicle expenses	9,022,213	9,743,726
General and additional valuations	1,310,415	1,454,461
IT Expenses	233,275	252,369
Insurance	3,920,207	2,012,963
Laboratory services	584,766	582,857
Legal fees	2,872,159	2,056,770
Software licences	2,424,408	1,896,591
Membership fees	3,281,125	2,937,496
Net Realisable Value written-down for inventory (Note 2)*	-	1,217,000
Training	1,545,581	441,326
Occupational safety	379,185	326,330
Travel - local	945,468	782,100
Other general expenses	16,338,121	12,117,155
Planning cost	1,943,413	1,753,926
Postage	1,803,683	1,792,707
Printing and stationery	2,270,520	1,899,512
Project maintenance costs	10,473,081	18,808,533
Refuse	10,294,414	9,115,914
Security	7,040,118	5,078,216
Telephone and fax	1,634,398	1,373,683
Uniforms	1,322,099	1,211,232
	105,950,394	101,514,896

*The grouping of general expenses has been revised to give more accurate detail of inventory written off to net realisable value.



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
38. Cash generated from operations		
Surplus	112,861,093	243,150,609
Adjustments for:		
Depreciation and amortisation	116,323,806	110,883,152
Gain on sale of assets and liabilities	1,696,138	99,085
Donated asset receipts included in other income	(2,520,000)	(15,847,777)
Net realisable value adjustment of inventory	-	1,217,000
Finance costs - Finance leases	837,496	48,632
Impairment of assets	59,121,262	69,604,195
Movements in operating lease assets and accruals	-	(4,539)
Movements in bonus provision	677,760	1,426,726
Movements in provisions	2,467,241	133,033,661
Provisions utilised during the year	(61,576,914)	(7,297,727)
Movement in Employee benefit asset and liabilities - Medical Aid, Pension and Long Service Awards	23,957,352	19,803,988
Movement in Employee benefit asset and liabilities - Cape Joint Pension Fund	(1,272,817)	1,272,817
Movement in Employee benefit asset and liabilities - Staff leave	2,302,522	1,502,180
Movement in Employee benefit asset and liabilities - Performance bonus	(189,121)	-
Benefits paid regarding employee benefits	(6,362,985)	(6,242,637)
Unspent conditional grants received	397,816,496	526,511,160
Payments from unspent conditional grants	(416,049,555)	(563,703,211)
Non-cash movements on unspent conditional grants	(6,247,552)	(5,585,393)
Changes in working capital:		
(Increase) / Decrease in Inventories	7,826,664	7,758,345
Receivables from exchange transactions	(33,026,803)	(21,808,228)
(Increase) / Decrease in Receivables from non-exchange transactions	(36,982,822)	(29,943,143)
(Increase) / Decrease in Prepayments	(5,239,612)	(2,913,100)
Increase / (Decrease) in Trade and other payables from exchange transactions	32,602,778	15,502,313
(Increase) / Decrease in VAT	4,421,968	(3,572,616)
Increase / (Decrease) in Consumer deposits	1,683,833	2,204,740
	195,128,228	477,100,232
39. Commitments		
Authorised capital expenditure		
Approved and contracted for		
• Infrastructure	44,613,626	91,399,028
• Community	4,532,997	48,164,642
• Other	10,676,809	-
	59,823,432	139,563,670
These expenses will be financed from:		
• Capital replacement reserve	314,050	7,522,655
• External loans	5,960,597	-
• Government Grants	52,311,985	132,041,015
• Other resources	1,236,800	-
	59,823,432	139,563,670



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015
Notes to the Annual Financial Statements

Figures in Rand	2015	2014
39. Commitments (continued)		
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	354,074	332,932
- in second to fifth year inclusive	230,731	143,144
	584,805	476,076

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.

40. Financial Instruments disclosure

Categories of financial instruments

2015

Financial assets

Loans and Receivables

Housing Scheme Loans

Sale of Erven Loans

Loans to Other Organisations

Actaris Meter Debt

Trade and other receivables from exchange transactions

Service Debtors

Housing Rentals

Housing Loan Instalments

Other Debtors

Other receivables from non-exchange transactions

Rates

Fines

Other Debtors

Cash and cash equivalents



At amortised cost	Total
502,979	502,979
101,772	101,772
103,245	103,245
333,503	333,503
72,965,847	72,965,847
62,001	62,001
182,979	182,979
8,032,826	8,032,826
21,994,162	21,994,162
15,244,954	15,244,954
10,759,076	10,759,076
345,880,536	345,880,536
476,163,880	476,163,880

Financial liabilities

Loans and Borrowings

Annuity Loans

Other Loans

Consumer Deposits

Electricity and water

Payables

Trade payables

At amortised cost	Total
410,464,547	410,464,547
904,220	904,220
21,586,067	21,586,067
125,982,090	125,982,090
558,936,924	558,936,924

George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

40. Financial instruments disclosure (continued)

2014

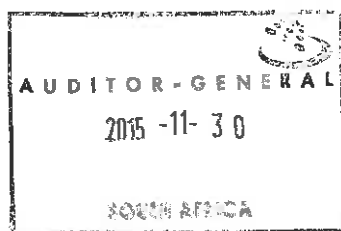
Financial assets

	At amortised cost	Total
Loans and receivables		
Housing Scheme Loans	654,356	654,356
Sale of Erven Loans	163,228	163,228
Loans to Other Organisations	240,141	240,141
Actaris Meter Debt	262,265	262,265
Trade receivables from exchange transactions		
Service Debtors	60,710,230	60,710,230
Housing Rentals	38,560	38,560
Housing Loan Instalments	241,358	241,358
Other Debtors	9,154,901	9,154,901
Other receivables from non-exchange transactions		
Rates	16,134,898	16,134,898
Fines	15,520,736	15,520,736
Sundry and other receivables	16,642,005	16,642,005
Cash and cash equivalents	387,194,924	387,194,924
	506,957,602	506,957,602

