



**GEORGE LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017**

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## GENERAL INFORMATION

Mayoral committee	Before 10 August 2016 election	After 10 August 2016 election
Executive Mayor	C Standers (resigned 26 July 2016)	MG Naik
Deputy Executive Mayor	D Maritz	G Pretorius
Speaker	M Draghoender	IC Kritzinger
Councillors		
Ward		
1	MG Naik	J Säfers
2	C Neethling	DL Cronje
3	EP De Villiers	EP De Villiers
4	LD van Wyk	M Viljoen
5	LBC Esau	P Louw
6	HH Ingo	HH Ingo
7	FZ Ntozini	S Rooiland
8	C Standers (resigned 26 July 2016)	AD Willemse
9	T Teyisi	S Dlikilile
10	MD Gingcana	BH Mooi
11	NF Kamte	G Xesi (deceased on 25 September 2016) CI Lesele (declared elected on 2 February by IEC)
12	GN Sixolo	B Plata
13	B Salmani	L Langa
14	C Remas	E Bussack
15	FS Guga	NF Mdaka
16	HJ Jones (suspended 2 June 2016)	CH Noble
17	D Maritz	V Muller
18	GC Niehaus	GC Niehaus
19	IC Kritzinger	S Snyman
20	M Draghoender	M Draghoender
21	JS Thanda	NR James
22	PH de Swardt	G Pretorius
23	GJ Stander	GJ Stander
24	AM Wildeman	M Daniels
25	MEF Kleynhans	M du Preez (deceased 4 October 2016) JD Esau (declared elected on 2 February 2017 by IEC)
26		J von Brandis
27		BM Cornelius

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## GENERAL INFORMATION

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Proportionally elected  
councillors

Before 10 August 2016

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

After 10 August 2016

L Arries  
N Bungane  
JP Buys  
CM Clarke  
J du Toit  
RS Figland  
J Fry  
V Gericke  
WT Harris  
N Jantjies  
A Kiwit  
IC Kritzinger  
H Loff  
MG Naik  
J Ncamazana  
PP Nosana  
MM Nyakathi  
B Petrus  
I Stemela  
EH Stroebel  
T Teyisi  
PJ van der Hoven  
GJ van Niekerk  
LD van Wyk  
DJ Wessels  
CT Williams

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## GENERAL INFORMATION

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<b>Auditor</b>	The Auditor General
<b>Bankers</b>	ABSA Bank Limited
<b>Registered office</b>	Civic Centre York Street 77 George 6530
<b>Postal address</b>	PO Box 19 George 6530
<b>Contact numbers</b>	Tel: 044 801 9111 Fax: 044 873 3776
<b>Website</b>	<a href="http://www.george.org.za">www.george.org.za</a>
<b>E-mail</b>	<a href="mailto:post@george.org.za">post@george.org.za</a>
<b>Accounting Officer</b>	T Botha
<b>Chief Financial Officer (CFO)</b>	K Jordaan

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

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**Abbreviations**

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
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
IEC	Electoral Commission of South Africa

## **George Local Municipality**

Annual Financial Statements for the year ended 30 June 2017

### **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 2017, comprising of the Statement of Financial Position as at 30 June 2017, the Statement of Financial Performance as at 30 June 2017, 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 or 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 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 Office 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 2017

## Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	152,202,952	161,212,199
Receivables from exchange transactions	3	88,750,817	103,343,949
Receivables from non-exchange transactions	4	59,783,789	88,506,853
Prepayments	5	13,667,836	11,820,934
VAT receivable	6	-	663,683
Loans and receivables	7	170,376	284,066
Cash and cash equivalents	8	505,440,767	365,322,659
		<b>820,016,537</b>	<b>731,154,343</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	2,763,898,796	2,708,865,889
Intangible assets	10	1,433,212	1,007,717
Heritage assets	11	4,236,000	4,236,000
Investment property	12	152,088,405	152,249,977
Loans and receivables	7	515,302	847,517
		<b>2,922,171,715</b>	<b>2,867,207,100</b>
<b>Total Assets</b>		<b>3,742,188,252</b>	<b>3,598,361,443</b>
<b>Current Liabilities</b>			
Loans and borrowings	13	38,885,435	38,513,167
Finance lease obligation	14	4,533,126	4,085,827
Trade and other payables from exchange transactions	15	196,188,410	162,714,805
VAT payable	6	345,563	-
Consumer deposits	16	22,822,167	19,759,545
Employee benefit obligation	17	48,829,779	42,832,278
Provisions	18	11,083,765	41,105,209
Unspent conditional grants and receipts	19	104,809,639	34,491,337
		<b>427,497,884</b>	<b>343,502,168</b>
<b>Non-Current Liabilities</b>			
Loans and borrowings	13	309,942,195	330,880,921
Finance lease obligation	14	7,070,369	10,876,102
Employee benefit obligation	17	139,581,720	142,260,723
Provisions	18	75,939,972	49,047,183
Trade and other payables from exchange transactions	15	5,459,261	8,156,395
		<b>537,993,517</b>	<b>541,221,324</b>
<b>Total Liabilities</b>		<b>965,491,401</b>	<b>884,723,492</b>
<b>Net Assets</b>		<b>2,776,696,851</b>	<b>2,713,637,951</b>
Net Assets			
Housing development fund	20	63,214,982	64,940,105
Accumulated surplus		2,713,481,869	2,648,697,846
<b>Total Net Assets</b>		<b>2,776,696,851</b>	<b>2,713,637,951</b>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Statement of Financial Performance**

<b>Figures in Rand</b>	<b>Note(s)</b>	<b>2017</b>	<b>2016 Restated</b>
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges - Electricity	21	565,449,873	534,778,495
Service charges - Water	21	121,171,738	110,115,289
Service charges - Sewerage and sanitation charges	21	81,869,035	77,683,156
Service charges - Refuse removal	21	61,813,769	54,000,706
Service charges - Other	21	18,439	318,920
Rental revenue		3,756,370	2,422,718
Income from agency services		9,445,287	8,538,652
Licences and permits		2,125,807	2,262,046
Sale of erven	2	9,380,586	5,311,378
GIPTN Fare Revenue	22	37,301,627	32,532,521
Other income	23	25,161,970	36,488,746
Interest received - Outstanding Debtors	24	4,156,105	4,709,788
Interest received - External Investments	24	37,303,968	30,704,018
<b>Total revenue from exchange transactions</b>		<b>958,954,574</b>	<b>899,866,433</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	211,432,567	192,653,692
<b>Transfer revenue</b>			
Government grants & subsidies - Operating	26	310,241,313	297,914,689
Government grants & subsidies - Capital	26	149,590,523	134,762,884
Fines, penalties and forfeits	27	34,299,643	62,627,179
<b>Total revenue from non-exchange transactions</b>		<b>705,564,046</b>	<b>687,958,444</b>
<b>Total revenue</b>		<b>1,664,518,620</b>	<b>1,587,824,877</b>
<b>Expenditure</b>			
Employee related costs	28	407,026,726	346,806,641
Remuneration of Councillors	29	18,800,756	17,466,635
Depreciation and amortisation	30	155,475,216	141,581,652
Impairment loss	31	72,145,389	88,516,206
Finance costs	32	44,109,261	48,714,952
Repairs and maintenance	33	91,716,014	79,602,028
Bulk purchases	34	395,856,932	359,854,084
Contracted services	35	287,682,748	280,518,747
Transfers and Subsidies	36	121,750	227,760
Cost of housing sold	2	8,496,419	5,028,900
Loss on disposal of assets and liabilities		101,022	10,454,913
Other materials / Inventory	38	33,469,934	28,335,144
General Expenses	39	86,457,549	72,168,192
<b>Total expenditure</b>		<b>1,601,459,716</b>	<b>1,479,275,854</b>
<b>Surplus for the year</b>		<b>63,058,904</b>	<b>108,549,023</b>



# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
<b>Balance at 01 July 2015</b>	<b>67,508,943</b>	<b>2,537,612,422</b>	<b>2,605,121,365</b>
Changes in net assets:			
Surplus for the year	-	108,549,023	108,549,023
Transfer to / (from) the Housing Development Fund	(2,536,401)	2,536,401	-
Rosedale temporary relocation area expenditure	(32,437)	-	(32,437)
Total changes	(2,568,838)	111,085,424	108,516,586
<b>Balance at 01 July 2016</b>	<b>64,940,105</b>	<b>2,648,697,842</b>	<b>2,713,637,947</b>
Changes in net assets:			
Surplus for the year	-	63,058,904	63,058,904
Transfer to / (from) the Housing Development Fund	(1,725,123)	1,725,123	-
Total changes	(1,725,123)	64,784,027	63,058,904
<b>Balance at 30 June 2017</b>	<b>63,214,982</b>	<b>2,713,481,869</b>	<b>2,776,696,851</b>
Note(s)	20		

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Cash Flow Statement**

<b>Figures in Rand</b>	<b>Note(s)</b>	<b>2017</b>	<b>2016 Restated</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		224,789,876	203,856,535
Sale of goods and services		847,791,653	762,073,329
Grants		550,790,720	443,697,329
Interest income		37,303,968	30,704,018
Other receipts		39,259,771	52,744,084
		<u>1,699,935,988</u>	<u>1,493,075,295</u>
<b>Payments</b>			
Employee costs		(422,508,982)	(370,213,054)
Suppliers		(857,363,996)	(798,406,147)
Finance costs		(42,810,558)	(47,174,985)
		<u>(1,322,683,536)</u>	<u>(1,215,794,186)</u>
<b>Net cash flows from operating activities</b>	40	<u><b>377,252,452</b></u>	<u><b>277,281,109</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(211,220,724)	(209,629,394)
Proceeds on disposal of property, plant and equipment	9	513,491	40,000
Purchase of intangible assets	10	(943,072)	(958,628)
Proceeds from loans and receivables		579,596	7,338
<b>Net cash flows from investing activities</b>		<u><b>(211,070,709)</b></u>	<u><b>(210,540,684)</b></u>
<b>Cash flows from financing activities</b>			
Repayment of loans and borrowings	13	(20,566,458)	(41,974,679)
Repayment of finance lease liabilities		(5,497,177)	(5,323,624)
<b>Net cash flows from financing activities</b>		<u><b>(26,063,635)</b></u>	<u><b>(47,298,303)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>140,118,108</b>	<b>19,442,122</b>
Cash and cash equivalents at the beginning of the year		365,322,659	345,880,537
<b>Cash and cash equivalents at the end of the year</b>	8	<u><b>505,440,767</b></u>	<u><b>365,322,659</b></u>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Property rates	212,878,896	3,600,000	<b>216,478,896</b>	216,369,240	<b>(109,656)</b>	Difference less than 1%
Service charges	809,055,095	32,330,967	<b>841,386,062</b>	830,322,853	<b>(11,063,209)</b>	55.1
Investment revenue	32,295,470	-	<b>32,295,470</b>	37,303,968	<b>5,008,498</b>	55.2
Transfers recognised - operational	303,915,906	13,467,650	<b>317,383,556</b>	310,241,313	<b>(7,142,243)</b>	55.3
Other own revenue	152,434,843	(30,307,878)	<b>122,126,965</b>	100,523,828	<b>(21,603,137)</b>	55.4
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,510,580,210</b>	<b>19,090,739</b>	<b>1,529,670,949</b>	<b>1,494,761,202</b>	<b>(34,909,747)</b>	
<b>Expenditure by type</b>						
Employee costs	404,632,517	12,079,603	<b>416,712,120</b>	407,026,725	<b>(9,685,395)</b>	55.5
Remuneration of Councillors	20,770,983	(1,000)	<b>20,769,983</b>	18,800,755	<b>(1,969,228)</b>	55.6
Debt impairment	63,424,000	-	<b>63,424,000</b>	72,145,389	<b>8,721,389</b>	55.7
Depreciation and asset impairment	159,420,985	-	<b>159,420,985</b>	155,475,216	<b>(3,945,769)</b>	55.8
Finance charges	39,657,405	(337,080)	<b>39,320,325</b>	44,109,261	<b>4,788,936</b>	55.9
Materials and bulk purchases	409,270,915	34,742,945	<b>444,013,860</b>	437,823,284	<b>(6,190,576)</b>	55.10
Transfers and grants	-	370,000	<b>370,000</b>	121,750	<b>(248,250)</b>	55.11
Other expenditure	528,783,175	(31,289,999)	<b>497,493,176</b>	466,554,135	<b>(30,939,041)</b>	55.12
<b>Total expenditure</b>	<b>1,625,959,980</b>	<b>15,564,469</b>	<b>1,641,524,449</b>	<b>1,602,056,515</b>	<b>(39,467,934)</b>	
<b>Surplus / (Deficit)</b>	<b>(115,379,770)</b>	<b>3,526,270</b>	<b>(111,853,500)</b>	<b>(107,295,313)</b>	<b>4,558,187</b>	
Transfers recognised - capital	155,782,462	38,270,626	<b>194,053,088</b>	149,590,522	<b>(44,462,566)</b>	55.13
Contributions recognised - capital and contributed assets	10,812,160	-	<b>10,812,160</b>	20,763,695	<b>9,951,535</b>	55.14
<b>Surplus for the year</b>	<b>51,214,852</b>	<b>41,796,896</b>	<b>93,011,748</b>	<b>63,058,904</b>	<b>(29,952,844)</b>	

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## 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
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Figures in Rand

### Capital expenditure

#### Assets

#### Capital expenditure by vote

Executive and Council	2,530,500	789,750	<b>3,320,250</b>	2,469,661	<b>(850,589)</b>	55.15
Budget and treasury office	550,000	260,000	<b>810,000</b>	661,639	<b>(148,361)</b>	55.16
Corporate services	8,187,500	(1,165,230)	<b>7,022,270</b>	3,491,529	<b>(3,530,741)</b>	55.17
Community and social services	8,462,050	(460,342)	<b>8,001,708</b>	5,134,999	<b>(2,866,709)</b>	55.18
Sport and recreation	5,894,250	235,800	<b>6,130,050</b>	3,992,291	<b>(2,137,759)</b>	55.19
Public safety	4,420,000	6,020,000	<b>10,440,000</b>	10,355,018	<b>(84,982)</b>	
Housing	1,672,000	28,931	<b>1,700,931</b>	1,349,914	<b>(351,017)</b>	55.20
Health	193,500	(1,000)	<b>192,500</b>	166,490	<b>(26,010)</b>	55.21
Planning and development	39,500	500	<b>40,000</b>	34,955	<b>(5,045)</b>	55.22
Road transport	71,826,224	95,988,335	<b>167,814,559</b>	99,402,033	<b>(68,412,526)</b>	55.23
Electricity	20,433,333	(2,250,768)	<b>18,182,565</b>	14,538,159	<b>(3,644,406)</b>	55.24
Water	54,095,981	(7,595,698)	<b>46,500,283</b>	41,003,612	<b>(5,496,671)</b>	55.25
Waste water management	36,556,207	694,000	<b>37,250,207</b>	25,511,396	<b>(11,738,811)</b>	55.26
Waste management	6,804,000	2,633,200	<b>9,437,200</b>	5,303,822	<b>(4,133,378)</b>	55.27
Other	130,000	50,000	<b>180,000</b>	121,875	<b>(58,125)</b>	
	<b>221,795,045</b>	<b>95,227,478</b>	<b>317,022,523</b>	<b>213,537,393</b>	<b>(103,485,130)</b>	

#### Sources of Capital Funds

National Government	83,697,901	32,991,299	<b>116,689,200</b>	69,653,407	<b>(47,035,793)</b>	
Provincial Government	56,399,144	48,486,944	<b>104,886,088</b>	75,654,091	<b>(29,231,997)</b>	
District Municipality	250,000	-	<b>250,000</b>	-	<b>(250,000)</b>	
Public contributions and donations	-	-	<b>-</b>	504,253	<b>504,253</b>	
Borrowings	22,031,000	(95,000)	<b>21,936,000</b>	18,492,539	<b>(3,443,461)</b>	
Internally generated funds	59,417,000	13,844,235	<b>73,261,235</b>	49,233,103	<b>(24,028,132)</b>	
	<b>221,795,045</b>	<b>95,227,478</b>	<b>317,022,523</b>	<b>213,537,393</b>	<b>(103,485,130)</b>	

#### Capitalisation consist of the following:

Property, plant and equipment additions				212,594,321	<b>212,594,321</b>	9
Intangible assets				943,072		10
				<b>213,537,393</b>		