Financial liabilities

	At amortised cost	Total
Loans and Borrowings		
Annuity Loans	448,465,183	448,465,183
Other Loans	1,605,272	1,605,272
Consumer Deposits		
Electricity and water	19,902,234	19,902,234
Payables		
Trade payables	97,517,106	97,517,106
	567,489,795	567,489,795





George Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
41. Contingencies		
Contingent liabilities		
Motor vehicle allowance scheme for T-grade 14 employees	1,405,094	-
Compensation for damages		
Panasonic Business Systems Southern Cape	-	85,551
Golden Rewards 1357CC	-	294,274
Lagoon Beach Development (third party)	-	8,700,000
SA Local Authorities Pension Fund	18,538,117	18,538,117
JE & JA Maree	108,000	108,000
Rondevelei Community Association & Others	-	6,400,000
J Barnard	-	465,000
	20,051,211	34,590,942

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 that the motor vehicle allowance should be paid from 1 July 2014. The municipality referred the matter to the internal legal department and the Human Resource department to draft a report to council to note the consequence and budget impact. To date, the employee was not paid and there is the possibility that the municipality might be liable to settle all employees for their unpaid motor vehicle allowances since the council decision in September 2012.

Panasonic Business Systems Southern Cape: Panasonic replaced copier machines without the required authorisations from the Municipality and the Municipality refused to pay the account. Panasonic is claiming part of the contract value as compensation. The claim was settled on the advise of the Council's attorneys.

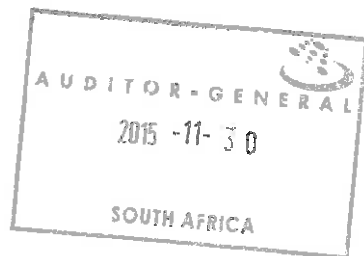
Golden Rewards 1357CC: Tender OS11/2010 was awarded to Golden Rewards 1357CC (the Contractor) for the erection of an ablution facility in Lawaakamp, George. The Contractor constructed the building according to plans provided to him by the Municipality. The Contractor subsequently claimed an amount of R294,274 from the Municipality. The basis of his claim is that the Municipality indicated the wrong sizes of the building on the building plans, which resulted in losses of R294,274. The Municipality did not agree with the allegation of the Contractor, neither with his claim and referred the matter to arbitration in terms of the General Conditions of Contract. The matter is seen as dormant since no further communication has been received from the claimant or his attorney.

Lagoon Beach Development: They lodged a third party claim against the Municipality but the claimed against the Municipality was withdrawn by the applicant.

SA Local Authorities Pension Fund: The municipality is 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 awaiting judgemental.

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

Rondevelei Community Association & Others: A summons was issued against the Municipality for alleged non-compliance to legislation with regards to the rebate on rates on agricultural properties. The case was heard in the High Court and the Court made a finding in favour of the Municipality. The applicants have applied to the court for leave to appeal against the judgement during the 2014 financial year but never followed-up on their application. The appeal period has lapsed.



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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41. Contingencies (continued)

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 for her alleged injuries. The summons was handed to the Municipality's insurers.

Contingent assets

George Housing Association

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.

An application for the liquidation of the association was brought during June 2013 in the High Court and the liquidation process is still not finalised. The final liquidation application will be considered at the August 2015 sitting of the High Court in George.

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 and the transfer of the property should be concluded within six month from this date.



Relationships

- Ward 1
- Ward 2
- Ward 3
- Ward 4
- Ward 5
- Ward 6
- Ward 7
- Ward 8
- Ward 9
- Ward 10
- Ward 11
- Ward 12
- Ward 13
- Ward 14
- Ward 15
- Ward 16
- Ward 17
- Ward 18
- Ward 19
- Ward 20
- Ward 21
- Ward 22
- Ward 23
- Ward 24
- Ward 25

MG Naik
C Neethling
EP De Villiers
LD van Wyk
LBC Esau
HH Ingo
FZ Ntozini
C Standers
T Teyisi
MD Gingcana
NF Kamte
GN Sixelo
B Salmani
C Remas
FS Guga
HJ Jones
D Maritz
GC Niehaus
IC Kritzingner
M Draghoender
JS Thanda
PH de Swardt
GJ Stander
AM Wildeman
MEF Klevnhans

[illegible]

C Bob
BM Cornelius
NNE Dlephu
J du Toit
T Fortuin
V Gericke
WT Harris
LS Hayward
NV Kom
PB Komani
PS Lehlo
R Lombaard
G Macclune
SM Mekana
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 2015

Notes to the Annual Financial Statements

42. Related parties (continued)

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 Grünwald
Municipal Manager	T Botha

Related party transactions

Related party transactions for the year ended 30 June 2015

		Rates	Services	Total	Outstanding / (Account in credit)
Councillors					
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 Kritzinger	3,540	4,620	8,159	(488)
Ex-Co Memb: Planning	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 Kom	-	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

George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

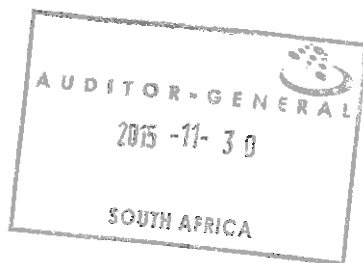
Notes to the Annual Financial Statements

42. Related parties (continued)

Councillor: PR	GMV Sihoyiya	-	6,357	6,357	950
Councillor: PR	MM Nyakathi	-	5,177	5,177	(213)
Section 56 and 57 Personnel					
Municipal Manager	T Botha	11,807	9,244	21,051	(230)
Director Electrotechnical Services	KD Grünwald	9,389	5,519	14,908	2,203
Director Civil Engineering Services	HL Basson	7,755	8,337	16,092	405
Director Human Settlement, Land Affairs & Planning	SB Erasmus	-	1,363	1,363	77
		116,878	310,487	402,137	31,012

Related party transactions for the year ended 30 June 2014

		Rates	Services	Total	Outstanding / (Account in credit)
Councillors					
Executive mayor	C Standers	2,301	6,281	8,582	(107)
Deputy Mayor	D Maritz	-	5,529	5,529	(120)
Speaker	M Draghoender	611	4,910	5,521	(409)
Chief Whipp	PH De Swart	9,543	3,445	12,988	(35)
Ex-Co Memb: Corporate & HR	I Stemela	2,996	4,249	7,245	74
Ex-Co Memb: Electrotechnical Services	WT Harris	623	6,385	7,008	159
Ex-Co Memb: Financial Services	LD Van Wyk	6,955	5,632	12,587	(175)
Ex-Co Memb: Community Services	IC Kritzing	3,174	4,683	7,857	(149)
Ex-Co Memb: Planning	GJ Stander	11,220	5,325	16,545	1,398
Ex-Co Memb: Community Services	EP De Villiers	6,000	5,767	11,767	-
Councillor: Ward 2	C Neethling	6,038	7,197	13,235	2,026
Councillor: Ward 5	LBC Esau	3,431	6,314	9,745	580
Councillor: Ward 6	HH Ingo	614	4,492	5,106	(4)
Councillor: Ward 11	NF Kamte	-	6,198	6,198	(51)
Councillor: Ward 12	GN Sixolo	-	3,939	3,939	(12)
Councillor: Ward 14	C Remas	3,301	11,861	15,162	(235)
Councillor: Ward 15	FS Guga	-	5,027	5,027	(15)
Councillor: Ward 18	GC Niehouse	12,142	48,019	60,161	4,669
Councillor: Ward 21	JS Thanda	-	3,445	3,445	-
Councillor: Ward 24	AM Wildeman	-	3,166	3,166	(33)
Councillor: PR	BM Cornelius	1,132	5,048	6,180	(142)
Councillor: PR	CT Williams	663	6,545	7,208	(100)
Councillor: PR	LS Hayward	9,292	6,172	15,464	(39)
Councillor: PR	NV Kom	-	4,253	4,253	(84)
Councillor: PR	T Fortuin	442	4,746	5,188	49
Councillor: PR	PS Leholo	-	3,445	3,445	(287)
Councillor: PR	R Lombaard	1,923	15,166	17,089	1,053
Councillor: PR	PJ Van der Hoven	5,262	8,307	13,569	(183)
Councillor: PR	SM Mekana	-	4,241	4,241	(285)
Councillor: PR	PB Komani	459	14,938	15,397	6,753
Councillor: PR	C Bob	1,281	5,633	6,914	93



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015
Notes to the Annual Financial Statements

42. Related parties (continued)

Councillor: PR	G Macclune	-	1,387	1,387	(313)
Councillor: PR	B Petrus	440	4,805	5,245	(666)
Councillor: PR	MM Nyakathi	-	4,676	4,676	(191)
Councillor: PR	GMV Sihoyiya	-	4,338	4,338	(327)
Councillor: PR	AJ Van Zyl (Spouse's account)	9,503	4,710	14,213	1,169

Section 56 and 57

Personnel

Municipal Manager	T Botha	-	1,518	1,518	163
Director Electrotechnical Services	KD Grünewald	8,418	4,569	12,987	(1,561)
Director Civil Engineering Services	HL Basson	7,662	7,540	15,202	3,953
Director Human Settlement, Land Affairs & Planning	SB Erasmus	-	2,660	2,660	294
		115,426	266,561	381,987	16,910

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 28 and 29 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

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

43. Prior period errors and reclassifications

STATEMENT OF FINANCIAL POSITION	2014 previously reported	Reclassify adjustments	Adjustments of errors	2014 restated
Assets				
Current Assets				
Inventories	174,686,708	-	-	174,686,708
Trade receivables from exchange transactions	70,145,049	-	-	70,145,049
Trade and other receivables from non-exchange transactions (Note 43.2, 43.4)	118,680,977	-	(3,908,110)	114,772,867
Prepayments	143,105,100	-	-	143,105,100
VAT receivable (Note 43.2)	2,822,551	-	856,874	3,679,425
Loans and receivables	328,036	-	-	328,036
Cash and cash equivalents	387,194,924	-	-	387,194,924
	896,963,345	-	(3,051,236)	893,912,109
Non-current Assets				
Property, plant and equipment (Note 43.6)	2,414,870,619	-	4,822,086	2,419,692,705
Intangible assets	799,566	-	-	799,566
Heritage assets	4,236,000	-	-	4,236,000
Investment property	152,579,362	-	-	152,579,362
Loans and receivables (Note 43.2)	989,333	-	2,621	991,954
	2,573,474,880	-	4,824,707	2,578,299,587
Total Assets	3,470,438,225	-	1,773,471	3,472,211,696
Liabilities				
Current Liabilities				
Loans and borrowings	40,483,315	-	-	40,483,315
Finance lease obligation	1,793,004	-	-	1,793,004
Trade and other payables from exchange transactions (Note 43.2, 43.3)	116,450,196	-	1,961,247	118,411,443
Consumer deposits	19,902,234	-	-	19,902,234
Employee benefits	39,476,134	-	-	39,476,134
Provisions	101,874,424	-	-	101,874,424
Unspent conditional grants and receipts	62,923,610	-	-	62,923,610
	382,902,917	-	1,961,247	384,864,164
Non-Current Liabilities				
Loans and borrowings	409,587,140	-	-	409,587,140
Finance lease obligation	8,461,711	-	-	8,461,711
Employee benefits	132,443,933	-	-	132,443,933
Provisions	39,065,064	-	-	39,065,064
	589,557,848	-	-	589,557,848
Total Liabilities	972,460,765	-	1,961,247	974,422,012
Total Net Assets	2,497,977,460	-	(187,776)	2,497,789,684
Net Assets				
Housing development fund	69,484,478	-	-	69,484,478
Accumulated surplus	2,428,492,982	-	(187,776)	2,428,305,206
	2,497,977,460	-	(187,776)	2,497,789,684

George Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements**43. Prior period errors and reclassifications (continued)****STATEMENT OF FINANCIAL PERFORMANCE**