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s28 and 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
<b>2017</b>											
<b>Financial Performance</b>											
Property rates	212,878,896	3,600,000	216,478,896	-	-	216,478,896	216,369,240	(109,656)	(109,656)	100 %	102 %
Service charges	809,055,095	32,330,967	841,386,062	-	-	841,386,062	830,322,853	(11,063,209)	(11,063,209)	99 %	103 %
Investment revenue	32,295,470	-	32,295,470	-	-	32,295,470	37,303,968	5,008,498	5,008,498	116 %	116 %
Transfers recognised - operational	303,915,906	13,467,650	317,383,556	-	-	317,383,556	310,241,313	(7,142,243)	(7,142,243)	98 %	102 %
Other own revenue	152,434,843	(30,307,878)	122,126,965	-	-	122,126,965	100,523,828	(21,603,137)	(21,603,137)	82 %	66 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1,510,580,210</b>	<b>19,090,739</b>	<b>1,529,670,949</b>	<b>-</b>	<b>-</b>	<b>1,529,670,949</b>	<b>1,494,761,202</b>		<b>(34,909,747)</b>	<b>98 %</b>	<b>99 %</b>
Employee costs	404,632,517	9,323,443	413,955,960	-	2,756,160	416,712,120	407,026,725	-	(9,685,395)	98 %	101 %
Remuneration of councillors	20,770,983	-	20,770,983	-	(1,000)	20,769,983	18,800,755	-	(1,969,228)	91 %	91 %
Debt impairment	63,424,000	-	63,424,000	-	-	63,424,000	72,145,389	8,721,389	8,721,389	114 %	114 %
Depreciation and asset impairment	159,420,985	-	159,420,985	-	-	159,420,985	155,475,216	-	(3,945,769)	98 %	98 %
Finance charges	39,657,405	-	39,657,405	-	(337,080)	39,320,325	44,109,261	4,788,936	4,788,936	112 %	111 %
Bulk purchases	394,991,686	13,027,645	408,019,331	-	(170,000)	407,849,331	395,856,931	-	(11,992,400)	97 %	100 %
Other materials	14,279,229	1,450,000	15,729,229	-	20,435,300	36,164,529	41,966,353	5,801,824	5,801,824	116 %	294 %
Transfers and grants	-	370,000	370,000	-	-	370,000	121,750	-	(248,250)	33 %	DIV/0 %
Other expenditure	528,183,175	(8,606,619)	519,576,556	-	(22,683,380)	496,893,176	465,856,312	-	(31,036,864)	94 %	88 %
Loss on disposal of PPE	600,000	-	600,000	-	-	600,000	697,823	97,823	97,823	116 %	116 %
<b>Total expenditure</b>	<b>1,625,959,980</b>	<b>15,564,469</b>	<b>1,641,524,449</b>	<b>-</b>	<b>-</b>	<b>1,641,524,449</b>	<b>1,602,056,515</b>	<b>19,409,972</b>	<b>(39,467,934)</b>	<b>98 %</b>	<b>99 %</b>
<b>Surplus/(Deficit)</b>	<b>(115,379,770)</b>	<b>3,526,270</b>	<b>(111,853,500)</b>	<b>-</b>	<b>-</b>	<b>(111,853,500)</b>	<b>(107,295,313)</b>		<b>4,558,187</b>	<b>96 %</b>	<b>93 %</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	155,782,462	38,270,626	194,053,088	-	-	194,053,088	149,590,522		(44,462,566)	77 %	96 %
Contributions recognised - capital and contributed assets	10,812,160	-	10,812,160	-	-	10,812,160	20,763,695		9,951,535	192 %	192 %
<b>Surplus/(Deficit) for the year</b>	<b>51,214,852</b>	<b>41,796,896</b>	<b>93,011,748</b>	<b>-</b>	<b>-</b>	<b>93,011,748</b>	<b>63,058,904</b>		<b>(29,952,844)</b>	<b>68 %</b>	<b>123 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	221,795,045	95,227,478	317,022,523	-	-	317,022,523	213,537,393		(103,485,130)	67 %	96 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	140,347,045	81,478,243	221,825,288	-	-	221,825,288	145,307,497		(76,517,791)	66 %	104 %
Public contributions and donations	-	-	-	-	-	-	504,253		504,253	DIV/O %	DIV/O %
Borrowing	22,031,000	(95,000)	21,936,000	-	-	21,936,000	18,492,539		(3,443,461)	84 %	84 %
Internally generated funds	59,417,000	13,844,235	73,261,235	-	-	73,261,235	49,233,104		(24,028,131)	67 %	83 %
<b>Total sources of capital funds</b>	<b>221,795,045</b>	<b>95,227,478</b>	<b>317,022,523</b>	<b>-</b>	<b>-</b>	<b>317,022,523</b>	<b>213,537,393</b>		<b>(103,485,130)</b>	<b>67 %</b>	<b>96 %</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	267,248,000	(5,494,588)	261,753,412	-	-	261,753,412	377,252,452		115,499,040	144 %	141 %
Net cash from (used) investing	(210,691,000)	(95,677,923)	(306,368,923)	-	-	(306,368,923)	(211,070,709)		95,298,214	69 %	100 %
Net cash from (used) financing	(33,344,000)	14,365,108	(18,978,892)	-	-	(18,978,892)	(26,063,635)		(7,084,743)	137 %	78 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>23,213,000</b>	<b>(86,807,403)</b>	<b>(63,594,403)</b>	<b>-</b>	<b>-</b>	<b>(63,594,403)</b>	<b>140,118,108</b>		<b>203,712,511</b>	<b>(220)%</b>	<b>604 %</b>
Cash and cash equivalents at the beginning of the year	365,322,659	-	365,322,659	-	-	365,322,659	365,322,659		-	100 %	100 %
<b>Cash and cash equivalents at year end</b>	<b>388,535,659</b>	<b>(86,807,403)</b>	<b>301,728,256</b>	<b>-</b>	<b>-</b>	<b>301,728,256</b>	<b>505,440,767</b>		<b>(203,712,511)</b>	<b>168 %</b>	<b>130 %</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2016</b>				
<b>Financial Performance</b>				
Property rates				192,653,692
Service charges				776,896,566
Investment revenue				35,413,806
Transfers recognised - operational				297,914,689
Other own revenue				150,183,240
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>1,453,061,993</b>
Employee costs	-	-	-	(346,806,641)
Remuneration of councillors	-	-	-	(17,466,635)
Debt impairment	-	-	-	(88,516,206)
Depreciation and asset impairment	(26,335,465)	-	(26,335,465)	(141,581,652)
Finance charges	(4,610,535)	-	(4,610,535)	(48,714,952)
Materials and bulk purchases	-	-	-	(359,854,084)
Transfers and grants	-	-	-	(227,760)
Other expenditure	-	-	-	(476,107,923)
<b>Total expenditure</b>	<b>(30,946,000)</b>	<b>-</b>	<b>(30,946,000)</b>	<b>1,479,275,853</b>
<b>Surplus/(Deficit)</b>				<b>(26,213,860)</b>
Transfers recognised - capital				134,762,883
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>108,549,023</b>
<b>Surplus/(Deficit) for the year</b>				<b>108,549,023</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				218,381,320
<b>Sources of capital funds</b>				
Transfers recognised - capital				129,417,166
Borrowing				13,820,749
Internally generated funds				75,143,405
<b>Total sources of capital funds</b>				<b>218,381,320</b>
<b>Cash flows</b>				
Net cash from (used) operating				277,281,109
Net cash from (used) investing				(210,540,684)
Net cash from (used) financing				(47,298,303)
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>19,442,122</b>
Cash and cash equivalents at the beginning of the year				345,880,536
<b>Cash and cash equivalents at year end</b>				<b>365,322,658</b>



## **Accounting Policies**

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

The accounting policies for the municipality are:

### **1. Presentation of Annual Financial Statements**

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

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

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

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

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

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

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

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 20	Related Party Disclosure	Unknown

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

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

## Accounting Policies

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

### 1.1 Presentation currency

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

### 1.2 Going concern assumption

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

### 1.3 Materiality

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

### 1.4 Significant judgements and sources of estimation uncertainty

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

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

Significant judgements include:

## **Accounting Policies**

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

#### **Property, plant and equipment**

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

#### **Intangible assets**

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

#### **Investment property**

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

#### **Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material. Additional disclosures of these estimates of provisions are included in notes 18 and 43.

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17.

#### **Impairment of receivables**

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

## **Accounting Policies**

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### **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, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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

#### **Leased assets**

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

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

#### **Subsequent costs**

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

#### **Depreciation**

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

## **Accounting Policies**

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

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

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

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

<b>Item</b>	<b>Average useful life in years</b>
Infrastructure	
• Electricity	20 - 30
• Roads and paving	10 - 30
• Water	15-20
• Gas	20
• Sewerage	3 - 30
• Security measures	3 - 15
Community	
• Buildings	3-30
• Recreational facilities	20
Other	
• Office equipment	5 - 10
• Furniture and fittings	7 - 10
• Bins and containers	5 - 10
• Emergency equipment	5 - 15
• Motor vehicles	5 - 20
• Watercraft	15
• Plant and equipment	5 - 15
Land and buildings	
• Buildings	30
• Land	Indefinite

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

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

## **Accounting Policies**

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

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

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

### **1.6 Investment property**

#### **Initial Recognition**

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

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

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

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

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

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

#### **Subsequent Measurement**

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

#### **Depreciation**

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

Investment Property	Years
Buildings	30
Land	Indefinite

## **Accounting Policies**

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

#### **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 less any accumulated impairment loss.

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

#### **Subsequent measurement**

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

#### **Impairment**

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

#### **Transfers**

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

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

#### **Derecognition**

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

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

## **Accounting Policies**

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### **1.8 Intangible assets**

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

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

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

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its 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. (2016: 5 to 10 years). Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised. The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable amount.

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

#### **Derecognition**

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



## **Accounting Policies**

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### **1.9 Financial instruments**

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

A financial asset is:

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

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

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

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

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

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

#### **Classification**

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

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

## **Accounting Policies**

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

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

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

#### **Initial recognition**

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

The municipality recognises financial assets using trade date accounting.

#### **Initial measurement of financial assets and financial liabilities**

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

#### **Subsequent measurement of financial assets and financial liabilities**

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

- Financial instruments at amortised cost.

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

#### **Gains and losses**

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

#### **Impairment and uncollectibility of financial assets**

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

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

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

## **Accounting Policies**

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### **Derecognition**

##### **Financial assets**

The municipality derecognises a financial asset only when:

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

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

##### **Financial liabilities**

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

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### **Presentation**

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

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

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

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

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

## **Accounting Policies**

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### **1.10 Cash and cash equivalents**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

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

### **1.11 Leases**

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

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

#### **The Municipality as Lessor**

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

Payments received under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease.

#### **The Municipality as Lessee**

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

## **Accounting Policies**

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### **1.12 Inventories**

Inventories, consisting of consumable stores, raw materials and properties held for sale are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

### **1.13 Impairment of cash-generating assets**

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

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

## **Accounting Policies**

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

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

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

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

#### **Identification**

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

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

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

#### **Value in use**

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

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

#### **Recognition and measurement (individual asset)**

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

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

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

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

## **Accounting Policies**

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

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

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

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

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

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

### **1.14 Impairment of non-cash-generating assets**

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

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

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

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

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



## **Accounting Policies**

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

#### **Identification**

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

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

#### **Value in use**

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

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

#### **Depreciated replacement cost approach**

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

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

#### **Recognition and measurement**

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

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

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

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

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



## **Accounting Policies**

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

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

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

#### **Redesignation**

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

### **1.15 Employee benefits**

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

#### **Short-term employee benefits**

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

The costs of all short-term employee benefits such as leave pay and bonuses, are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

#### **Long-service award**

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

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

#### **Accrued leave pay**

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

## **Accounting Policies**

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

#### **Staff Bonuses**

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

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

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

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

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

These obligations are valued periodically by independent qualified actuaries.

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

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

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

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

The municipality contributes to various National- and Provincial-administered plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 17 of the Financial Statements for details)

#### **Post-employment benefits: Defined contribution plans**

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

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

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

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

## **Accounting Policies**

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

#### **Post-employment benefits: Defined benefit plans**

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

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

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

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

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

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

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

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

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

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

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

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

- the present value of the defined benefit obligation at the reporting date;

## **Accounting Policies**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Accounting Policies**

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

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

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

#### **Other post retirement obligations**

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

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

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

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

### **1.16 Provisions, contingent liabilities and contingent assets**

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

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

## **Accounting Policies**

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

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

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

### **1.17 Unspent conditional government grants and receipts**

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

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

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

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

### **1.18 Conditional government grants and subsidies receivables**

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

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

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

### **1.19 Grant-in-aid**

The municipality transfers money to individuals, organisations and other sectors of government from time to time in accordance with Section 67 of the MFMA. When making these transfers, the municipality does not:

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

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

## **Accounting Policies**

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### **1.20 Revenue**

Revenue includes rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be reliably measured, except when specifically stated otherwise.

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

Revenue from Exchange Transactions

#### **Service Charges**

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

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

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by Council and are levied monthly.

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

#### **Pre-paid electricity**

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

#### **Interest earned and rentals received**

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

#### **Tariff Charges**

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



## **Accounting Policies**

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

#### **Agency commission**

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

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

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

#### **Sale of goods**

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

#### **GIPTN Fare Revenue**

Bus tickets are sold as single journey tickets or multi journey tickets. Single journey tickets buy the ticket holder a one hour passage on any of the buses from the time the ticket is cancelled by the bus driver. A multi journey ticket is a ticket with ten hourly passages. Tickets are recognised as fare revenue when sold.

Revenue from non-exchange transactions

#### **Rates and taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised using the effective interest method. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

#### **Fines**

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

#### **Donations and Contributions**

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

#### **Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure**

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

#### **Unconditional grant**

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



## **Accounting Policies**

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

#### **Conditional grants and receipts**

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

### **1.21 Borrowing costs**

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

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

### **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.

## **Accounting Policies**

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### **1.24 Municipal Land Transport Fund**

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

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

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

The Municipal Land Transport Fund is treated as a ring fenced cost centre within the municipality. Refer to note 54 for more detail.

### **1.25 Capital commitments**

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

### **1.26 Events after reporting date**

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

### **1.27 Related parties**

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

Related parties include:

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

Key management personnel include:

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

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

All transactions with related parties are disclosed.

## **Accounting Policies**

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### **1.28 Budget information**

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

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

The approved budget is prepared on an accrual basis. The approved budget covers the fiscal period from 01/07/2016 to 30/06/2017.

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

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Material differences are being defined by Management as 10% of a specific line-item or amounts greater than R250,000. Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements - Refer to note 55.

### **1.29 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expense was incurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. Unauthorised expenditure is submitted to Council after year end for authorisation.

### **1.30 Fruitless and wasteful expenditure**

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

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

### **1.31 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by Council it is treated as an asset until it is recovered or written of 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 45.

## **Accounting Policies**

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

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

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

Correction of errors is applied retrospectively in the period in which the error has occurred except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 45 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.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>2. Inventories</b>		
Consumable stores - at cost	8,269,275	7,095,528
Maintenance materials, chemicals and water reserve - at cost	9,168,494	10,870,059
Purified water	367,569	323,169
Property Developments - at cost	141,633	171,042
Unsold Properties Held for Resale - at net realisable value	134,255,981	142,752,400
	<b>152,202,952</b>	<b>161,212,199</b>

The cost of inventories recognised as an expense in the Statement of Financial Performance for stock issues were R18,604,357 (2016: R15,442,521) and RNil (2016: R1,159,200) in respect of inventory written down to net realisable value.

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

### Sale of properties held as part of inventory:

Sales	9,380,586	5,311,378
Cost of sales	(8,496,419)	(5,028,900)
	<b>884,167</b>	<b>282,478</b>

26 properties was sold during the year.