	2014 previously reported	Reclassify adjustments	Adjustments of errors	2014 restated
Revenue from exchange transactions	732,117,078	-	(6,120,126)	725,996,952
Service charges (Note 43.2)	641,585,328	-	(6,120,126)	635,465,202
Rental revenue	2,272,511	-	-	2,272,511
Income from agency services	6,961,369	-	-	6,961,369
Licences and permits	2,088,827	-	-	2,088,827
Sale of erven	11,194,942	-	-	11,194,942
Other income	41,696,616	-	-	41,696,616
Interest received	26,317,485	-	-	26,317,485
Revenue from non-exchange transactions	782,439,649	-	(18,700)	782,420,949
Property rates	154,010,771	-	-	154,010,771
Property rates - penalties and collection charges	3,759,202	-	-	3,759,202
Government grants and subsidies	563,703,213	-	-	563,703,213
Fines (Note 43.4)	60,966,463	-	(18,700)	60,947,763
	1,514,556,727	-	(6,138,826)	1,508,417,901
Expenditure				
Employee related cost (Note 43.1, 43.3)	311,839,315	(5,829)	306,471	312,139,957
Remuneration of councillors (Note 43.1)	15,567,737	5,829	-	15,573,566
Loss on disposal of assets	99,085	-	-	99,085
Depreciation and amortisation (Note 43.6)	110,052,752	-	830,400	110,883,152
Impairment losses	69,604,195	-	-	69,604,195
Finance cost	51,159,815	-	-	51,159,815
Collection cost	3,643,627	-	-	3,643,627
Repairs and maintenance	65,059,136	-	-	65,059,136
Bulk purchases	287,736,248	-	-	287,736,248
Contracted services	234,571,487	-	-	234,571,487
Grants and subsidies paid	2,368,266	-	-	2,368,266
Cost of erven sold	10,914,300	-	-	10,914,300
General Expenses (Note 43.5)	100,474,917	-	1,039,539	101,514,456
	1,263,090,880	-	2,176,410	1,265,267,290
Surplus / (Deficit) for the year	251,465,847	-	(8,315,236)	243,150,611
CASH FLOW STATEMENT				
Net cash from operating activities	477,097,612	-	2,621	477,100,233
-2621	(189,830,787)	-	(2,621)	(189,833,408)
Net cash from financing activities	(166,949,027)	-	-	(166,949,027)
Total cash movement for the year	120,317,798	-	-	120,317,798
Cash and cash equivalents at the beginning of the year	266,877,126	-	-	266,877,126
	387,194,924	-	-	387,194,924

George Local Municipality
Annual Financial Statements for the year ended 30 June 2015
Notes to the Annual Financial Statements

43. Prior period errors and reclassifications (continued)

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:

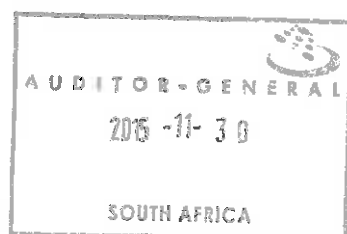
43.1 Reclassification of medical aid payments

One of the councillor's medical aid payments was incorrectly classified as part of Employee Related Cost. This was moved to Councillors' Remuneration.

The effect of the reclassification is as follows:

Increase / (Decrease) Councillors Remuneration	5,829
Increase / (Decrease) in Employee Related Cost	(5,829)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2014	-





George Local Municipality Annual Financial Statements for the year ended 30 June 2015 **Notes to the Annual Financial Statements**

43. Prior period errors and reclassifications (continued)

43.2 Prior year error: Pre-paid electricity

Pre-paid electricity sales by third parties is done via the ITRON systems. The daily sales information is automatically integrated into the Municipality's financial system. During the compilation of the financial statements of 30 June 2014, the electricity sales of the last few days of the financial year were duplicated with a manual journal as it was assumed that these sales did not integrate correctly. The manual journal was reversed with the compilation of the current year's financial statements.

The effect of the prior year error is as follows:

Increase / (Decrease) in Service charges	(6,120,126)
(Increase) / Decrease in Trade receivables from non-exchange transactions	7,020,460
(Increase) / Decrease in VAT receivable	(856,874)
(Increase) / Decrease in Loans and receivables	(2,621)
Increase / (Decrease) in Trade and other payables from exchange transactions	(40,839)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2014	(6,120,126)

43.3 Prior year error: Compensation Commissioner

The annual assessments of the Compensation Commissioner was paid late. The 2013 assessment of R1,695,616 was paid during the 2014 financial year and the 2014 assessment was paid during the 2015 financial year. The recognition of the expense was corrected as follows:

Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	(1,695,616)
Decrease / (Increase) in Employee related cost	(306,471)
Increase / (Decrease) in Trade and other payables from exchange transactions	2,002,087
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2014	(2,002,087)

43.4 Prior year error: Traffic fines received for 30 June 2013 financial year

The Municipality performed a reconciliation of fines issued and paid since 1 July 2013 to account for fine revenue in terms of IGRAP1. Fine payments received during the year for fines issued in the 30 June 2013 financial year were found in the Fine debtor account. These fines have been moved to the 2013 financial year.

During the above mentioned reconciliation it was found that the fines debtor on 30 June 2014 was overstated by R18,700.

The effect of these corrections are as follows:

Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	3,131,050
(Decrease) / Increase in Fines revenue	(18,700)
(Increase) / Decrease in Trade and other receivables from non-exchange transactions	(3,112,350)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2014	3,112,350



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015
Notes to the Annual Financial Statements

43. Prior period errors and reclassifications (continued)

43.5 Housing Development Fund contribution to Accumulated surplus

During the compilation of the financial statements for the year ended 30 June 2014, the expenses paid from the Housing Development Fund was R7,845,640 which formed part of the surplus for the year, but the Housing Development Fund only contributed R6,806,101. R1,039,539 was incorrectly shown as bridging finance for asset additions on the Statement of Changes in Net Assets. The transactions between the Housing Development Fund and the Accumulated surplus was corrected during the current year.

The effect of this correction is as follows:

Decrease / (Increase) in General Expenses	(1,039,539)
Increase / (Decrease) in transfer from Housing Development Fund to Accumulated surplus on the Statement of Changes in Net Assets	1,039,539
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2014	<u>1,039,539</u>

43.6 Depreciation of items of Property, plant and equipment

Items of Property, plant and equipment were found that did not depreciate during the financial year ended 30 June 2014 and other items depreciated to their residual values. The depreciation of these items were corrected

The effect of this correction is as follows:

Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2013	5,652,483
Decrease / (Increase) in Depreciation	(830,400)
Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2014	<u>4,822,083</u>

44. 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.



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

44. 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 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	88,211,094	80,569,736	192,449,773	356,623,831
Consumer Deposits	21,586,067	-	-	-
Trade and other payables	124,296,133	3,033,935	8,564,332	-
At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Loans and borrowings	86,937,797	82,633,665	208,951,235	409,147,365
Consumer Deposits	19,902,234	-	-	-
Trade and other payables	104,548,058	-	-	-

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.

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.

George Local Municipality

Annual Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

44. Risk management (continued)

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

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

Financial instrument	2015	2014
Loans and receivables	1,041,499	1,319,990
Trade receivables from exchange transactions	81,243,653	70,145,049
Trade receivables from non-exchange transactions	111,737,297	114,772,867
Cash and cash equivalents	345,880,536	387,194,924

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.

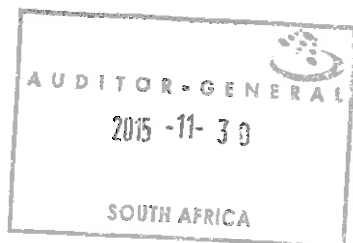
There has been no change, since the previous financial year, to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

45. Events after the reporting date

On Wednesday the 19th of August 2015 six buses of George Municipality that were used to provide a public transport service as part of the GIPTN system were vandalised during public violence protest/incident of which 4 buses were totally destroyed and 2 were severely damaged.

The damages are estimated at an amount of R10.3 million, the cost of the burnt buses are approximately R10 million and the repair cost of the other 2 buses are roughly R150 000.

As a result of this unfortunate incident, the roll out of future bus routes has been postponed until further notice.



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015
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Figures In Rand	2015	2014
46. Unauthorised expenditure		
Employee related cost		
Reconciliation of unauthorised expenditure		
Opening balance	17,878,781	7,545,238
Unauthorised expenditure current year	25,185,861	17,878,781
Approved by Council or condoned	(17,878,781)	(7,545,238)
	25,185,861	17,878,781

The unauthorised expenditure relates to the budget overspending due to Provision for Employee Benefits.

Unauthorised expenditure for the year ending 30 June 2015 will be presented to the council after year end to be condoned.

Impairment losses

Reconciliation of unauthorised expenditure		
Opening balance	47,604,195	12,721,151
Unauthorised expenditure current year	7,604,162	47,604,195
Approved by Council or condoned	(47,604,195)	(12,721,151)
Transfer to receivables for recovery	-	-
	7,604,162	47,604,195

The unauthorised expenditure relates to budget overspending due to fines debtors being impaired.

Unauthorised expenditure for the year ending 30 June 2015 will be presented to the council after year end to be condoned.

Depreciation and amortisation

Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	1,534,175	-
Approved by Council or condoned	-	-
	1,534,175	-

Unauthorised expenditure for the year ending 30 June 2015 will be presented to the council after year end to be condoned.

Finance charges

Reconciliation of unauthorised expenditure		
Opening balance	546,547	201,880
Unauthorised expenditure current year	1,649,470	546,547
Approved by Council or condoned	(546,547)	(201,880)
	1,649,470	546,547

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.



George Local Municipality
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46. Unauthorised expenditure (continued)

Other expenses

Reconciliation of unauthorised expenditure

Opening balance	99,085	-
Unauthorised expenditure current year	-	99,085
Approved by Council or condoned	(99,085)	-
	<u>-</u>	<u>99,085</u>

Capital expenditure

Reconciliation of unauthorised expenditure

Opening balance	-	-
Unauthorised expenditure current year	7,561,768	-
Approved by Council or condoned	-	-
	<u>7,561,768</u>	<u>-</u>

The unauthorised expenditure relates to the new requirements in the provision for the rehabilitation of the landfill site (Refer to 54.15) and the correction of furniture purchases (Refer to 54.12).

Unauthorised expenditure for the year ending 30 June 2015 will be presented to the council after year end to be condoned.

47. Fruitless and wasteful expenditure

Forensic investigation at traffic department on cash received but not banked (incident happened during 2012 financial year)	-	11,050
Amount written off	-	(6,800)
Amount recovered	-	(4,250)
	<u>-</u>	<u>-</u>

48. Irregular expenditure

Opening balance	98,300	-
Add: Irregular Expenditure - current year	12,241	98,300
Less: Amounts ratified by Accounting Officer	(98,300)	-
	<u>12,241</u>	<u>98,300</u>

The council resolved in their meeting dated 24 June 2015 that the minor breaches of the procurement process as identified in the annual financial statements of 30 June 2014 should be ratified by the Accounting Officer in terms of regulation 36 of the MFMA: Municipal Supply Chain Management Regulations.

Details of irregular expenditure – current year

Payments made to persons in service of the state	<u>12,241</u>
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George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

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48. Irregular expenditure (continued)

Alleged Irregular Expenditure under Investigation

The Municipality had, in terms of Section 32 of the Municipal Finance Management Act (No. 56 of 2003), conducted an investigation regarding alleged irregular expenditure committed by municipal officials.

The disciplinary process as well as the civil actions are not finalised as at 30 June 2015. It was therefore not possible to quantify the amount of the alleged irregular expenditure and also to identify related parties linked to the allegations.