### 3. Trade receivables from exchange transactions

Service debtors	83,958,994	94,404,205
Other exchange receivables	4,791,823	8,939,744
Prepaid electricity	4,352,449	8,229,165
Rental debtors	232,994	473,095
GIPTN Fare Revenue	206,380	237,484
	<b>88,750,817</b>	<b>103,343,949</b>

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

#### Gross balances

Electricity	51,968,855	49,850,932
Water	86,577,980	73,545,590
Sewerage	29,549,207	27,817,297
Refuse	23,362,920	20,704,615
Housing loan instalments	534,980	522,262
Housing rental	413,278	419,487
Other consumer debtors	8,378,378	9,447,823
	<b>200,785,598</b>	<b>182,308,006</b>

#### Less: Allowance for impairment

Electricity	4,898,562	5,876,019
Water	72,276,943	50,772,525
Sewerage	21,057,171	16,768,705
Refuse	16,659,163	12,636,117
Housing loan instalments	492,393	378,709
Housing rental	356,895	383,666
Other consumer debtors	1,085,477	1,088,060
	<b>116,826,604</b>	<b>87,903,801</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Net balance</b>		
Electricity	47,070,293	43,974,913
Water	14,301,037	22,773,065
Sewerage	8,492,036	11,048,592
Refuse	6,703,757	8,068,498
Housing loan instalments	42,587	143,553
Housing rental	56,383	35,821
Other consumer debtors	7,292,901	8,359,763
	<b>83,958,994</b>	<b>94,404,205</b>
<b>The ageing of trade receivables from exchange transactions</b>		
<b>Electricity</b>		
Current (0 -30 days)	36,653,761	37,641,261
31 - 60 days	3,049,875	3,107,380
61 - 90 days	1,743,191	816,434
91 - 120 days	936,098	270,048
121 - 365 days	9,585,930	8,015,809
Less: Allowance for impairment	(4,898,562)	(5,876,019)
	<b>47,070,293</b>	<b>43,974,913</b>
<b>Water</b>		
Current (0 -30 days)	17,486,566	19,766,028
31 - 60 days	3,345,392	4,030,842
61 - 90 days	2,623,319	2,842,471
91 - 120 days	2,464,855	2,753,066
121 - 365 days	60,657,848	44,153,184
Less: Allowance for impairment	(72,276,943)	(50,772,526)
	<b>14,301,037</b>	<b>22,773,065</b>
<b>Sewerage</b>		
Current (0 -30 days)	7,509,485	7,534,770
31 - 60 days	1,632,869	1,762,807
61 - 90 days	1,053,862	1,068,140
91 - 120 days	838,242	956,281
121 - 365 days	18,514,749	16,495,298
Less: Allowance for impairment	(21,057,171)	(16,768,704)
	<b>8,492,036</b>	<b>11,048,592</b>
<b>Refuse</b>		
Current (0 -30 days)	6,371,917	5,949,144
31 - 60 days	1,360,631	1,310,758
61 - 90 days	926,986	833,092
91 - 120 days	706,026	738,313
121 - 365 days	13,997,360	11,873,307
Less: Allowance for impairment	(16,659,163)	(12,636,116)
	<b>6,703,757</b>	<b>8,068,498</b>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

<b>Figures in Rand</b>	<b>2017</b>	<b>2016</b>
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Housing loans instalments</b>		
Current (0 -30 days)	49,111	60,420
31 - 60 days	10,921	12,811
61 - 90 days	8,983	11,421
91 - 120 days	9,219	10,565
121 - 365 days	456,746	427,045
Less: Allowance for impairment	(492,393)	(378,709)
	<b>42,587</b>	<b>143,553</b>
<b>Housing rental</b>		
Current (0 -30 days)	44,659	48,588
31 - 60 days	13,309	12,666
61 - 90 days	9,710	7,808
91 - 120 days	7,132	6,938
121 - 365 days	338,468	343,486
Less: Allowance for impairment	(356,895)	(383,665)
	<b>56,383</b>	<b>35,821</b>
<b>Other</b>		
Current (0 -30 days)	782,473	1,236,537
31 - 60 days	25,827	621,246
61 - 90 days	293,790	322,075
91 - 120 days	227,534	927,703
121 - 365 days	7,048,754	6,340,262
Less: Allowance for impairment	(1,085,477)	(1,088,060)
	<b>7,292,901</b>	<b>8,359,763</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	34,288,247	35,139,678
31 - 60 days	7,101,622	8,191,055
61 - 90 days	5,683,630	5,196,255
91 - 120 days	4,230,014	4,892,692
121 - 365 days	101,877,003	78,378,383
	153,180,516	131,798,063
Less: Allowance for impairment	(110,945,740)	(82,872,677)
	<b>42,234,776</b>	<b>48,925,386</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	31,325,483	33,195,135
31 - 60 days	1,186,544	1,409,772
61 - 90 days	472,298	508,030
91 - 120 days	619,177	611,602
121 - 365 days	8,499,118	7,862,347
	42,102,620	43,586,886
Less: Allowance for impairment	(5,880,865)	(5,031,060)
	<b>36,221,755</b>	<b>38,555,826</b>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

Figures in Rand	2017	2016
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>National and provincial government</b>		
Current (0 -30 days)	3,284,239	3,901,935
31 - 60 days	1,150,659	1,257,684
61 - 90 days	503,913	197,156
91 - 120 days	339,914	158,620
121 - 365 days	223,738	1,407,662
	<b>5,502,463</b>	<b>6,923,057</b>
<b>Total</b>		
Current (0 -30 days)	68,897,969	72,236,748
31 - 60 days	9,438,825	10,858,511
61 - 90 days	6,659,841	5,901,441
91 - 120 days	5,189,105	5,662,914
121 - 365 days	110,599,858	87,648,392
	200,785,598	182,308,006
Less: Allowance for impairment	(116,826,604)	(87,903,801)
	<b>83,958,994</b>	<b>94,404,205</b>

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

	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
<b>2017</b>				
Electricity	5,876,019	(939,070)	(38,387)	4,898,562
Water	50,772,525	30,188,274	(8,683,856)	72,276,943
Sewerage	16,768,705	9,309,065	(5,020,599)	21,057,171
Refuse	12,636,117	8,046,261	(4,023,215)	16,659,163
Housing loan instalments	378,709	113,685	-	492,394
Housing rentals	383,666	(26,771)	-	356,895
Other consumer debtors	1,088,060	24,119	(26,701)	1,085,478
	<b>87,903,801</b>	<b>46,715,563</b>	<b>(17,792,758)</b>	<b>116,826,606</b>
<b>2016</b>				
Electricity	6,791,597	186,936	(1,102,514)	5,876,019
Water	46,410,578	21,096,127	(16,734,180)	50,772,525
Sewerage	13,194,283	9,581,197	(6,006,775)	16,768,705
Refuse	9,469,903	7,958,457	(4,792,243)	12,636,117
Housing loan instalments	433,268	(54,559)	-	378,709
Housing rentals	382,601	1,065	-	383,666
Other consumer debtors	1,015,933	463,556	(391,429)	1,088,060
	<b>77,698,163</b>	<b>39,232,779</b>	<b>(29,027,141)</b>	<b>87,903,801</b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

Figures in Rand	2017	2016
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Total debtors past due but not impaired</b>	<b>2017</b>	<b>2016</b>
31 - 60 days	2,221,213	5,312,324
61 - 90 days	2,068,231	1,700,196
91 - 120 days	1,182,224	1,687,378
121 - 365 days	12,808,900	16,912,687
	<b>18,280,568</b>	<b>25,612,585</b>

**Credit quality of consumer debtors**

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

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

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

**Taxation receivables**

Net Rates	20,586,069	25,881,107
Gross rates	32,154,333	34,676,151
Allowance for impairment on rates	(11,568,264)	(8,795,044)

**Transfer receivables**

Net Fines	6,148,863	9,661,716
Fines	46,299,050	63,715,650
Allowance for impairment on fines	(40,150,187)	(54,053,934)

Conditional government grants and subsidies receivable (Refer note 19)	29,224,324	49,864,908
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**Other receivables**

Sundry receivables	3,824,533	3,099,122
Allowance for impairment on sundry receivables	3,488,846	2,817,619
Non-cash portion of Housing Development Fund	(802,713)	(802,713)
Operating lease receivables	1,012,475	990,092
	125,925	94,124
	<b>59,783,789</b>	<b>88,506,853</b>

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

**Rates**

Current (0 - 30 days)	13,582,238	15,593,270
31 - 60 days	2,295,219	2,484,399
61 - 90 days	1,248,023	1,335,767
91 - 120 days	805,210	706,294
121 - 365 days	14,223,643	14,556,421
	32,154,333	34,676,151
Less: Allowance for impairment	(11,568,264)	(8,795,044)
	<b>20,586,069</b>	<b>25,881,107</b>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

<b>Figures in Rand</b>	<b>2017</b>	<b>2016</b>
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Summary of Rates by customer classification</b>		
<b>Residential consumers</b>		
Current (0 - 30 days)	11,432,975	12,056,519
31 - 60 days	2,078,253	1,983,730
61 - 90 days	1,140,370	1,182,422
91 - 120 days	756,911	614,337
121 - 365 days	12,532,453	11,859,242
	<u>27,940,962</u>	<u>27,696,250</u>
Less: Allowance for impairment	(10,556,254)	(7,984,702)
	<b><u>17,384,708</u></b>	<b><u>19,711,548</u></b>
<b>Industrial / commercial</b>		
Current (0 - 30 days)	1,961,880	3,265,958
31 - 60 days	216,263	367,074
61 - 90 days	107,638	123,368
91 - 120 days	48,300	62,749
121 - 365 days	1,524,557	1,688,528
	<u>3,858,638</u>	<u>5,507,677</u>
Less: Allowance for impairment	(1,012,010)	(810,342)
	<b><u>2,846,628</u></b>	<b><u>4,697,335</u></b>
<b>National and provincial government and other</b>		
Current (0 - 30 days)	187,384	270,794
31 - 60 days	703	133,594
61 - 90 days	20	29,977
91 - 120 days	-	29,208
121 - 365 days	166,626	1,008,651
	<u>354,733</u>	<u>1,472,224</u>
Less: Allowance for impairment	-	-
	<b><u>354,733</u></b>	<b><u>1,472,224</u></b>
<b>Total of rates by customer classification</b>	<b><u>20,586,069</u></b>	<b><u>25,881,107</u></b>
<b>Fines</b>		
The ageing of fines are as follows:		
Current (0 - 30 days)	2,685,950	3,087,100
31 - 60 days	1,933,050	3,507,500
61 - 90 days	259,700	4,258,300
91 - 120 days	192,100	4,597,050
121 - 365 days	41,228,250	48,265,500
	<u>46,299,050</u>	<u>63,715,450</u>
Less: Allowance for impairment	(40,150,187)	(54,053,934)
	<b><u>6,148,863</u></b>	<b><u>9,661,516</u></b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016		
4. Receivables from non-exchange transactions (continued)				
Reconciliation of provision for impairment of receivables from non-exchange transactions				
2017	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	8,795,044	3,958,222	(1,185,002)	11,568,264
Transfer receivables (Fines)	54,053,934	25,792,003	(39,695,750)	40,150,187
Other receivable	802,713	-	-	802,713
	<b>63,651,691</b>	<b>29,750,225</b>	<b>(40,880,752)</b>	<b>52,521,164</b>
2016	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	10,088,313	664,494	(1,957,763)	8,795,044
Transfer receivables (Fines)	48,244,666	52,451,588	(46,642,320)	54,053,934
Other receivables	41,860	766,657	(5,804)	802,713
	<b>58,374,839</b>	<b>53,882,739</b>	<b>(48,605,887)</b>	<b>63,651,691</b>

The impairment allowance was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios. The impairment allowance on Taxation Receivables and Other Receivables exists predominantly due to the possibility that these debts will not be recovered. Taxation Receivables and Other Receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

### Credit quality of trade receivables from non-exchange transactions

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

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

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

Figures in Rand	2017	2016
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Operating lease asset</b>		
Opening balance	94,124	233,659
Straight lining adjustment in the Statement of Financial Performance	31,801	(139,535)
	<b>125,925</b>	<b>94,124</b>
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments due</b>		
- within one year	524,200	605,949
- in second to fifth year inclusive	1,489,674	1,831,558
- later than five years	55,768	83,145
	<b>2,069,642</b>	<b>2,520,652</b>

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

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

- Municipal buildings
- Vacant land

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

**5. Prepayments**

Prepayments consist of the following:

SALGA	3,923,844	3,245,749
Stadler & Swart Attorneys	1,700,000	1,700,000
Mercedes-Benz South Africa Ltd for maintenance of buses	8,043,992	6,875,185
	<b>13,667,836</b>	<b>11,820,934</b>

**SALGA**

SALGA membership fees for the 2017/2018 financial year were paid in May 2017 and the municipality received a 5% discount for early settlement.

**Stadler & Swart Attorneys**

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

**Mercedes-Benz South Africa Ltd**

The municipality entered into a five year maintenance plan for the GIPTN buses which is paid in annual installments. A portion of the maintenance payment falls within the 2017/2018 year and this portion is treated as a prepayment.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>6. VAT receivable / (payable)</b>		
VAT receivable from SARS	2,126,641	2,625,509
VAT input provision	7,882,325	7,698,154
VAT output provision	(10,354,529)	(9,659,980)
	<b>(345,563)</b>	<b>663,683</b>

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

### 7. Loans and receivables

As at 30 June 2017	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	692,781	(334,687)	358,094	(82,285)	275,809
Sale of erven loans	95,334	-	95,334	(7,557)	87,777
Loans to other organisations	12,888	-	12,888	(6,191)	6,697
Actaris meter debt	219,362	-	219,362	(74,343)	145,019
	<b>1,020,365</b>	<b>(334,687)</b>	<b>685,678</b>	<b>(170,376)</b>	<b>515,302</b>

As at 30 June 2016	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	889,949	(468,377)	421,572	(90,915)	330,657
Sale of erven loans	93,407	-	93,407	(8,030)	85,377
Loans to other organisations	18,612	-	18,612	(5,724)	12,888
Actaris meter debt	597,992	-	597,992	(179,397)	418,595
	<b>1,599,960</b>	<b>(468,377)</b>	<b>1,131,583</b>	<b>(284,066)</b>	<b>847,517</b>

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 loan consist of a loan to Outeniqua Bowling Club at 8.0%.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 7. Loans and receivables (continued)

#### Actaris meter costs

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

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

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

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

2017	Balance at beginning of year	Impairment losses reversed	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	468,377	(133,690)	-	334,687
2016	Balance at beginning of the year	Impairment losses reversed	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	577,048	(97,422)	(11,249)	468,377

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

Figures in Rand	2017	2016
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**8. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	23,050	23,050
Bank balances	405,417,717	165,299,609
Short-term deposits	100,000,000	200,000,000
	<b>505,440,767</b>	<b>365,322,659</b>

**Cash and cash equivalents pledged as collateral**

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

The balance of unspent conditional grants as per note 19 can only be used for the purpose as set out in the different grant conditions and is not available to the municipality to use in its normal business operations. The same applies to the cash portion of the Housing Development Fund as per note 20. This balance can only be used for the purpose of the Housing Development Fund.

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

	<b>Cash book balances</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>
ABSA BANK - Cheque Account - 102 222 0981	405,417,717	165,299,609
Nedbank Fixed Deposit	100,000,000	100,000,000
Standard Bank 32 Day Notice Deposit	-	100,000,000
Cash on hand	23,050	23,050
<b>Total</b>	<b>505,440,767</b>	<b>365,322,659</b>

The bank balances at year end were:

	<b>Bank balances</b>	
	<b>30 June 2017</b>	<b>30 June 2016</b>
ABSA BANK - Cheque Account - 102 222 0981	403,166,928	164,046,052
ABSA - George Charitable Relief Fund -914 955 4208	1,000	1,000
Nedbank Fixed Deposit	100,000,000	100,000,000
Standard Bank 32 Day Notice Deposit	-	100,000,000
	<b>503,167,928</b>	<b>364,047,052</b>

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

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

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

**Credit rating of financial institutions**

Baa3	503,167,928	-
Baa2	-	364,047,052
	<b>503,167,928</b>	<b>364,047,052</b>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

**Figures in Rand**

**9. Property, plant and equipment**

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	923,505,583	-	923,505,583	923,728,683	-	923,728,683
Infrastructure	2,142,882,696	(922,170,912)	1,220,711,784	1,998,119,071	(802,211,960)	1,195,907,111
Community	271,453,532	(109,515,793)	161,937,739	263,054,800	(98,246,317)	164,808,483
Other	172,449,504	(87,147,917)	85,301,587	147,273,174	(78,864,981)	68,408,193
Other - GIPTN Buses	206,260,523	(31,510,208)	174,750,315	206,260,523	(16,936,472)	189,324,051
Work in progress	197,691,788	-	197,691,788	166,689,368	-	166,689,368
<b>Total</b>	<b>3,914,243,626</b>	<b>(1,150,344,830)</b>	<b>2,763,898,796</b>	<b>3,705,125,619</b>	<b>(996,259,730)</b>	<b>2,708,865,889</b>

**Reconciliation of property, plant and equipment - 2017**

	Opening balance	Additions	Disposals	WIP transfers - completed projects	Depreciation	Impairment loss	Total
Land	923,728,683	-	(223,100)	-	-	-	923,505,583
Infrastructure	1,195,907,111	101,263,148	(12,142)	43,631,619	(117,956,424)	(2,121,528)	1,220,711,784
Community	164,808,483	3,561,422	-	4,837,309	(11,269,475)	-	161,937,739
Other	68,408,193	25,004,500	(379,271)	3,293,903	(11,025,738)	-	85,301,587
Other - GIPTN Buses	189,324,051	-	-	-	(14,573,736)	-	174,750,315
Work in progress	166,689,368	82,765,251	-	(51,762,831)	-	-	197,691,788
<b>Total</b>	<b>2,708,865,889</b>	<b>212,594,321</b>	<b>(614,513)</b>	<b>-</b>	<b>(154,825,373)</b>	<b>(2,121,528)</b>	<b>2,763,898,796</b>



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017  
**Notes to the Annual Financial Statements**

**Figures in Rand**

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

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

	Opening balance	Additions	Disposals	WIP transfers - completed projects	Transfers	Depreciation	Total
Land	923,729,683	-	(1,000)	-	-	-	923,728,683
Infrastructure	1,184,027,502	92,903,892	(143,086)	20,046,419	8,803,230	(109,730,846)	1,195,907,111
Community	175,367,932	6,457,860	(102)	2,863,114	(8,792,689)	(11,087,632)	164,808,483
Other	61,817,186	15,655,537	(483,024)	250,000	(10,541)	(8,820,965)	68,408,193
Other - GIPTN Buses	166,349,649	44,208,260	(9,867,700)	-	-	(11,366,158)	189,324,051
Work in progress	133,351,757	56,497,144	-	(23,159,533)	-	-	166,689,368
	<b>2,644,643,709</b>	<b>215,722,693</b>	<b>(10,494,912)</b>	<b>-</b>	<b>-</b>	<b>(141,005,601)</b>	<b>2,708,865,889</b>

A detailed breakdown of property, plant and equipment by asset class can be found in note 56.