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)	451,736,971	453,546,059
Units lost during distribution	29,205,414	33,526,680
Percentage lost during distribution	6.47%	7.39%

Water distribution

Kilolitres purified	10,607,525	10,043,705
Kilolitres lost during distribution	1,673,175	1,358,963
Percentage lost during distribution	15.77%	13.53%

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:

Woodfields Pumpstation	2,520,000	-
Thembalethu Tourism Office (Erf 9720)	-	1,739,679
Pacaltsdorp Tourism Office (Erf 8537)	-	1,417,771
Outeniqua Rugby Stadium pavilions	-	11,360,800
Outeniqua Rugby Stadium admin office	-	575,250
Rooirivier Sport Complex, Clubhouse and stoep	-	437,850
Caledon Main Library's computer equipment	-	40,816
Branch Libraries' computer equipment	-	249,295
	2,520,000	15,821,461

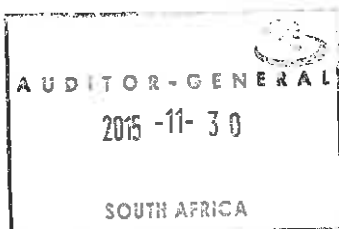
51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2,913,100	2,603,565
Amount paid - current year	(2,913,100)	(2,603,565)
	-	-

Audit fees

Current year fee	3,092,309	2,925,837
Amount paid - current year	(3,092,309)	(2,925,837)
	-	-



George Local Municipality
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Figures in Rand	2015	2014
51. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Current year subscription / fee	47,774,126	41,054,389
Amount paid - current year	(47,774,126)	(41,054,389)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	68,550,707	62,542,531
Amount paid - current year	(68,550,707)	(62,542,531)
	<u>-</u>	<u>-</u>
VAT		
VAT receivable / (payable)	<u>(742,543)</u>	<u>3,679,425</u>

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	Outstanding less than 90 days	Outstanding more than 90 days	Total
HH Ingo	<u>4,927</u>	<u>12,832</u>	<u>17,759</u>

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/condoned 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	350,637	677,855	582,188	-
Corporate & Social Services	104,833	310,862	1,005,894	-
Civil Engineering Services	531,876	2,075,173	1,974,400	-
Electro-technical Services	390,380	1,264,535	676,542	-
Human Settlement, Land Affairs & Planning	21,544	345,497	-	-
Environmental Affairs & Community Safety	760,947	1,086,923	-	-
Financial Services	249,713	658,248	235,022	-
	<u>2,409,930</u>	<u>6,419,093</u>	<u>4,474,046</u>	<u>-</u>



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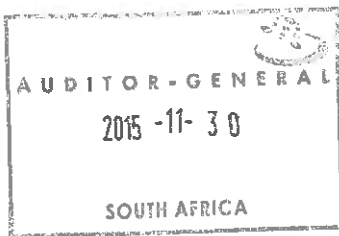
2015

2014

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

The major deviations were as follows:

Awarded	Amount	Reason / Explanation
Altech Netstar	1,022,894	Tracker equipment - Impractical to follow official procurement process. Current contract for tracking devices on municipal vehicles is with Netstar.
Hidro-Tech Systems	951,507	Repair and service of pumps at Kaaimans pump station - Exceptional case, direct negotiations with three suppliers
Brasika Consulting	582,188	GIPTN project support and due diligence - Exceptional case and impractical to follow the official procurement process.
SITA	505,894	Master Licensing Agreement - Impractical to follow the official procurement process. Make use of state tender
Bytes Universal Systems	500,000	Biometric system - Sole supplier
Ramcom	456,460	Repair accident damages truck - Sole supplier between Western Cape and Port Elizabeth
Bytes Universal Systems	235,022	Overtime module - Sole supplier
ESP Equipment Spare Parts Africa	220,083	Parts & repair bulldozer - Emergency
Much Asphalt	200,000	Hot mix asphalt - Sole supplier in area
Brasika Consulting	196,470	Procurement of Internal Audit Services - Exceptional case and impractical to follow the official procurement process.
Aqua Flox	181,488	Repair sand filters at the old water treatment works - Emergency
AKURA	171,000	New transport container - Sole supplier
Huber Technology	153,404	Replace equipment at Inlet works - Sole supplier
Sanitech	149,297	Chemical toilets - Impossible to follow the official procurement process. Only two suppliers
AKURA	143,176	Maintenance and fixing / replacing all broken and worn parts of compactor. Impractical to follow the official procurement process. AKURA custom made the compactor for the Municipality
Valley Container Hire	141,360	Rental of 40 sleeper containers - Emergency
Konica Minolta	119,377	Two copiers for councillors offices. Impossible to follow the official process. Urgent need.
Konica Minolta	119,377	Two copiers for Go George offices - Impossible to follow the official procurement process. Urgent need for copiers at Go George offices.
South Cape Petroleum	119,370	Petrol for depot - Emergency
Suid Kaap Besproeiing	113,182	Pump for Wilderness reservoir - Emergency
Omnisolar	109,358	Grundfos pump - Emergency
Syntell	108,480	Spare controllers for Movac - Sole Supplier
AKURA	108,300	Main cylinder for compactor - Sole supplier
Much Asphalt	106,062	Hot mix asphalt - Sole supplier in area
Suid Kaap Besproeiing	102,520	New pump for Constantia pump station - Emergency
	6,816,269	



George Local Municipality
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51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Purchases from related parties

The municipality made the following payments to companies / persons who are considered to be related parties:

Company name	Related person	Company capacity	Capacity at State / Municipality	Relationship	Payments
Aurecon SA (Pty) Ltd	Various	Various	Various	Various	11,592,330
	ZB Ebrahim	Non-executive director	Social Housing Regulatory		
Royal Haskoning DHV*	JD van Eeden	Member	Councillor	Brother	6,071,954
			Langeberg Department of Water Affairs	Nephew	
Adenco Construction	V Machimana	Director	Department of Health	Parent	4,457,415
	DCC Jackson	Director	Teacher	Parent	
ABSA Bank	M Ramos	CEO	SA Politician	Spouse	2,959,844
	LL Von Zeuner	Director	Department of Health	Brother	
Moreki Distributors	MD Moreki	Director	Palm Springs Magistrates Courts	Spouse	2,196,512
Montidox CC	N Beja	Director	Department of Health	Spouse	1,448,208
Minolta SA:George	KR Mthimunye	Non-executive director	Mintek		1,377,899
I Stemela GIPTN Compensation paid*	I Stemela		Councillor of George Municipality		1,210,000
E Nqumse GIPTN Compensation paid	Q Nqumse		Official at George Municipality		810,000
KB Meyer GIPTN Compensation paid	KB Meyer		Official at George Municipality		710,000
MVD Consulting Engineers	CV Swart	Director	Teacher	Spouse	617,115
Trentyre	MP Mona	Member	SA Forestry Company		459,378
	A Sing	Non-executive director	DBSA		
J Potts GIPTN Compensation paid	J Potts		Official at George Municipality		360,000
AON SA	NT Magau	Non-executive director	NT Radioisotopes		347,241
Elster Kent Metering	NY Nkabinde	Director	Competition Commissioner		303,656
ISHS	CM Willemse	Director	Teacher	Spouse	299,250
DFN Construction	D Noemdoe	Member	Official at George Municipality	Brother	208,835
			Department of Labour	Sister	
Total Client Service	V Zitumane	Member	EC Parks & Tourism		156,813
	BKD Mafu	Non-executive director	EC Liquor Board		
IJ's Body Auto	IJ Kawie	Owner	Justice and Constitutional Development		150,471