The municipality received public donated assets of R504,253 (2016: RNil) which forms part of the asset additions for the year. Refer to note 51.

The municipality adopted the Standard Chart of Accounts for Local Government (mSCOA) as prescribed by National Treasury on 1 July 2016 and the comparative figures was reclassified to meet the category classification of mSCOA. Refer to note 45.2 for more detail on mSCOA.

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

	2017	2016
Vehicles	17,078,705	17,748,935

Refer to note 14 for details of finance leases.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 9. Property, plant and equipment (continued)

#### Property, plant and equipment in the process of being constructed or developed

Details of work in progress per asset class can be found in note 56.

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

#### Reason for delay

Funding related delays	3,548,389
Tender related delays	6,430,875
Other	1,103,705
	<b>11,082,969</b>

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

Repairs and maintenance expenditure for the year was R91,566,512. Refer to note 33 for detail.

### 10. Intangible assets

	2017			2016		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,004,147	(570,935)	1,433,212	4,625,874	(3,618,157)	1,007,717

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	1,007,717	943,072	(517,577)	1,433,212

#### Reconciliation of intangible assets - 2016

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

## Notes to the Annual Financial Statements

### 11. Heritage assets

	2017			2016		
	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 2017

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

#### Reconciliation of heritage assets 2016

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

#### Details of heritage assets

Wilderness Commonage	4,050,000	4,050,000
Old Uniondale Fort	186,000	186,000
	<b>4,236,000</b>	<b>4,236,000</b>

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

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

#### Expenditure incurred to repair and maintain heritage assets

No costs were incurred to repair and maintain heritage assets during the year.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 12. Investment property

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	149,777,700	-	149,777,700	149,777,700	-	149,777,700
Buildings	4,981,973	(2,671,268)	2,310,705	4,981,973	(2,509,696)	2,472,277
<b>Total</b>	<b>154,759,673</b>	<b>(2,671,268)</b>	<b>152,088,405</b>	<b>154,759,673</b>	<b>(2,509,696)</b>	<b>152,249,977</b>

#### Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Land	149,777,700	-	149,777,700
Buildings	2,472,277	(161,572)	2,310,705
	<b>152,249,977</b>	<b>(161,572)</b>	<b>152,088,405</b>

#### Reconciliation of investment property - 2016

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

#### Other disclosure

Included in the surplus for the year are the following:

Total rental income from investment property	1,533,642	803,885
Repairs and maintenance of investment property	119,502	-

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

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>13. Loans and borrowings</b>		
<b>At amortised cost</b>		
Annuity loans	348,285,098	368,670,712
Other loans	542,532	723,376
	<b>348,827,630</b>	<b>369,394,088</b>
<b>Non-current liabilities</b>		
Annuity loans	309,580,507	330,338,389
Other loans	361,688	542,532
	<b>309,942,195</b>	<b>330,880,921</b>
<b>Current liabilities</b>		
Annuity loans	38,704,591	38,332,323
Other loans	180,844	180,844
	<b>38,885,435</b>	<b>38,513,167</b>

### Annuity loans

Annuity loans are repaid over periods varying from 1 years to 12 years (2016: 2 years to 13 years) and at interest rates varying from 6.75% to 12,665% (2016: 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 3 years (2016: 1 year to 4 years) and at interest rates varying from 7,835% to 12% (2016: 7,835% and 12%) per annum. Other loans are not secured.

## 14. Finance lease obligation

<b>Minimum lease payments due</b>		
- within one year	5,476,552	5,323,625
- in second to fifth year inclusive	7,812,565	12,332,405
	13,289,117	17,656,030
less: future finance charges	(1,685,622)	(2,694,101)
<b>Present value of minimum lease payments</b>	<b>11,603,495</b>	<b>14,961,929</b>
<b>Present value of minimum lease payments due</b>		
- within one year	4,533,126	4,085,827
- in second to fifth year inclusive	7,070,369	10,876,102
	<b>11,603,495</b>	<b>14,961,929</b>
Non-current liabilities	7,070,369	10,876,102
Current liabilities	4,533,126	4,085,827
	<b>11,603,495</b>	<b>14,961,929</b>

The municipality entered into hire purchase agreements for vehicle acquisitions. The average lease term is 5 years and the average effective borrowing rate is 8.84% (2016: 8.79%). Interest rates are fixed at the contract date and all leases have fixed repayments terms.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9 for more detail.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>15. Trade and other payables from exchange transactions</b>		
<b>Current liabilities</b>		
Trade payables	118,510,304	105,429,644
Payments received in advance	18,674,074	17,046,041
Retentions	19,013,090	14,528,335
GIPTN compensation liability	3,434,542	3,202,066
Other payables	22,147,545	10,844,735
Sundry Deposits	8,397,317	8,321,588
Unidentified deposits	6,011,538	3,342,396
	<b>196,188,410</b>	<b>162,714,805</b>
<b>Non-current liabilities</b>		
GIPTN compensation liability	5,459,261	8,156,395
<b>Total</b>	<b>201,647,671</b>	<b>170,871,200</b>

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

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

### George Integrated Public Transport Network (GIPTN) compensation liability

The public transport bus services commenced during the 2015 financial year. Taxi operators who signed buy-in agreements started receiving their monthly buy-in payments with the relinquishment of the taxi operator licences. The accrual was transferred from Provisions and is split between current and non-current based on the expected payments to be made as determined in the signed contracts. Refer to note 18 for more detail.

Balance at beginning of the year	11,358,461	12,159,905
Transferred from Provisions	249,411	1,092,023
Increase in liability	665,589	1,321,550
Paid during the year	(3,379,658)	(3,215,017)
	<b>8,893,803</b>	<b>11,358,461</b>
<b>Non-current liabilities</b>	5,459,261	8,156,395
<b>Current liabilities</b>	3,434,542	3,202,066
	<b>8,893,803</b>	<b>11,358,461</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>16. Consumer deposits</b>		
Electricity and water	22,822,167	19,759,545
Guarantees held in lieu of electricity and water deposits	17,264,484	17,277,141
<p>Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding accounts.</p> <p>Guarantees are given by business consumers on application for new water and electricity connections instead of deposits. In cases where consumers default on their accounts, the municipality can request the guarantee amounts from the consumers' bank as payment for the outstanding accounts.</p>		
<b>17. Employee benefit obligations</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Non-current liabilities</b>		
Post-Retirement Medical Aid benefits liability	118,609,320	121,709,007
Ex-gratia pension benefits liability	2,018,897	2,051,600
Long service awards	18,953,503	18,500,116
	<b>139,581,720</b>	<b>142,260,723</b>
<b>Current liabilities</b>		
Post-Retirement Medical Aid benefits liability	4,977,326	4,546,836
Ex-gratia pension benefits liability	276,714	627,572
Long service awards	2,381,136	2,300,712
Staff leave	30,914,992	25,754,564
Staff annual bonus	10,279,611	9,602,594
	<b>48,829,779</b>	<b>42,832,278</b>
<b>Total liabilities</b>		
Post-Retirement Medical Aid benefits liability	123,586,646	126,255,843
Ex-gratia pension benefits liability	2,295,611	2,679,172
Long service awards	21,334,639	20,800,828
Staff leave	30,914,992	25,754,564
Staff annual bonus	10,279,611	9,602,594
	<b>188,411,499</b>	<b>185,093,001</b>

### Post-retirement medical aid benefit liability

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continuation member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2017. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>17. Employee benefit obligations (continued)</b>		
In-service (Employees) members	501	499
In-service (Employees) non-members	487	483
Continuation members (Retirees, widowers and orphans)	126	127
	<b>1,114</b>	<b>1,109</b>
 In-service members	 61,892,614	 65,673,284
Continuation members	61,694,032	60,582,559
	<b>123,586,646</b>	<b>126,255,843</b>

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 2018 is estimated to be R4,541,531 (2017: R4,624,356) whereas the interest cost for the same year is estimated to be R11,625,744 (2017: R11,590,218).

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

i) Rate of interest		
Discount rate	9.60 %	9.34 %
Health care cost inflation rate	7.89 %	8.41 %
Net effective discount rate	1.58 %	0.86 %
 Expected retirement age - females	 62	 62
Expected retirement age - males	62	62

Discount rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. Consequently, a discount rate of 9.6% per annum has been used. The corresponding index-linked yield at this term is 2.54%. These rates were deduced from the yield curve obtained from the Stock Exchange of South Africa after the market close on 30 June 2017.

### ii) Mortality rates

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

### iii) Normal retirement age

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



**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

Figures in Rand	2017	2016
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**17. Employee benefit obligations (continued)**

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

Present value of fund obligations	123,586,646	126,255,843
Fair value plan assets	-	-
	<b>123,586,646</b>	<b>126,255,843</b>
Unrecognised past-service cost	-	-
Unrecognised actuarial losses / (gains)	-	-
Present value of unfunded obligations	123,586,646	126,255,843
	<b>123,586,646</b>	<b>126,255,843</b>

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

Current service cost	4,624,356	5,359,426
Interest cost	11,590,218	11,744,680
Recognised actuarial losses / (gains)	(14,336,935)	(20,468,411)
<b>Total included in employee related cost (refer to note 27)</b>	<b>1,877,639</b>	<b>(3,364,305)</b>

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

Balance at the beginning of the year	126,255,843	134,044,416
- Current service cost	4,624,356	5,359,426
- Interest cost	11,590,218	11,744,680
- Actuarial losses (gains)	(14,336,935)	(20,468,411)
- Benefits paid	(4,546,836)	(4,424,268)
<b>Balance at the end of the year</b>	<b>123,586,646</b>	<b>126,255,843</b>

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

<b>Liability History</b>	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Accrued liability	105.422	117.768	134.044	126.256	123.587
Fair value of plan asset	-	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(105.422)</b>	<b>(117.768)</b>	<b>(134.044)</b>	<b>(126.256)</b>	<b>(123.587)</b>

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

<b>Experience adjustments</b>	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Liabilities: (Gain) / Loss	4.342	1.743	5.507	(4.381)	(1.791)
Assets: Gain / (Loss)	-	-	-	-	-
	<b>4.342</b>	<b>1.743</b>	<b>5.507</b>	<b>(4.381)</b>	<b>(1.791)</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 17. Employee benefit obligations (continued)

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

#### Increase

Effect on the current service cost and interest cost	890,600	3,042,300
Effect on the defined benefit obligation	5,073,000	6,192,000

#### Decrease

Effect on the current service cost and interest cost	(1,315,600)	(2,557,300)
Effect on the defined benefit obligation	(7,478,000)	(8,925,000)

### Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2017 2 employees and 15 pensioners were eligible for payments in terms of this plan.

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

The Current-service cost for the year ending 30 June 2018 is estimated to be Rnil (2017: Rnil) whereas the interest cost for the same year is estimated to be R176,034 (2017: R198,816).

Pensioners	15	15
Eligible employees	2	3
	<b>17</b>	<b>18</b>

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

#### i) Rate of interest

Discount rate	8.15 %	8.38 %
Pension increase rate	2.48 %	3.03 %
Net effective discount rate	5.53 %	5.19 %

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 8.15% per annum has been used. The corresponding index-linked yield at this term is 2.57%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Stock Exchange of South Africa after the market close on 30 June 2017.

Expected retirement age	62	62
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#### ii) Mortality rates

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

#### iii) Normal retirement age

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

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Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

<b>Figures in Rand</b>	<b>2017</b>	<b>2016</b>
<b>17. Employee benefit obligations (continued)</b>		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	2,295,611	2,679,172
Fair value of plan assets	-	-
	<b>2,295,611</b>	<b>2,679,172</b>
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	2,295,611	2,679,172
<b>Net Liability</b>	<b>2,295,611</b>	<b>2,679,172</b>

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

Interest cost	198,816	193,046
Recognised actuarial losses / (gains)	45,195	365,248
<b>Total included in employee related cost (refer to note 28)</b>	<b>244,011</b>	<b>558,294</b>

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

Balance at the beginning of the year	2,679,172	2,681,928
- Interest cost	198,816	193,046
- Actuarial losses / (gains)	45,195	365,248
- Benefits paid	(627,572)	(561,050)
	<b>2,295,611</b>	<b>2,679,172</b>

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

<b>Liability History</b>	<b>30 June 2013</b>	<b>30 June 2014</b>	<b>30 June 2015</b>	<b>30 June 2016</b>	<b>30 June 2017</b>
Accrued liability	3,187,340	3,057,369	2,681,928	2,679,172	2,295,611
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(3,187,340)</b>	<b>(3,057,369)</b>	<b>(2,681,928)</b>	<b>(2,679,172)</b>	<b>(2,295,611)</b>

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

<b>Experience adjustment</b>	<b>30 June 2013</b>	<b>30 June 2014</b>	<b>30 June 2015</b>	<b>30 June 2016</b>	<b>30 June 2017</b>
Liabilities: (Gain) / Loss	(2,548)	31,653	85,984	416,614	95,982
Assets: Gain / (Loss)	-	-	-	-	-
	<b>(2,548)</b>	<b>31,653</b>	<b>85,984</b>	<b>416,614</b>	<b>95,982</b>

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

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

Figures in Rand	2017	2016
<b>17. Employee benefit obligations (continued)</b>		
<b>Increase</b>		
Effect on the interest cost	14,318	14,318
Effect on the defined benefit obligation	164,680	170,799
<b>Decrease</b>		
Effect on interest cost	(12,871)	(12,980)
Effect on the defined benefit obligation	(148,271)	(153,548)

**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 2017.

At year end, 988 (2016: 982) employees were eligible for Long-services Awards. The future service cost for the ensuing year is estimated to be R1,536,659 (2017: R1,555,049), whereas the interest cost for the ensuing year is estimated to be R1,701,781 (2017: R1,680,413).

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

i) Rate of interest		
Discount rate	8.44 %	8.54 %
Benefit inflation rate	6.26 %	7.20 %
Net effective discount rate	2.05 %	1.25 %
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 8.44% 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 2.55%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Stock Exchange of South Africa after the market close on 30 June 2017.

ii) Mortality rates

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

iii) Normal retirement age

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**Notes to the Annual Financial Statements**

Figures in Rand	2017	2016
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**17. Employee benefit obligations (continued)**

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

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

Present value of projected fund obligations	21,334,639	20,800,828
Plan assets	-	-
	<b>21,334,639</b>	<b>20,800,828</b>
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligation	21,334,639	20,800,828
	<b>21,334,639</b>	<b>20,800,828</b>

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

Net current service cost, interest cost and actuarial losses (gains) included in the long service awards expense (refer to note 28)	2,834,523	3,257,654
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The movement in the defined benefit obligation over the year is as follows:

Balance at the beginning of the year	20,800,828	19,674,941
- Net current service cost, interest cost and actuarial losses (gains) included in the long service awards expense	2,834,523	3,257,654
- Benefits paid	(2,300,712)	(2,131,767)
	<b>21,334,639</b>	<b>20,800,828</b>

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

<b>Liability History</b>	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Accrued Liability	16,636,020	17,981,565	19,674,941	20,800,828	21,334,639
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(16,636,020)</b>	<b>(17,981,565)</b>	<b>(19,674,941)</b>	<b>(20,800,828)</b>	<b>(21,334,639)</b>

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

<b>Experience adjustment</b>	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Liabilities: (Gain) / Loss	751,311	1,276,184	908,105	852,348	729,329
Assets: Gain / (Loss)	-	-	-	-	-
	<b>751,311</b>	<b>1,276,184</b>	<b>908,105</b>	<b>852,348</b>	<b>729,329</b>

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

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>17. Employee benefit obligations (continued)</b>		
<b>Increase</b>		
Effect on the current service cost and interest cost	254,700	240,200
Effect on the defined benefit obligation	1,377,000	1,410,000
<b>Decrease</b>		
Effect on the current service cost and interest cost	(227,300)	(214,000)
Effect on the defined benefit obligation	(1,245,000)	(1,270,000)

### Multi-employer retirement benefit information

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

SALA Pension Fund and the South African Municipal Workers Union Pension Fund are defined benefit plans, whereas the Cape Joint Defined Contribution Fund, Cape Retirement Fund for Local Government and the Municipal Councillors Pension Fund are defined contribution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds due to the following reasons:

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

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where Councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R34,203,356 for employees and R401,510 for Councillors represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

### LA Retirement Fund (previously Cape Joint Defined Contribution Fund)

The LA Retirement Fund's contribution rate payable is 9% by the members and 18% by Council. The valuation of 30 June 2016 showed that the funding level is 100%.

### SALA Pension Fund

The contribution rate paid by the members 8.60% and Council 19.18% is sufficient to fund the benefits accruing from the fund in the future.

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

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Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

Figures in Rand	2017	2016
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**17. Employee benefit obligations (continued)**

**Municipal Councillors Pension Fund**

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

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15%) is sufficient to fund the benefits accruing from the fund in the future.

**South African Municipal Workers Union Pension Fund**

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

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

**Staff leave**

The movement on the leave accrual consist of the following:

Opening balance	25,754,564	26,035,348
Payments	(2,176,411)	(1,470,782)
Additional provision	7,336,839	1,189,998
	<b>30,914,992</b>	<b>25,754,564</b>

**Staff annual bonus**

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

Balance at the beginning of the year	9,602,594	8,596,146
Payments	(9,602,594)	(8,596,146)
Additional bonus accrual recognised during the year	10,279,611	9,602,594
	<b>10,279,611</b>	<b>9,602,594</b>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

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**18. Provisions**

**Reconciliation of provisions - 2017**

	Opening Balance	Additions / Reversed	Utilised during the year	Discounting changes	Transferred to Trade and other payables	Total
Rehabilitation of landfill site	23,201,876	(2,236,261)	(1,098,673)	1,786,153	-	21,653,095
Clearing of alien vegetation	2,075,680	128,060	-	-	-	2,203,740
Compensation Liability GIPTN	64,874,836	828,078	-	(2,286,600)	(249,412)	63,166,902
	<b>90,152,392</b>	<b>(1,280,123)</b>	<b>(1,098,673)</b>	<b>(500,447)</b>	<b>(249,412)</b>	<b>87,023,737</b>

**Reconciliation of provisions - 2016**

	Opening Balance	Additions	Utilised during the year	Discounting changes	Transferred to Trade and other payables	Total
Rehabilitation of landfill site	17,861,518	3,945,374	-	1,394,984	-	23,201,876
Provision relating to legal claims	1,964,000	(1,964,000)	-	-	-	-
Clearing of alien vegetation	1,341,120	734,560	-	-	-	2,075,680
Compensation Liability GIPTN	60,663,176	5,756,068	(452,385)	-	(1,092,023)	64,874,836
	<b>81,829,814</b>	<b>8,472,002</b>	<b>(452,385)</b>	<b>1,394,984</b>	<b>(1,092,023)</b>	<b>90,152,392</b>

**Current liabilities consist of**

	2017	2016
Rehabilitation of landfill site	2,115,896	3,473,301
Clearing of alien vegetation	2,203,740	2,075,680
Compensation Liability GIPTN	6,764,129	35,556,228
	<b>11,083,765</b>	<b>41,105,209</b>
Non-current liabilities	75,939,972	49,047,183
Current liabilities	11,083,765	41,105,209
	<b>87,023,737</b>	<b>90,152,392</b>

**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 2016/2017 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 2016 cost was increased by 5.4770% to determine the rehabilitation cost as at 30 June 2017.



# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

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### 18. Provisions (continued)

Provision is made in terms of the municipality's licensing stipulations on the landfill waste sites and a mediation agreement between the Department of Environmental Affairs and Development Planning, for the estimated cost of rehabilitating the waste sites. The provision has been determined on the basis of a recent independent study. The cost factors derived from the study by Aurecon South Africa (Pty) Ltd have been applied. The landfill sites have reached full capacity and the municipality obtained closure licences during the 2015 financial year for both the George and Uniondale landfill sites. The closure licences and the mediation agreement requires that the rehabilitation of both landfill sites should be completed by 2019. The municipality have started with the rehabilitation process during the 2017 financial year.

The cost as at 30 June 2017 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 (7.670%).

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

	Opening balance	Additions / Reversal	Utilised during the year	Unwinding of discount	Total
George	20,371,990	(1,954,552)	(1,098,673)	1,563,016	18,881,781
Uniondale	2,829,886	(281,709)	-	223,137	2,771,314
	<b>23,201,876</b>	<b>(2,236,261)</b>	<b>(1,098,673)</b>	<b>1,786,153</b>	<b>21,653,095</b>

### Clearing of alien vegetation

The municipality has an obligation to clear alien vegetation. The provision represents the present cost to clear the alien vegetation on vacant land owned by the municipality. This is an ongoing process. The provision was based on the current clearing cost of between R3,956.70 and R19,182.90 per hectare (2016: R3,727 and R18,063 per hectare) depending on the location and the total size of land of 240 hectares (2016: 240 hectares) have 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 the current taxi owners form part of the operating company and operate the buses in the network. According to the signed operator's agreement, the taxi owners have to relinquish their existing taxi operators' licences to receive the compensation.

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

The provision for the compensation is based on the signed agreements with each of the taxi operators. Based on these agreements, 229 (2016: 229) licences were subject to the buy-in option, while 278 (2016: 278) licences were subject to the election of the buy-out option. The buy-in provision for operators who started receiving their monthly buy-in amounts was transferred to Trade and other payables. Refer to note 15.

The undiscounted provision for compensation before any payouts over the five years covered by the compensation agreement is R75,392,814 (2016: R73,340,583). A discount rate of 7.670% (2016: 7.885%) (3 year Government Bond rate) was used to discount the provision.

The municipality expects to pay the buy-out options between October 2017 and January 2019 as the next phases are rolled out and the buy-in options within 5 years from the roll out dates.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>19. Conditional government grants and subsidies</b>		
<b>Unspent conditional government grants and subsidies</b>	<b>104,809,639</b>	<b>34,491,337</b>
National Government Grants	57,923,505	11,304,317
Provincial Government Grants	39,182,107	15,482,994
Other	7,704,027	7,704,026
<b>Less: Conditional government grants and subsidies receivable - Note 4</b>	<b>(29,224,324)</b>	<b>(49,864,909)</b>
National Government Grants	(25,290,106)	(34,790,106)
Provincial Government Grants	-	(12,501,405)
Other	(3,934,218)	(2,573,398)
	<b>75,585,315</b>	<b>(15,373,572)</b>

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

The total grants recognised in the Statement of Financial Performance are (Refer to note 26):

<b>Unconditional Grants</b>		
Grants	105,336,000	100,069,300
<b>Conditional Grants</b>		
Grants and Donations	352,769,527	332,086,030
Subsidies	1,726,309	522,243
<b>Total Government Grants and Subsidies</b>	<b>459,831,836</b>	<b>432,677,573</b>
Government Grants and Subsidies - Capital	149,590,523	134,762,884
Government Grants and Subsidies - Operating	310,241,313	297,914,689
	<b>459,831,836</b>	<b>432,677,573</b>

Details of the different grants are set out below.

### Unconditional Grants

#### 19.1 Equitable share

Opening balance	-	-
Grants received	105,336,000	100,693,000
Conditions met - Operating	(105,336,000)	(100,693,000)
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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

### Conditional Grants

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

Opening balance	-	-
Grants received	1,475,000	1,450,000
Conditions met - Operating	(1,475,000)	(1,450,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

<b>Figures in Rand</b>	<b>2017</b>	<b>2016</b>
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.3 National: Municipal Systems Improvement Grant (MSIG)</b>		
Opening balance	-	-
Grants received	-	930,000
Conditions met - Operating	-	(930,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
<b>19.4 National: Infrastructure Skills Development</b>		
Opening balance	-	-
Grants received	3,700,000	3,000,000
Conditions met - Operating	(2,959,231)	(2,677,826)
Conditions met - Capital	(740,769)	(322,174)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
The Infrastructure Skills Development Grant is given to strengthen the capacity of local government to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills available and to facilitate lifelong learning and the transfer of knowledge to municipalities.		
<b>19.5 National: Municipal Infrastructure Grant (MIG)</b>		
Opening balance	-	(4,535,809)
Grants received	38,283,000	38,832,000
Conditions met - Operating	(1,914,150)	(1,939,686)
Conditions met - Capital	(36,368,850)	(32,356,505)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
The grant was utilised to construct water and sewerage infrastructure and also to upgrade sport facilities, with the main focus on the historically disadvantaged areas.		
<b>19.6 National: Regional Bulk Infrastructure Grant (RBIG)</b>		
Opening balance	11,304,318	11,304,318
Grants received	-	-
Conditions met - Capital	(644,987)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>10,659,331</b>	<b>11,304,318</b>
The grant was allocated to the municipality to construct bulk infrastructure for water and waste water. The remainder of this grant is specifically for raising the dam wall of the Garden Route dam. The licence was issued by the Department of Water Affairs.		
<b>19.7 National: Integrated National Electrification Grant</b>		
Opening balance	(12,517,189)	(7,972,437)
Grants received	9,500,000	7,000,000
Conditions met - Capital	-	(11,544,752)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(3,017,189)</b>	<b>(12,517,189)</b>
The National Electrification Grant was used to upgrade the sub-station and electrification network.		

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**Notes to the Annual Financial Statements**

Figures in Rand	2017	2016
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.8 National: Expanded Public Works Program Grant (EPWP)</b>		
Opening balance	-	-
Grants received	4,014,000	1,864,000
Conditions met - Operating	(4,014,000)	(1,864,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
The Expanded Public Works Program Grant was used to increase labour employment through infrastructure programs that increase jobcreation and skills development.		
<b>19.9 National: Lawaai kamp Sports Grounds (Lotto)</b>		
Opening balance	(262,147)	(262,147)
Grants received	-	-
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(262,147)</b>	<b>(262,147)</b>
The National Lottery has given this grant to the municipality specifically for the upgrading of the Lawaai kamp Sports Grounds.		
<b>19.10 National: Public Transport Network Operations Grant (PTNOG)</b>		
Opening balance	(22,010,770)	(22,010,770)
Grants received	72,998,000	73,676,799
Conditions met - Operating	(72,998,000)	(73,676,799)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(22,010,770)</b>	<b>(22,010,770)</b>
This grant's purpose is to provide supplementary operational funding to municipalities operating approved Integrated Public Transport Network services and to provide improved public transport network services that are formal, scheduled and well managed.		
<b>19.11 National: Public Transport Infrastructure Grant (PTIG)</b>		
Opening balance	-	-
Grants received	83,446,000	42,648,201
Conditions met - Capital	(36,181,826)	(42,648,201)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>47,264,174</b>	<b>-</b>
This grant's purpose is to provide funding for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.		
<b>19.12 Provincial: Western Cape Financial Management Support Grant</b>		
Opening balance	-	-
Grants received	220,000	50,000
Conditions met - Operating	(220,000)	(50,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
The Financial Management Support Grant is given by the Western Cape Provincial Treasury to provide financial assistance to municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.		

# George Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.13 Provincial: Western Cape Financial Management Capacity Building Grant</b>		
Opening balance	-	-
Grants received	120,000	-
Conditions met - Operating	(120,000)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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

<b>19.14 Provincial: Integrated Public Transport Network Operations</b>		
Opening balance	(10,391,933)	(6,396,586)
Grants received	101,526,709	89,231,159
Conditions met - Operating	(91,134,776)	(93,226,507)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>(10,391,934)</b>

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

<b>19.15 Provincial: Integrated Public Transport Network Infrastructure</b>		
Opening balance	-	69,189
Grants received	49,017,291	39,998,841
Conditions met - Capital	(49,017,291)	(40,068,030)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

The Integrated Public Transport Network Infrastructure grant is given to the municipality to implement a public transport service as contemplated in the George Integrated Public Transport Network (GIPTN). This grant will enhance infrastructure for public transport services provided by the municipality

<b>19.16 Provincial: Integrated Transport Planning Grant</b>		
Opening balance	-	-
Grants received	-	600,000
Conditions met - Operating	-	(600,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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

<b>19.17 Provincial: Human Settlements Operating Grants</b>		
Opening balance	(748,652)	(6,486,558)
Grants received	44,415,933	15,568,448
Conditions met - Operating	(14,073,150)	(9,830,542)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>29,594,131</b>	<b>(748,652)</b>

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

# George Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.18 Provincial: Human Settlements Capital Grant</b>		
Opening balance	10,000,000	-
Grants received	20,863,478	14,032,840
Conditions met - Capital	(22,395,228)	(4,032,840)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>8,468,250</b>	<b>10,000,000</b>

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

### 19.19 Provincial: Sport / Recreational Facilities

Opening balance	-	-
Grants received	54,000	-
Conditions met - Operating	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>54,000</b>	<b>-</b>

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

### 19.20 Provincial: Proclaimed Roads

Opening balance	-	-
Grants received	5,734,000	354,724
Conditions met - Operating	(5,734,000)	(354,724)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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

### 19.21 Provincial: Thembaletu & Pacaltsdorp sport fields (YDVS)

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

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

### 19.22 Provincial: Electricity Master Plan Operations

Opening balance	500,000	-
Grants received	230,000	500,000
Conditions met - Operating	(500,000)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>230,000</b>	<b>500,000</b>

This grant was given by Provincial Treasury to the municipality to provide financial assistance to ensure effective functioning of municipal electrical infrastructure and to maximise the provision of basic electricity to citizens.

# George Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.23 Provincial: Library Services</b>		
Opening balance	4,982,994	2,993,059
Grants received	7,996,000	9,535,991
Conditions met - Operating	(7,996,000)	(7,473,000)
Conditions met - Capital	(4,241,572)	(73,056)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>741,422</b>	<b>4,982,994</b>

This grant is to be used for the transformation of urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial level in support of local government and national initiatives.

### 19.24 Provincial: Community Development Workers' Operational Grant

Opening balance	-	44,141
Grants received	75,000	90,000
Conditions met - Operating	(40,697)	(134,141)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>34,303</b>	<b>-</b>

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.

### 19.25 Provincial: Thembaletu Thusong Service Centre

Opening balance	-	-
Grants received	-	100,000
Conditions met - Operating	-	(100,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

This grant is given to provide financial assistance to Municipalities, ensuring the financial sustainability of the Thusong Service Centres.

### 19.26 Provincial: Local Government Graduate Internship Grant

Opening balance	-	-
Grants received	60,000	-
Conditions met - Operating	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>60,000</b>	<b>-</b>

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

### 19.26 Other: Eden District Municipality Electrification Grant

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

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

# George Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>19. Conditional government grants and subsidies (continued)</b>		
<b>19.27 Other: Eden District Municipality Emergency Relief Funds</b>		
Opening balance	(2,573,398)	1,143,927
Grants received	-	-
Conditions met - Capital	-	(3,717,326)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(2,573,398)</b>	<b>(2,573,399)</b>
This grant was given to reimburse municipalities for flood damage incurred by the municipality.		
<b>19.28 Other: SANRAL N2 /York Bridge</b>		
Opening balance	7,504,027	6,877,165
Grants received	-	3,019,084
Conditions met - Operating	-	(2,392,222)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>7,504,027</b>	<b>7,504,027</b>
This grant was utilised to widen the N2/York Street bridge and to add a pedestrian crossing to the bridge.		
<b>19.29 Other: LG Seta</b>		
Opening balance	-	-
Grants received	1,726,309	522,243
Conditions met - Operating	(1,726,309)	(522,243)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
These amounts were received from LG Seta based on the municipality's workplace skills plan.		
<b>Total Grants</b>		
Opening balance	(15,373,570)	(26,575,151)
Grants received	550,790,721	443,697,330
Transfer	-	181,822
Conditions met - Operating	(310,241,313)	(297,914,689)
Conditions met - Capital	(149,590,523)	(134,762,884)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>75,585,315</b>	<b>(15,373,572)</b>



# George Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>20. Housing development fund</b>		
Unappropriate surplus	9,831,739	11,556,862
Loans extinguished by Government on 1 April 1998	53,383,243	53,383,243
	<b>63,214,982</b>	<b>64,940,105</b>

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

Housing selling scheme loans	692,782	889,950
Inventory	141,633	171,042
Trade and other receivables from exchange transactions	948,259	941,748
Trade and other receivables from non-exchange transactions	1,012,475	1,291,165
Government grants in debit	3,017,189	4,544,752
Bank and cash	58,415,119	58,091,541
Trade and other payables from exchange transactions	(1,012,475)	(990,093)

<b>Total Housing Development Fund Assets and Liabilities</b>	<b>63,214,982</b>	<b>64,940,105</b>
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### 21. Service charges

Electricity	565,449,873	534,778,495
Water	121,171,738	110,115,289
Sewerage and sanitation charges	81,869,035	77,683,156
Refuse removal	61,813,769	54,000,706
Other	18,439	318,920
	<b>830,322,854</b>	<b>776,896,566</b>

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

The other service charges decreased during the year since the municipality is not charging for fire services any more.

The prior period balances were reclassified. Refer to note 45.1 for more detail.

### 22. GIPTN Fare Revenue

GIPTN Fare Revenue	37,301,627	32,532,521
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Fare revenue is recognised in accordance with accounting policy 1.20.