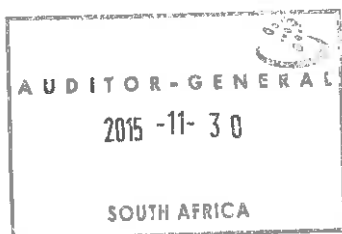
George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

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

Company name	Related person	Company capacity	Capacity at State / Municipality	Relationship	Payments
AH Cupido	AH Cupido	Owner	Official at George Municipality	Son	132,521
Raubenheimers Incorporated	WM Luttig	Director	Teacher	Spouse	124,822
Bearing Warehouse	FC Zeelie	Member	Department of Agriculture	Spouse	115,951
Omnisolar	JE Albert	Member	Not Indicated	Spouse	113,618
Seebosrand Catering	ME Classen	Owner	Official at George Municipality	Daughter	109,711
Wolfe Pack Race	K Langeveldt	Owner	Official at George Municipality	Spouse	96,955
Rayleen Jansen*	R Jansen	Owner	Councillor of George Municipality	Partner	93,332
Otto Waste Systems	J Lekgetha	Non-executive director	African Exploration Mining and Finance Corporation		91,718
SBV Services	GC Dunnington	Member	Joburg Property Company		90,620
	G Serfontien	Member	University of Johannesburg		
Tuiniqua Consulting Engineers	E Huistra	Member	Department of Education	Spouse	87,085
INCA Portfolio Managers	M Mokoene	Non-executive director	Gautrain Management Agency		70,317
Cecil Nurse	KR Mthimunye	Non-executive director	Mintek		70,279
Constitution Projects	M Meyer	Owner	Daughter of official at George Municipality in the previous twelve months		45,466
AWM Peterson-Mitchell GIPTN Compensation	AWM Peterson-Mitchell		Official at George Municipality	Spouse	22,500
RE Konstruksie	RE Appels	Owner	Official at George Municipality	Spouse	11,488
Luluwolvethu Construction	G Rasi	Owner	Official at George Municipality	Spouse	18,755
Jaji Bee Relocaton and Honey Farming	QJ Jaji	Owner	Official at George Municipality	Daughter	16,590
Zenobia Trading 209 CC	T Naidoo	Director	EC Education		15,931
CQS Technology	IB Skosana	Non-executive director	Transnet		14,944
Affrox	NA Thomson	Member	Transnet		12,241
Ratanga Construction	NM Cupido	Owner	Official at George Municipality in the previous twelve months		6,859
Rosmell	C Manchest	Director	SAPS	Spouse	3,250
Uniondale Integrated Empowerment	S Arends	Member	Department of Health		2,064
Siyakhatala Safety	AP Els	Director	SAPS	Spouse	1,596
Bushi Borduurwerke	L Basson	Owner	Official at George Municipality	Spouse	1,003



George Local Municipality
Annual Financial Statements for the year ended 30 June 2015
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51. Additional disclosure in terms of Municipal Finance Management Act (continued)

Company name	Related person	Company capacity	Capacity at State / Municipality	Relationship	Payments
Nashua Mobile	D Mazibuko	Non Executive Director	National Departments of Arts & Culture		752
					37,107,289

* Related party transaction

52. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	411,368,767	450,070,454
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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	-	-
Provincial grants	36,448,730	-
National grants	42,490,689	-
Fare Revenue	7,829,235	-
Other income	193,889	-
Less: Expenses	(86,962,192)	-
	351	-

54. Budget differences

54.1 Investment revenue

The difference between the final adjustments budget and the actual amounts is 23%. The differences consist of interest received as a result of more short term investments made on surplus funds.



George Local Municipality
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54. Budget differences (continued)

54.2 Debt Impairment

The difference between the final adjustments budget and the actual amounts is 15% and the majority of the difference consist of the movement on the allowance for impairment of fines receivable not budgeted for.

54.3 Contributions recognised - capital and contributed assets

The difference between the final adjustments budget and the actual amounts is 127% and consist of more capital contributions received due to more property developments that are taking place. The donated asset of R2,520,000 was also not budgeted for.

54.4 Capital expenditure: Executive and Council

The difference between the final adjustments budget and the actual amounts is 41%. There was an under spending on ward projects due to certain projects that was shifted to operating projects.

54.5 Capital expenditure: Corporate Services

The difference between the final adjustments budget and the actual amounts is 52%. Vehicles to the value of R2,8 million could not be delivered at the end of June 2015 and will be rolled over to 2015/2016 as the funding is already committed.

54.6 Capital expenditure: Community and social services

The difference between the final adjustments budget and the actual amounts is 79% and consist of the extension of the Conville Library Services (R3 million) which could not be completed due to the delay in the appointment of a project manager.