# George Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>23. Other income</b>		
Application fees for second dwelling	-	151,425
Building plan fees and related income	6,167,805	5,169,184
Camping fees	744,162	418,984
Cemetery fees	1,166,597	1,168,157
Contributions received for capital projects	11,382,719	11,882,541
Insurance claims received	1,134,257	12,172,864
Public contributions for donated asset additions	504,253	-
Public donations received	862,902	722,572
Rates clearance certificates for property transfers	743,684	563,326
Sundry income	2,455,591	4,239,693
	<b>25,161,970</b>	<b>36,488,746</b>

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 is required according to approved tariffs.

Insurance Claims received in the prior year consisted mainly out of the claim received during the previous financial year for the four GIPTN buses which were burnt in August 2015.

The municipality adopted the Standard Chart of Accounts for Local Government (mSCOA) as prescribed by National Treasury on 1 July 2016 and the comparative figures were reclassified to conform with mSCOA. Refer to note 45.2 for more detail.

## 24. Interest received

### Outstanding Debtors

Trade receivables	4,066,867	4,592,169
Art. 185(a) arrangements	1,515	8,959
Land sales	2,926	3,149
Selling schemes	84,533	104,821
Victoria Bay loans	264	690
	<b>4,156,105</b>	<b>4,709,788</b>

### External Investments

Bank accounts	19,851,843	15,187,914
Short term investments	17,452,125	15,516,104
	<b>37,303,968</b>	<b>30,704,018</b>
	<b>41,460,073</b>	<b>35,413,806</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>25. Property rates</b>		
<b>Rates received</b>		
Agriculture	3,171,669	2,901,950
Commercial	50,220,919	46,155,892
Industrial	12,613,814	11,686,988
Other	59,308	102,206
Public benefit organisations	1,260,035	1,171,455
Residential	152,632,523	136,933,120
State-owned	9,218,153	7,725,434
Vacant land	18,785,289	14,471,071
Less: Income forgone	(29,830,737)	(22,358,118)
Less: Impermissible rates	(6,698,406)	(6,136,306)
	<b>211,432,567</b>	<b>192,653,692</b>
<b>Valuations</b>		
Agriculture	1,910,333,400	1,863,808,500
Churches & parks	361,040,700	363,514,900
Commercial	5,674,555,290	5,706,352,190
Industrial	1,513,915,200	1,486,326,800
Municipal (non-taxable valuations)	1,085,749,650	1,096,074,150
Other	27,024,200	24,768,400
Public benefit organisations	150,069,500	148,983,200
Residential	23,012,463,800	22,631,423,450
State-owned	1,322,437,800	1,208,324,800
Vacant land	2,167,122,459	2,323,550,300
	<b>37,224,711,999</b>	<b>36,853,126,690</b>

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

Uniform rates of 0,6664 (2016: 0,6228) cents in the Rand on total valuations were applied to determine assessment rates. Business tariffs are levied at 0,8413 (2016: 0,7863) for Commercial, Industrial and Business erven, and this were applicable for all Areas.

A rebate of 15% (2016: 17%) was allowed on residential properties, whilst rebates of 10% - 20% (2016: 10% - 20%) were applied to pensioners, based on the annual income of the ratepayer. A rebate of 40% (2016: 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. The municipality was granted an extension of one year by the Minister of Local Government, Environmental Affairs and Development Planning and the current General Valuation will remain in effect up to 30 June 2017.

The municipality adopted the Standard Chart of Accounts for Local Government (mSCOA) as prescribed by National Treasury on 1 July 2016 and the comparative figures were reclassified to meet the category classification of mSCOA.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>26. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	105,336,000	100,693,000
National: Finance Management Grant (FMG)	1,475,000	1,450,000
National: Municipal Systems Improvements Grant (MSIG)	-	930,000
National: Infrastructure Skills Development	2,959,231	2,677,826
National: Municipal Infrastructure Grant (MIG)	1,914,150	1,939,686
National: Expanded Public Works Program Grant (EPWP)	4,014,000	1,864,000
National: Public Transport Operations Grant	72,998,000	73,676,799
Provincial: Western Cape Financial Management Support Grant	220,000	50,000
Provincial: Western Cape Financial Management Capacity Building Grant	120,000	-
Provincial: Integrated Public Transport Network	91,134,776	93,226,507
Provincial: Integrated Transport Planning Grant	-	600,000
Provincial: Human Settlements Operating Grant	14,073,150	9,830,541
Provincial: Proclaimed Roads	5,734,000	354,724
Provincial: Electrical Master Plan Operations	500,000	-
Provincial: Library Grant	7,996,000	7,473,000
Provincial: Community Development Workers Operational Grant	40,697	134,141
Provincial: Thembalethu Thusong Service Centre	-	100,000
Other: Sanral N2/York Street Bridge	-	2,392,222
Other: LG Seta	1,726,309	522,243
	<b>310,241,313</b>	<b>297,914,689</b>
<b>Capital grants</b>		
National: Infrastructure Skills Development	740,769	322,174
National: Municipal Infrastructure Grant (MIG)	36,368,850	32,356,505
National: Regional Bulk Infrastructure Grant	644,987	-
National: Integrated National Electrification Grant	-	11,544,752
National: Public Transport Infrastructure Grant	36,181,826	42,648,201
Provincial: Integrated Public Transport Network Infrastructure	49,017,291	40,068,030
Provincial: Human Settlements Capital Grant	22,395,228	4,032,840
Provincial: Library Grant	4,241,572	73,056
Other: Eden District Municipality Emergency Relief Funds	-	3,717,326
	<b>149,590,523</b>	<b>134,762,884</b>
	<b>459,831,836</b>	<b>432,677,573</b>
 Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Office of the Municipal Manager	1,516,549	857,627
Corporate Services	4,403,175	2,660,334
Community Services	52,641,092	44,347,404
Human Settlements, Land Affairs & Planning	14,642,999	11,877,031
Civil Engineering Services	365,861,589	341,869,950
Electrotechnical Services	17,683,462	27,225,816
Financial Services	3,082,970	3,839,411
	<b>459,831,836</b>	<b>432,677,573</b>

The municipality adopted the Standard Chart of Accounts for Local Government (mSCOA) as prescribed by National Treasury on 1 July 2016 and the comparative figures were reclassified to conform with mSCOA. Refer to note 45.2 for more detail.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>27. Fines, penalties and forfeits</b>		
Collection charges	4,951,158	6,574,459
GIPTN Bus operator penalties	397,265	-
Other fines	243,550	414,890
Traffic fines	28,707,670	55,637,830
	<b>34,299,643</b>	<b>62,627,179</b>

The decrease in traffic fines is due to the contract for the traffic fine cameras which lapsed in November 2016 and was only renewed in May 2017. During this time no camera fines were issued.

The municipality adopted the Standard Chart of Accounts for Local Government (mSCOA) as prescribed by National Treasury on 1 July 2016 and the comparative figures were reclassified to conform with mSCOA. Refer to note 45.2 for more detail.

### 28. Employee related costs

Basic	275,319,169	241,576,624
Housing benefits and allowances	1,704,242	1,653,667
Long-service awards	2,591,078	5,271,175
Medical aid - company contributions	16,536,963	14,553,153
Other payroll levies	3,419,586	3,183,078
Overtime payments	34,562,150	22,488,225
Employee benefit obligations	2,099,747	(2,806,011)
- Current service cost	4,602,453	5,359,426
- Interest cost	11,789,034	11,937,726
- Actuarial (gains) / losses recognised	(14,291,740)	(20,103,163)
Travel, motor car, accommodation, subsistence and other allowances	32,802,489	27,300,772
UIF	2,568,519	1,697,310
Pension	34,203,356	30,861,713
Subsistence and Travelling Allowance	1,219,427	1,026,935
	<b>407,026,726</b>	<b>346,806,641</b>

The municipality adopted the Standard Chart of Accounts for Local Government (mSCOA) as prescribed by National Treasury on 1 July 2016 and the comparative figures were reclassified to conform with mSCOA. Refer to note 45.2 for more detail.

### Remuneration of Municipal Manager

Annual Remuneration	1,729,149	1,854,608
Contributions to UIF, Medical and Pension Funds	20,452	20,105
	<b>1,749,601</b>	<b>1,874,713</b>

### Remuneration of Director Financial Services

Annual Remuneration	1,395,234	1,301,749
Car Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	303,036	275,935
Acting expenses	47,118	28,063
	<b>1,805,388</b>	<b>1,665,747</b>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

<b>Figures in Rand</b>	<b>2017</b>	<b>2016</b>
<b>28. Employee related cost (continued)</b>		
<b>Remuneration of Director Corporate Services</b>		
Annual Remuneration	1,285,715	1,256,950
Car Allowance	135,795	148,140
Severance package	361,482	-
Contributions to UIF, Medical and Pension Funds	291,656	226,265
Acting expense	-	16,669
	<b>2,074,648</b>	<b>1,648,024</b>
<b>Remuneration of Director Human Settlement, Land Affairs &amp; Planning</b>		
Annual Remuneration	1,258,421	1,182,146
Car Allowance	96,000	96,000
Contributions to UIF, Medical and Pension Funds	288,272	277,743
Acting expenses	51,074	24,162
	<b>1,693,767</b>	<b>1,580,051</b>
<b>Remuneration of Director Community Services</b>		
Annual Remuneration	990,828	1,031,458
Car Allowance	60,000	144,662
Bonus	-	62,292
Contributions to UIF, Medical and Pension Funds	195,081	173,117
Acting expenses	-	6,595
	<b>1,245,909</b>	<b>1,418,124</b>
<b>Remuneration of Director Civil Engineering Services</b>		
Annual Remuneration	1,360,816	1,399,600
Car Allowance	121,000	132,000
Severance package	410,206	-
Contributions to UIF, Medical and Pension Funds	23,964	24,288
Acting expenses	14,700	36,718
	<b>1,930,686</b>	<b>1,592,606</b>
<b>Remuneration of Director Electro- Technical Services</b>		
Annual Remuneration	1,337,279	1,375,936
Car Allowance	132,000	144,000
Severance package	400,129	-
Contributions to UIF, Medical and Pension Funds	46,578	35,952
Acting expenses	8,621	13,569
	<b>1,924,607</b>	<b>1,569,457</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>29. Remuneration of Councillors</b>		
Executive Mayor - basic salary	506,527	477,555
Deputy Executive Mayor - basic salary	498,626	383,626
Speaker - basic salary	504,149	451,879
Chief Whip - basic salary	418,044	384,976
Mayoral Committee Members	4,114,474	3,827,501
Councillors	6,927,585	5,856,318
Car allowance	4,090,346	3,960,697
Cellphone allowance	1,194,395	1,016,490
Councillors' contribution to medical aid	145,100	313,212
Pension contribution	401,510	794,381
	<b>18,800,756</b>	<b>17,466,635</b>
<b>Remuneration per councillor:</b>		
L Arries	352,721	-
C Bob	30,519	258,104
N Bungane	241,019	-
E Bussack	527,328	-
JP Buys	241,019	-
CM Clarke	241,019	-
BM Cornelius	555,834	258,104
DL Cronje	527,328	-
M Daniels	241,019	-
PH de Swart	59,150	611,164
EP De Villiers	584,465	611,164
NNE Dlephu	30,519	258,104
S Dlikilile	241,019	-
M Draghoender	586,506	650,515
M Du Preez	39,521	-
J Du Toit	274,336	325,323
JD Esau	112,302	-
LBC Esau	30,519	258,104
RS Figland	241,019	-
T Fortuin	-	215,087
J Fry	241,019	-
V Gericke	294,237	258,104
MD Gingcana	30,519	258,104
FS Guga	30,519	258,104
WT Harris	235,817	509,303
LS Hayward	30,519	258,104
HH Ingo	269,525	258,104
NR James	241,019	-
N Jantjies	269,525	258,104
HJ Jones	(17,765)	593,279
NF Kamte	30,322	258,104
A Kiwit	241,019	-
MEF Kleynhans	59,150	611,164
NV Kom	30,519	258,104
PB Komani	30,519	258,104
IC Kritzinger	629,900	611,164
L Langa	241,019	-
PS Leholo	30,519	258,104
CI Lesele	112,302	-
H Loff	241,019	-
R Lombaard	30,519	258,104

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>29. Remuneration of Councillors (continued)</b>		
<b>Remuneration per councillor (continued):</b>		
P Louw	241,019	-
G Macclune	50,289	258,104
D Maritz	62,430	650,515
VE Mashini	29,229	35,521
NF Mdaka	241,345	-
SM Mekana	-	205,224
BH Mooi	241,020	-
ZM Moyi	58,651	55,392
V Muller	241,019	-
MG Naik	775,078	611,164
J Ncamazana	241,019	-
C Neetling	30,519	258,104
GC Niehaus	555,834	258,104
CH Noble	527,328	-
PP Nosana	241,019	-
FZ Ntozini	30,519	258,104
MM Nyakathi	570,026	258,104
B Petrus	241,019	236,595
B Plata	266,103	-
G Pretorius	584,631	33,312
LN Quepe	30,519	258,104
C Remas	30,519	258,104
S Rooiland	241,019	-
J Safers	241,019	-
B Salmani	30,519	258,104
GMV Sihoyiya	30,519	258,104
S Snyman	241,019	-
GJ Stander	584,465	682,797
C Standers	67,327	736,296
I Stemela	298,156	611,164
EH Stroebel	241,217	-
T Teyisi	269,525	258,104
JS Thanda	30,519	258,104
PJ Van der /hoven	269,525	258,104
GJ Van Niekerk	241,019	-
LD Van Wyk	283,329	611,164
AJ Van Zyl	30,519	258,104
M Viljoen	555,834	258,104
J Von Brandis	241,019	-
DJ Wessels	241,019	-
AM Wildeman	30,519	258,104
AD Willemse	542,156	-
CT Williams	269,524	258,104
W Witbooi	30,519	258,104
G Xesi	42,432	-
	<b>18,800,756</b>	<b>17,466,635</b>



# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>29. Remuneration of Councillors (continued)</b>		
Remuneration for the Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip are:		
<b>Executive Mayor</b>		
Basic salary	506,527	477,555
Car allowance	187,773	196,765
Cellphone allowance	26,823	20,868
Contributions to medical aid and pension fund	59,640	112,741
	<b>780,763</b>	<b>807,929</b>
<b>Deputy Executive Mayor</b>		
Basic salary	498,626	383,626
Car allowance	95,378	157,412
Cellphone allowance	26,823	20,868
Contributions to medical aid and pension fund	7,311	88,609
	<b>628,138</b>	<b>650,515</b>
<b>Speaker</b>		
Basic salary	504,149	451,879
Car allowance	95,378	157,412
Cellphone allowance	26,823	20,868
Contributions to medical aid and pension fund	1,789	20,356
	<b>628,139</b>	<b>650,515</b>
<b>Chief Whip</b>		
Basic salary	418,044	384,976
Car allowance	140,830	147,574
Cellphone allowance	21,597	20,868
Contributions to medical aid and pension funds	4,812	57,746
	<b>585,283</b>	<b>611,164</b>

### In-kind benefits

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

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

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>30. Depreciation and amortisation</b>		
Property, plant and equipment	154,796,242	141,005,601
Intangible assets	517,402	414,036
Investment property	161,572	162,015
	<b>155,475,216</b>	<b>141,581,652</b>
<b>31. Impairment of assets</b>		
<b>Impairments</b>		
Trade receivables from exchange transactions	42,528,854	34,762,999
Trade and other receivables from non-exchange transactions	29,750,225	53,850,629
Loans and receivables	(133,690)	(97,422)
	<b>72,145,389</b>	<b>88,516,206</b>
<b>32. Finance costs</b>		
Loans and borrowings	39,801,491	42,451,911
Finance leases	1,298,703	1,539,967
Provision for rehabilitation of landfill site	1,786,153	1,394,985
Provision for Compensation Liability GIPTN	1,222,914	3,328,089
	<b>44,109,261</b>	<b>48,714,952</b>
Refer to note 18 for detail on the discounting of the provisions for the rehabilitation of the landfill site and the GIPTN Compensation Liability.		
<b>33. Repairs and maintenance</b>		
Streets and Stormwater Network	20,401,291	15,889,772
Sewerage Network	5,798,891	19,132,921
Water Network	7,618,218	6,816,343
Integrated transport service	17,760,586	14,974,042
Electricity Network	1,651,770	5,493,518
Machinery	9,573,278	5,211,169
Buildings & properties	20,874,317	4,259,241
Other	8,037,663	7,825,022
	<b>91,716,014</b>	<b>79,602,028</b>
The municipality adopted the Standard Chart of Accounts for Local Government (mSCOA) as prescribed by National Treasury on 1 July 2016 and the comparative figures were reclassified to conform with mSCOA. Refer to note 45.2 for more detail.		
<b>34. Bulk purchases</b>		
Electricity	395,745,838	359,854,084
Water	111,094	-
	<b>395,856,932</b>	<b>359,854,084</b>

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom. Water was purchased from Haarlem Irrigation Board during the year.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>35. Contracted services</b>		
Credit Control	4,509,774	4,758,417
Dumping Site Contractors	5,192,807	4,774,893
Electricity Distribution	23,644,867	18,784,210
Financial Services	1,974,668	1,946,991
Fire Services	246,621	118,601
General & additional valuations	761,644	505,180
Housing projects	21,578,166	15,723,002
Human Resources Contractors	2,191,155	398,424
IT Services Mainframe	8,382	420,339
Integrated Transport Services	160,175,799	172,525,990
Internal Auditors	3,281,353	2,966,150
Legal fees	3,738,655	3,428,534
Other Contractors	18,785,182	19,836,154
Parks and Gardens Contractors	2,892,014	5,127,624
Proclaimed Roads	7,903,112	2,843,076
Refuse Removal	7,625,164	9,633,176
SPCA - Small Animal Pound	1,756,128	1,510,357
Security	13,106,870	8,253,176
Street Cleansing	2,001,831	248,242
Streets and Stormwater	999,329	725,540
Town Planning	393,888	643,195
Traffic Contractors	1,409,123	2,757,733
Water Distribution	3,506,216	2,589,743
	<b>287,682,748</b>	<b>280,518,747</b>

The municipality adopted the Standard Chart of Accounts for Local Government (mSCOA) as prescribed by National Treasury on 1 July 2016 and the comparative figures were reclassified to conform with mSCOA. Refer to note 45.2 for more detail.

### 36. Grants and subsidies paid

#### Other subsidies

Bursary Grants	120,000	87,780
Merit Grants and Donations	1,750	139,980
	<b>121,750</b>	<b>227,760</b>

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

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

The municipality adopted the Standard Chart of Accounts for Local Government (mSCOA) as prescribed by National Treasury on 1 July 2016 and the comparative figures were reclassified to conform with mSCOA. Refer to note 45.2 for more detail.

### 37. Gains or (losses) on sale of assets

Property, plant and equipment	(101,022)	(10,454,913)
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# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>38. Other materials / Inventory</b>		
Fuel	9,726,301	7,758,155
Chemicals	21,172,680	17,137,442
Other	2,570,953	3,439,547
	<b>33,469,934</b>	<b>28,335,144</b>

The municipality adopted the Standard Chart of Accounts for Local Government (mSCOA) as prescribed by National Treasury on 1 July 2016 and the comparative figures were reclassified to conform with mSCOA. Refer to note 45.2 for more detail.

### 39. General expenses

Advertising, publicity and marketing	2,510,736	955,696
Auditors remuneration	3,632,565	3,185,995
Bank charges	2,700,210	1,574,722
Bargaining Council (previously Membership fees)	4,024,748	3,247,332
Commission Third Party Vendors (previously Easy Pay Cost)	1,563,260	1,928,413
External computer services (previously IT Expenses)	10,351,784	6,092,035
Insurance	6,836,609	6,548,130
Learnerships and interns	3,403,531	3,925,699
Lease rentals on operating leases	13,800,659	10,454,144
Net Realisable Value written down for inventory (Note 2)	-	1,159,200
Other general expenses	6,320,936	13,442,718
Postage	1,793,531	1,768,150
Printing and publications (previously Printing and stationery)	3,066,716	2,496,416
Refuse	6,371,449	4,037,478
Skills Development Levy	4,043,307	3,330,463
Telephone and fax	2,673,073	1,800,126
Training	76,033	118,832
Travel - local	2,359,956	2,356,878
Uniforms	1,836,030	1,570,180
Vehicle Tracking	7,090,639	358,707
Workmen's Compensation Fund	2,001,777	1,816,878
	<b>86,457,549</b>	<b>72,168,192</b>

The municipality adopted the Standard Chart of Accounts for Local Government (mSCOA) as prescribed by National Treasury on 1 July 2016 and the comparative figures were reclassified to conform with mSCOA. Refer to note 45.2 for more detail.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>40. Cash generated from operations</b>		
Surplus	63,058,904	108,549,023
<b>Adjustments for:</b>		
Depreciation and amortisation	155,475,216	141,581,652
Gain on sale of assets and liabilities	101,022	10,454,913
Donated asset receipts included in other income	(504,253)	-
Net realisable value adjustment of inventory	-	1,159,200
Finance costs - Finance leases	1,298,703	1,539,967
Impairment of assets	72,145,389	88,516,206
Housing Development Fund payments	-	(32,437)
Movements in bonus provision	677,017	1,006,447
Movements in provisions	91,546	10,738,963
Provisions utilised during the year	(1,098,673)	(2,416,385)
Movement in Employee benefit asset and liabilities - Medical Aid,	4,328,601	451,643
Pension and Long Service Awards		
Movement in Employee benefit asset and liabilities - Staff leave	5,160,428	(280,784)
Benefits paid regarding employee benefits	(6,847,548)	(7,117,085)
Unspent conditional grants received	550,790,720	443,697,329
Payments from unspent conditional grants	(459,831,835)	(426,958,546)
Non-cash movements on unspent conditional grants	-	(5,537,202)
<b>Changes in working capital:</b>		
(Increase) / Decrease in Inventories	9,009,248	4,488,643
Receivables from exchange transactions	(27,935,720)	(50,521,502)
Other receivables from non-exchange transactions	(21,667,744)	(48,392,420)
(Increase) / Decrease in Prepayments	(1,846,902)	(3,668,222)
Increase / (Decrease) in Trade and other payables from exchange transactions	30,776,471	13,254,454
(Increase) / Decrease in VAT	1,009,240	(1,406,226)
Increase / (Decrease) in Consumer deposits	3,062,622	(1,826,522)
	<b>377,252,452</b>	<b>277,281,109</b>
<b>41. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted for</b>		
• Infrastructure	110,582,044	88,226,840
• Community	2,336,814	4,052,092
• Other	11,184,860	24,349,237
	<b>124,103,718</b>	<b>116,628,169</b>
<b>These expenses will be financed from:</b>		
• Capital replacement reserve	6,927,747	5,202,367
• External loans	2,504,981	12,560,069
• Government Grants	114,670,990	98,865,733
	<b>124,103,718</b>	<b>116,628,169</b>

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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#### 41. Commitments (continued)

### Operating leases - as lessee (expense)

### Minimum lease payments due

- within one year	1,452,304	1,267,933
- in second to fifth year inclusive	1,023,000	2,475,304
	<u>2,475,304</u>	<u>3,743,237</u>

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.

## 42. Financial instruments disclosure

## Categories of financial instruments

## 2017

## Financial assets

	At amortised cost	Total
<b>Loans and Receivables</b>		
Housing Scheme Loans	358,094	358,094
Sale of Erven Loans	95,334	95,334
Loans to Other Organisations	12,888	12,888
Actaris Meter Debt	219,362	219,362
<b>Trade and other receivables from exchange transactions</b>		
Service Debtors	83,958,994	83,958,994
Other Debtors	4,791,823	4,791,823
<b>Other receivables from non-exchange transactions</b>		
Other Debtors	2,812,058	2,812,058
<b>Cash and cash equivalents</b>	505,440,767	505,440,767
	<b>597,689,320</b>	<b>597,689,320</b>

## Financial liabilities

	At amortised cost	Total
<b>Loans and borrowings</b>		
Annuity Loans	348,285,098	348,285,098
Other Loans	542,532	542,532
<b>Consumer Deposits</b>		
Electricity and water	22,822,167	22,822,167
<b>Payables</b>		
Trade payables	174,576,280	174,576,280
	<b>546,226,077</b>	<b>546,226,077</b>

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

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

**2016**

**Financial assets**

**Loans and Receivables**

	At amortised cost	Total
Housing Scheme Loans	421,572	421,572
Sale of Erven Loans	93,407	93,407
Loans to Other Organisations	18,612	18,612
Actaris Meter Debt	597,992	597,992

**Trade and other receivables from exchange transactions**

Service Debtors	94,404,205	94,404,205
Other Debtors	8,359,763	8,359,763

**Other receivables from non-exchange transactions**

Other Debtors	2,014,906	2,014,906
<b>Cash and cash equivalents</b>	<b>365,322,659</b>	<b>365,322,659</b>

	<b>471,233,116</b>	<b>471,233,116</b>
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**Financial liabilities**

**Loans and Borrowings**

Annuity Loans	368,670,712	368,670,712
Other Loans	723,376	723,376

**Consumer Deposits**

Electricity and water	19,759,545	19,759,545
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**Payables**

Trade payables	145,503,571	145,503,571
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	<b>534,657,204</b>	<b>534,657,204</b>
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**43. Contingencies**

**Compensation for damages**

JE & JA Maree	-	108,000
J Kimari / T Gozongo	-	100,000
SAPS / Minister of Police	-	3,811
Nqela Civil Construction and D Christians	-	77,854
J Barnard	465,000	465,000
Expropriation of Portion 4 of the Farm Sandkraal No. 197	1,835,000	10,000,000
N Landu	2,307,000	-
	<b>4,607,000</b>	<b>10,754,665</b>

JE & JA Maree: The municipality is involved in a legal claim of R108,000 from JE & JA Maree. The claim is for the repayment of municipal rates, taxes and costs pursuant to expropriation of portion 29 of the farm 197, Sandkraal. The matter was settled during the year since the claimants did not respond to any requests from the municipality.

J Kimari / T Gozongo: J Kimari instituted a defamation claim of R100,000 against the municipality. The summons was handed over to the municipality's insurers. The plaintiff withdrew the claim and the case has been closed.

SAPS / Minister of Police: An official of the municipality collided with a SAPS vehicle and the SAPS is claiming the damages or R3,811 from the municipality. This amount was paid during the year.

Nqela Civil Construction and D Christians is claiming damages of R77,854 to a vehicle caused by a pothole. The claim was paid by the municipality's insurance company.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 43. Financial instruments disclosure (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 of R465,000 for her alleged injuries. The summons was handed to the municipality's insurers but the matter is still pending.

Expropriation of Portion 4 of the Farm Sandkraal No. 197: Council is in the process of expropriating Portion 4 of the Farm Sandkraal No. 197, George for low cost housing purposes. Council is willing to compensate the owner in the amount of R1,613 000 which was not accepted. The owner wants R10,000,000. The matter is currently subject to arbitration. The arbitrator suggested that a final valuation be obtained to establish the current market value of the property. A valuation of R1,835,000 was obtained and the matter is pending to the outcome of the arbitration process.

N Landu: Acting on behalf of a minor, S Landu, he instituted a claim for damages of R2,307,000 against the municipality as a result of an incident when the minor's hand was injured when the rear loading mechanism of one of the municipality's refuse compactors allegedly closed on the minor's left hand. This matter was referred 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.

During the process of preparing the application for the liquidation of the George Housing Association it became apparent that the municipality would be the only creditor applying for the liquidation and as such runs a substantial risk of paying a contribution during the liquidation process. On legal advice received, liquidation was halted until further notice.



# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

### 44. Related parties

#### Relationships

Councillor	Before 10 August 2016 election	After 10 August 2016 election
Ward		
1	MG Naik	J Säfers
2	C Neethling	DL Cronje
3	EP De Villiers	EP De Villiers
4	LD van Wyk	M Viljoen
5	LBC Esau	P Louw
6	HH Ingo	HH Ingo
7	FZ Ntozini	S Rooiland
8	C Standers (resigned 26 July 2016)	AD Willemse
9	T Teyisi	S Dlikilile
10	MD Gingcana	BH Mooi
11	NF Kamte	G Xesi (deceased on 25 September 2016)
		CI Lesele (declared elected on 2 February 2017 by IEC)
12	GN Sixolo	B Plata
13	B Salmani	L Langa
14	C Remas	E Bussack
15	FS Guga	NF Mdaka
16	HJ Jones (suspended 2 June 2016)	CH Noble
17	D Maritz	V Muller
18	GC Niehaus	GC Niehaus
19	IC Kritzingier	S Snyman
20	M Draghoender	M Draghoender
21	JS Thanda	NR James
22	PH de Swardt	G Pretorius
23	GJ Stander	GJ Stander
24	AM Wildeman	M Daniels
25	MEF Kleynhans	M du Preez (deceased 4 October 2016)
		JD Esau (declared elected on 2 February 2017 by IEC)
26		J von Brandis
27		BM Cornelius
Proportional	C Bob	L Arries
Proportional	BM Cornelius	N Bungane
Proportional	NNE Dlephu	JP Buys
Proportional	J du Toit	CM Clarke
Proportional	T Fortuin (resign 26/04/2016)	J du Toit
Proportional	V Gericke	RS Figland
Proportional	WT Harris (resign 26/04/2016)	J Fry
Proportional	LS Hayward	V Gericke
Proportional	NV Kom	WT Harris
Proportional	PB Komani	N Jantjies
Proportional	PS Leholo	A Kiwit
Proportional	R Lombaard	IC Kritzingier
Proportional	G Macclune	H Loff
Proportional	VE Mashini (appointed 12/05/2016)	MG Naik
Proportional	SM Mekana (deceased 17/04/2016)	J Ncamazana
Proportional	ZM Moyi (appointed 30/05/2016)	PP Nosana
Proportional	MM Nyakathi	MM Nyakathi
Proportional	B Petrus	B Petrus
Proportional	LN Qupe	I Stemela
Proportional	GMV Sihoyiya	EH Stroebe

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

**44. Related parties (continued)**

Councillor	Before 10 August 2016 election	After 10 August 2016 election
Proportional	I Stemela	T Teyisi
Proportional	PJ van der Hoven	PJ van der Hoven
Proportional	AJ van Zyl	GJ van Niekerk
Proportional	M Viljoen	LD van Wyk
Proportional	CT Williams	DJ Wessels
Proportional	W Witbooi	CT Williams

**Directors**

Directorate Financial Services	K Jordaan
Directorate Civil Engineering Services	HL Basson (early termination of contract 31/05/2017)
Directorate Corporate & Social Services	EM Rankwana (early termination of contract 31/05/2017)
Directorate Community Services	S James
Directorate Human Settlement, Land Affairs & Planning	SB Erasmus
Directorate Electrotechnical Services	KD Grünewald (early termination of contract 31/05/2017)
<b>Municipal Manager</b>	T Botha

**Related party transactions**

Related party transactions are disclosed below if there were transactions between the municipality and the related party.

**Related party transactions for the year ended 30 June 2017**

	<b>Rates</b>	<b>Services</b>	<b>Total</b>	<b>Outstanding / (Account in credit)</b>
<b>Councillor</b>				
LH Arries	966	10,549	11,515	(704)
JP Buys	850	6,704	7,554	(274)
CM Clark	2,373	5,579	7,952	(9)
BM Cornelius	1,480	8,379	9,859	(246)
M Daniels	-	2,194	2,194	137
EP De Villiers	6,486	6,264	12,750	-
S Dlikili	-	5,525	5,525	689
M Draghoender	799	5,394	6,193	(792)
R Figland	-	2,998	2,998	296
WT Harris	814	7,305	8,119	(330)
H Ingo	803	15,306	16,109	25,089
GN Jantjies	-	5,612	5,612	(44)
IC Kritzinger	4,150	5,829	9,979	(784)
LK Langa	-	7,498	7,498	416
CI Lesele	-	4,984	4,984	(1,260)
P Louw	3,135	13,475	16,610	-
VN Muller	1,432	6,362	7,794	1
CV Ncamazana	1,932	6,634	8,566	(513)
GC Niehaus	15,709	23,907	39,616	-
CH Noble	3,128	8,347	11,475	192
MM Nyakati	-	5,328	5,328	863
G Pretorius	14,019	12,567	26,586	-
MM Rooiland	-	5,351	5,351	(30)
S Snyman	5,034	6,271	11,305	1,018
GJ Stander	14,671	7,040	21,711	-
I Stemela	820	17,505	18,325	(3,998)

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

### 44. Related parties (continued)

	Rates	Services	Total	Outstanding / (Account in credit)
EH Stroebel	-	6,296	6,296	8
T Teyisi	-	5,352	5,352	32
P Van der Hoven	6,881	7,144	14,025	1,307
GJ Van Niekerk	6,723	7,673	14,396	-
LD Van Wyk	9,095	7,272	16,367	(33)
M Viljoen	10,394	4,293	14,687	-
CT Williams	864	7,440	8,304	208
<b>Section 56 and 57 personnel</b>				
T Botha - Municipal Manager	18,033	3,018	21,051	(861)
HL Basson - Director Civil Engineering Services	19,566	2,327	21,893	5,794
KD Grünewald - Director Electrotechnical Services	13,124	3,779	16,903	(1,400)
	<b>163,281</b>	<b>267,501</b>	<b>430,782</b>	<b>24,772</b>

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

	Rates	Services	Total	Outstanding / (Account in credit)
<b>Councillors</b>				
C Bob	1,565	5,763	7,328	-
BM Cornelius	1,383	7,405	8,788	(247)
PH de Swardt	11,662	4,030	15,692	(164)
EP De Villiers	6,061	6,327	12,388	(2,824)
NNE Dlephu	699	7,747	8,446	1,507
M Draghoender	747	5,503	6,250	(986)
LBC Esau	4,193	6,665	10,858	(905)
T Fortuin	-	5,911	5,911	95
FS Guga	-	6,086	6,086	(297)
WT Harris	761	7,845	8,606	165
LS Hayward	11,355	7,627	18,982	(952)
HH Ingo	751	26,981	27,732	27,188
NF Kamte	-	5,864	5,864	363
NV Kom	-	4,958	4,958	(469)
PB Komani	561	7,082	7,643	9
IC Kritzing	3,878	5,048	8,926	(1,161)
PS Lehlo	-	4,030	4,030	(336)
R Lombaard	-	5,094	5,094	(298)
G Macclune	-	2,260	2,260	(1,302)
D Maritz	421	5,517	5,938	96
SM Mekana	-	4,951	4,951	411
GC Niehaus	14,682	64,656	79,338	6,059
FZ Ntozini	-	4,959	4,959	(555)
MM Nyakathi	-	6,072	6,072	(109)
LN Qupe	-	5,893	5,893	(89)
C Remas	4,033	12,719	16,752	245
GN Sixolo	-	4,955	4,955	(7)
I Stemela	766	4,967	5,733	(43)
GJ Stander	13,711	6,197	19,908	1,649
C Standers	2,813	5,055	7,868	43,254
GM Y Sihoyiya	-	5,681	5,681	(898)
JS Thanda	-	4,030	4,030	(93)
PJ van der Hoven	6,430	11,861	18,291	1,446
LD van Wyk	8,500	8,062	16,562	2,580

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

**44. Related parties (continued)**

	<b>Rates</b>	<b>Services</b>	<b>Total</b>	<b>Outstanding / (Account in credit)</b>
AJ Van Zyl	11,613	5,499	17,112	1,418
AM Wildeman	-	3,719	3,719	(33)
CT Williams	810	7,723	8,533	(353)
<b>Section 56 and 57 Personnel</b>				
T Botha - Municipal Manager	15,525	12,577	28,102	4,493
KD Grünewald - Director	10,287	6,793	17,080	(722)
Electrotechnical Services				
HL Basson - Director Civil	8,602	7,837	16,439	1,184
Engineering Services				
SB Erasmus - Director Human	-	1,358	1,358	84
Settlement, Land Affairs & Planning				
	<b>141,809</b>	<b>333,307</b>	<b>475,116</b>	<b>79,403</b>

Only related parties who entered into transactions with the municipality are listed above.