54.7 Capital expenditure: Sport and recreation

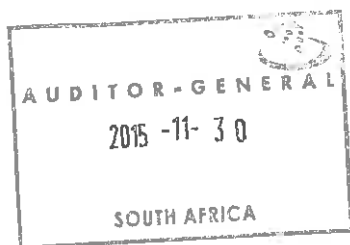
The difference between the final adjustments budget and the actual amounts is 35% and consist of a tender for the purchasing of trailers and tractors that were set out but the tenders received did not adhere to the tender specifications. These projects will be rolled over to 2015/2016 as the funding is already committed

54.8 Capital expenditure: Public safety

The difference between the final adjustments budget and the actual amounts is 15% and consist of a tender for the acquisition of a bakkie and a car which was awarded but could not be delivered before the end of June 2015 and will be rolled over to 2015/2016 as the funding is already committed.

54.9 Capital expenditure: Housing

The difference between the final adjustments budget and the actual amounts is 78%. Permission was granted by the Minister to re-appropriate the land but the approval to utilise the SOA as funding is still outstanding and thus the reason why the purchasing of the land could not be completed.



George Local Municipality
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54. Budget differences (continued)

54.10 Capital expenditure: Health

The difference between the final adjustments budget and the actual amounts is 99%. The tender process was followed to purchase Community facilities of R1,6 million but the delivery could not take place at the end of June 2015. The project will be rolled over to 2015/2016 for completion.

54.11 Capital expenditure: Road transport

The difference between the final adjustments budget and the actual amounts is 13%. The budgeted amount included maintenance plans for the buses which are not capital expenses.

54.12 Capital expenditure: Environmental protection

The difference between the final adjustments budget and the actual amounts is 61% and consist of furniture purchases which was incorrectly purchased and was rectified at year end.

54.13 Capital expenditure: Electricity

The difference between the final adjustments budget and the actual amounts is 27%. The unspent amounts related to phases of projects that were completed and the savings are being rolled over to 2015/2016 financial year to complete the other phases of the respective projects.

54.14 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 which could not be completed as there was a delay with the awarding of the contract due to the CIBD registration of the contractors. The project will be rolled over to the 2015/2016 financial year for completion.

54.15 Capital expenditure: Waste management

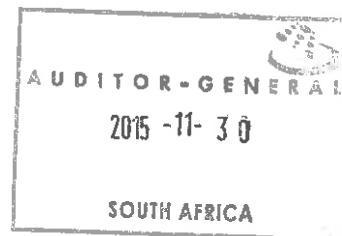
The difference between the final adjustments budget and the actual amounts is 219% and consist of a tender for the purchasing of a refuse truck which was awarded but the delivery of the truck could only take place in 2015/2016. The tender amount is R1,75 million. The rest of the difference consist of the provision for additional work to be done on the rehabilitation of the landfill sites. Refer to note 18 for more detail.

EE. Properly, plant and equipment - detailed analysis

AUDITOR-GENERAL
2015-11-30

GEORGE LOCAL MUNICIPALITY
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55. Property, plant and equipment - detailed analysis

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GEORGE LOCAL MUNICIPALITY
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55. Properly plan and estimate - detailed analysis

[illegible]

GEORGE LOCAL MUNICIPALITY
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George Local Municipality

Annual Financial Statements for the year ended 30 June 2015

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)

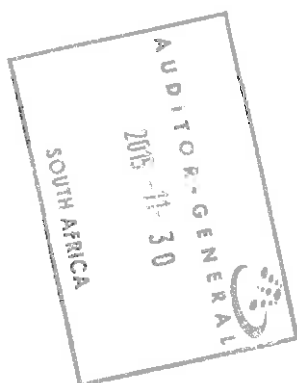
The Municipal Land Transport Fund was established on 8 December 2014, which is the date the transport service commenced.

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
Revenue			
Fare revenue	7,829,235	-	7,829,235
Government Grants and subsidies	78,939,418	60,004,273	138,943,691
Other income	193,889	-	193,889
Total revenue	86,962,542	60,004,273	146,966,815
Expenditure			
Employee related cost	1,755,684	-	1,755,684
Depreciation	-	8,047,611	8,047,611
Finance cost	2,734,784	-	2,734,784
Contracted services	62,246,456	-	62,246,456
Repairs and maintenance	4,546,883	-	4,546,883
General expenses	15,678,384	-	15,678,384
Total expenditure	86,962,191	8,047,611	95,009,802
Surplus for the year	351	51,956,662	51,957,013





George Local Municipality
Annual Financial Statements for the year ended 30 June 2015

APPENDIX: GEORGE INTEGRATED PUBLIC TRANSPORT NETWORK

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

STATEMENT OF FINANCIAL POSITION

Assets

Property, plant and equipment

	Cost price	Accumulated depreciation	Book value
Standard 12m bus (39 buses)	98,748,583	(4,451,247)	94,297,336
Midi 10.5m bus (25 buses)	61,870,729	(1,904,152)	59,966,577
Sprinter / Mini bus (16 buses)	12,270,747	(185,011)	12,085,736
	172,890,059	(6,540,410)	166,349,649

Receivables from non-exchange transactions

	Note	2015
George Link (Pty) Ltd - GIPTN Fare Revenue	4	151,676
Grants and subsidies : National Transport Operations Grant	19	22,010,770
Grants and subsidies : Provincial George Integrated Public Transport Network Operations Grant	19	6,396,586
		28,559,032

Prepayments

Mercedes-Benz South Africa Ltd - maintenance contracts for buses	5	5,077,826
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Liabilities

Provisions

Compensation liability GIPTN	18	(60,663,176)
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Unspent conditional grants

National Public Transport Infrastructure Grant	19	
Provincial Public Transport Infrastructure Grant	19	(69,189)
		(69,189)

Trade and other payables from exchange transactions

GIPTN Compensation Accrual		(12,159,905)
George Link (Pty) Ltd		(8,620,988)
Department of Transport		(10,748,965)
George Link (Pty) Ltd retentions (including interest)		(1,155,256)
		(32,685,114)

On Wednesday the 19th of August 2015 six buses of George Municipality that were used to provide a public transport service as part of the GIPTN system were vandalised during public violence protest/incident of which 4 buses were totally destroyed and 2 were severely damaged.

The damages are estimated at an amount of R10.3 million, the cost of the burnt buses are approximately R10 million and the repair cost of the other 2 buses are roughly R150 000.

As a result of this unfortunate incident, the roll out of future bus routes has been postponed until further notice.