The services rendered to related parties are charged at approved tariffs that were advertised to the public. No bad debts were written off or recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the municipal manager and Section 57 personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**Loans granted to related parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. The balance of the loans granted to employees amounts to R15,910 and forms part of Sundry Receivables as set out in note 4.

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

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016		
45. Prior period errors and reclassifications				
STATEMENT OF FINANCIAL POSITION	2016 previously reported	Reclassifi- cation 45.1	Reclassifi- cation 45.2	2016 restated
Assets				
Current Assets				
Inventories	161,212,199	-	-	161,212,199
Trade receivables from exchange transactions	103,343,949	-	-	103,343,949
Trade and other receivables from non-exchange transactions	88,506,853	-	-	88,506,853
Prepayments	11,820,934	-	-	11,820,934
VAT receivable	663,683	-	-	663,683
Loans and receivables	284,066	-	-	284,066
Cash and cash equivalents	365,322,659	-	-	365,322,659
	731,154,343	-	-	731,154,343
Non-current Assets				
Property, plant and equipment	2,708,865,889	-	-	2,708,865,889
Intangible assets	1,007,717	-	-	1,007,717
Heritage assets	4,236,000	-	-	4,236,000
Investment property	152,249,977	-	-	152,249,977
Loans and receivables	847,517	-	-	847,517
	2,867,207,100	-	-	2,867,207,100
Total Assets	3,598,361,443	-	-	3,598,361,443
Liabilities				
Current Liabilities				
Loans and borrowings	38,513,167	-	-	38,513,167
Finance lease obligation	4,085,827	-	-	4,085,827
Trade and other payables from exchange transactions	162,714,805	-	-	162,714,805
Consumer deposits	19,759,545	-	-	19,759,545
Employee benefits	42,832,278	-	-	42,832,278
Provisions	41,105,209	-	-	41,105,209
Unspent conditional grants and receipts	34,491,337	-	-	34,491,337
	343,502,168	-	-	343,502,168
Non-Current Liabilities				
Loans and borrowings	330,880,921	-	-	330,880,921
Finance lease obligation	10,876,102	-	-	10,876,102
Employee benefits	142,260,723	-	-	142,260,723
Provisions	49,047,183	-	-	49,047,183
Trade and other payables from exchange transactions	8,156,395	-	-	8,156,395
	541,221,324	-	-	541,221,324
Total Liabilities	884,723,492	-	-	884,723,492
Total Net Assets	2,713,637,951	-	-	2,713,637,951

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 45. Prior period errors and reclassifications (continued)

#### Net Assets

Housing development fund	64,940,105	-	-	64,940,105
Accumulated surplus	2,648,697,846	-	-	2,648,697,846
	<b>2,713,637,951</b>	<b>-</b>	<b>-</b>	<b>2,713,637,951</b>

#### STATEMENT OF FINANCIAL PERFORMANCE

	2016 previously reported	Reclassifi- cation 45.1	Reclassifi- cation 45.2	2016 restated
<b>Revenue from exchange transactions</b>	907,150,434	-	(7,284,001)	899,866,433
Service charges	776,896,566	(776,896,566)	-	-
Service charges - Electricity	-	534,778,495	-	534,778,495
Service charges - Water	-	110,115,289	-	110,115,289
Service charges - Sewerage and sanitation charges	-	77,683,156	-	77,683,156
Service charges - Refuse removal	-	54,000,706	-	54,000,706
Service charges - Other	-	318,920	-	318,920
Rental revenue	2,422,718	-	-	2,422,718
Income from agency services	8,538,652	-	-	8,538,652
Licences and permits	2,262,046	-	-	2,262,046
Sale of erven	5,311,378	-	-	5,311,378
GIPTN Fare Revenue	32,532,521	-	-	32,532,521
Other income	43,772,747	-	(7,284,001)	36,488,746
Interest received	35,413,806	(35,413,806)	-	-
Interest received - External	-	30,704,018	-	30,704,018
Investments	-	-	-	-
Interest received - Outstanding debtors	-	4,709,788	-	4,709,788
<b>Revenue from non-exchange transactions</b>	680,674,441	-	7,284,001	687,958,442
Property rates	192,653,692	-	-	192,653,692
Property rates - penalties and collection charges	5,009,483	-	(5,009,483)	-
Government grants and subsidies	426,958,547	(426,958,547)	-	-
Government grants and subsidies - Operating	-	297,573,818	340,871	297,914,689
Government grants and subsidies - Capital	-	129,384,729	5,378,155	134,762,884
Fines, penalties and forfeits	56,052,719	-	6,574,458	62,627,177
	<b>1,587,824,875</b>	<b>-</b>	<b>-</b>	<b>1,587,824,875</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016		
45. Prior period errors and reclassifications (continued)				
	2016 previously reported	Reclassifi- cation 45.1	Reclassifi- cation 45.2	2016 restated
<b>Expenditure</b>				
Employee related cost	356,552,460	-	(9,745,819)	346,806,641
Remuneration of councillors	17,466,635	-	-	17,466,635
Depreciation and amortisation	141,581,652	-	-	141,581,652
Impairment losses	88,516,206	-	-	88,516,206
Finance cost	48,714,952	-	-	48,714,952
Collection cost	4,758,417	-	(4,758,417)	-
Repairs and maintenance	87,655,593	-	(8,053,565)	79,602,028
Bulk purchases	359,854,084	-	-	359,854,084
Contracted services	223,343,453	-	57,175,294	280,518,747
Grants and subsidies paid	2,971,833	-	(2,744,073)	227,760
Cost of erven sold	5,028,900	-	-	5,028,900
Loss on disposal of assets	10,454,913	-	-	10,454,913
Other materials / Inventory	-	-	28,335,144	28,335,144
General Expenses	132,376,756	-	(60,208,564)	72,168,192
	<b>1,479,275,854</b>	<b>-</b>	<b>-</b>	<b>1,479,275,854</b>
Surplus / (Deficit) for the year	108,549,021	-	-	108,549,021
<b>CASH FLOW STATEMENT</b>				
	2016 previously reported	Reclassifi- cation 45.1	Reclassifi- cation 45.2	2016 restated
Net cash from operating activities	277,281,109	-	-	277,281,109
Net cash from investing activities	(210,540,684)	-	-	(210,540,684)
Net cash from financing activities	(47,298,303)	-	-	(47,298,303)
Total cash movement for the year	19,442,122	-	-	19,442,122
Cash and cash equivalents at the beginning of the year	345,880,536	-	-	345,880,536
	<b>365,322,658</b>	<b>-</b>	<b>-</b>	<b>365,322,658</b>

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.

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 45. Prior period errors and reclassifications (continued)

#### 45.1 Reclassification of line items in Statement of Financial Performance to conform with National Treasury's budget format layout

The municipality decided to split line items in the Statement of Financial Performance to ensure that the annual financial statements are more comparable with the budget reports submitted to National Treasury.

The following items were reclassified:

	Before reclassifi cation	After reclassifi cation
<b>Service charges</b>		
Service charges	776,896,566	
Service charges - Electricity		534,778,495
Service charges - Water		110,115,289
Service charges - Sewerage and sanitation charges		77,683,156
Service charges - Refuse removal		54,000,706
Service charges - Other		318,920
	<b>776,896,566</b>	<b>776,896,566</b>
<b>Interest received</b>		
Interest received	35,413,806	
Interest received - External Investments		30,704,018
Interest received - Outstanding Debtors		4,709,788
	<b>35,413,806</b>	<b>35,413,806</b>
<b>Government grants and subsidies</b>		
Government grants & subsidies	432,677,573	
Government grants & subsidies - Operating		297,914,689
Government grants & subsidies - Capital		134,762,884
	<b>432,677,573</b>	<b>432,677,573</b>

#### 45.2 Reclassification of income and expenses to conform with the Standard Chart of Accounts for Local Government

National Treasury issued a Standard Chart of Accounts for Local Government (mSCOA) and the municipality adopted the chart of accounts on 1 July 2016.

National Treasury have to report on consolidated local government information for incorporation in national accounts and national policy and must obtain financial information from individual municipalities. Currently, each municipality manages and reports on its financial affairs in accordance with its own organisational structure and unique chart of accounts. The result is a disjuncture amongst municipalities and the other spheres of government as to how they classify revenue and expenditure and consequently report thereon.

With mSCOA, National Treasury has specified norms and standards for recording and collecting local government budget, financial and non-financial information. This will result in a seamless alignment of information between budgeted information and the actual achievements in financial statements.

Reclassification of income and expenditure to conform with the mSCOA chart of accounts was:



# George Local Municipality

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Figures in Rand	2017	2016	
45. Prior period errors and reclassifications (continued)			
Revenue	2016	mSCOA reclassified-cations	2016 reclassified
Revenue from exchange transactions			
Other income	43,772,744	(7,284,001)	36,488,743
Revenue from non-exchange transactions			
Property rates - penalties imposed and collection charges	5,009,483	(5,009,483)	-
Fines, penalties and forfeits	56,052,721	6,574,459	62,627,180
Government grants & subsidies - Operating	297,573,818	340,871	297,914,689
Government grants & subsidies - Capital	129,384,729	5,378,154	134,762,883
	531,793,495	-	531,793,495
Expenditure			
	2016	mSCOA reclassified-cations	2016 reclassified
Employee related cost	356,552,460	(9,745,819)	346,806,641
Collection cost	4,758,417	(4,758,417)	-
Repairs and maintenance	87,655,593	(8,053,565)	79,602,028
Contracted services	223,343,453	57,175,294	280,518,747
Grants and subsidies paid	2,971,833	(2,744,073)	227,760
Other materials / Inventory	-	28,335,144	28,335,144
General expenses	132,376,754	(60,208,564)	72,168,190
	807,658,510	-	807,658,510

## 46. 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.

## Notes to the Annual Financial Statements

### Figures in Rand

#### 46. Risk management (continued)

##### Liquidity risk

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

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

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

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

<b>At 30 June 2017</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Loans and borrowings	74,900,183	68,375,632	163,388,514	255,453,395
Consumer Deposits	22,822,167	-	-	-
Trade and other payables	162,766,463	3,365,468	2,093,792	-
<b>At 30 June 2016</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Loans and borrowings	76,773,934	69,350,926	165,233,142	315,593,043
Consumer Deposits	19,759,545	-	-	-
Trade and other payables	136,475,497	3,340,469	9,782,062	36,502

The 2016 figures for Loans and borrowings have been restated to reflect the total actual cash flows which will take place on the repayment of the loans. The over 5 years repayments was corrected from R504,084,039 in the prior year's financial statements to R315,593,043.

##### 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.

## Notes to the Annual Financial Statements

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**Figures in Rand**

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### **46. Risk management (continued)**

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

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

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

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

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

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

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

<b>Financial instrument</b>	<b>2017</b>	<b>2016</b>
Loans and receivables	685,678	1,131,583
Trade receivables from exchange transactions	88,750,817	103,343,949
Trade receivables from non-exchange transactions	59,783,789	88,506,853
Cash and cash equivalents	505,440,767	365,322,659

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

### **Price risk**

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

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

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Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

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<b>47. Unauthorised expenditure</b>		
<b>Employee related cost</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	-	25,185,861
Approved by Council	-	(25,185,861)
	<u>-</u>	<u>-</u>
<b>Impairment losses</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balance	26,335,465	7,604,162
Unauthorised expenditure current year	8,721,339	26,335,465
Approved by Council	-	(7,604,162)
	<u><b>35,056,804</b></u>	<u><b>26,335,465</b></u>
The unauthorised expenditure relates to budget overspending due to fine and consumer debtors being impaired.		
Unauthorised expenditure for the year ending 30 June 2017 will be presented to Council after year end for approval.		
Unauthorised expenditure for the year ending 30 June 2016 will be presented to the Municipal Public Accounts Committee (MPAC) before the completion of the audit for a recommendation to Council for the approval of thereof .		
<b>Depreciation and amortisation</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balances	-	1,534,175
Unauthorised expenditure current year	-	-
Approved by Council	-	(1,534,175)
	<u>-</u>	<u>-</u>
<b>Finance charges</b>		
<b>Reconciliation of unauthorised expenditure</b>		
Opening balances	4,610,535	1,649,470
Unauthorised expenditure current year	4,788,936	4,610,535
Approved by Council	-	(1,649,470)
	<u><b>9,399,471</b></u>	<u><b>4,610,535</b></u>
The unauthorised expenditure relates to the interest charge on the provision for the rehabilitation of the landfill sites and the provision for the GIPTN Compensation Liability not being budgeted for. Refer to note 18 for more detail.		
Unauthorised expenditure for the year ending 30 June 2017 will be presented to the Council after year for approval.		
Unauthorised expenditure for the year ending 30 June 2016 will be presented to the Municipal Public Accounts Committee (MPAC) before the completion of the audit for a recommendation to Council for the approval of thereof .		

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

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**47. Unauthorised expenditure (continued)**

**Other materials / Inventory**

**Reconciliation of unauthorised expenditure**

Opening balance	-	-
Unauthorised expenditure current year	5,801,824	-
Approved by Council	-	-
	<u><b>5,801,824</b></u>	<u><b>-</b></u>

The unauthorised expenditure relates the book value of property sold being more than budgeted for.

Unauthorised expenditure for the year ending 30 June 2017 will be presented to the Council after year for approval.

**Loss on disposal of PPE**

**Reconciliation of unauthorised expenditure**

Opening balance	-	-
Unauthorised expenditure current year	97,823	-
Approved by Council	-	-
	<u><b>97,823</b></u>	<u><b>-</b></u>

The unauthorised expenditure relates the book value of property, plant and equipment sold being more than budgeted for.

Unauthorised expenditure for the year ending 30 June 2017 will be presented to the Council after year for approval.

**Capital expenditure**

**Reconciliation of unauthorised expenditure**

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

Unauthorised expenditure for the year ending 30 June 2016 will be presented to the Municipal Public Accounts Committee (MPAC) before the completion of the audit for a recommendation to Council for the approval of thereof .

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>48. Fruitless and wasteful expenditure</b>		
Opening balance	168,368	-
Interest paid for incorrect submission of the Value Added Tax return at SARS	-	22,193
Procurement of goods and services in the upgrading of various sport facilities during the previous financial year	-	103,063
Misuse of a 3G data card	-	43,112
GO George bus tickets: Cost price of old bus tickets destroyed after bus tariff increase	518,903	-
	<b>687,271</b>	<b>168,368</b>

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

The case reported in the 30 June 2015 financial statements as alleged irregular expenditure for the procurement of goods and services in the upgrading of various sport facilities has been investigated but is not finalised yet. To date the fruitless and wasteful expenditure amounts to R103,063. A debtor was raised for this amount during the previous financial year.

The fruitless and wasteful expenditure of 30 June 2016 will be presented to the Municipal Public Accounts Committee (MPAC) during September 2017 for a recommendation to Council.

### 49. Irregular expenditure

Opening balance	137,071	12,241
Add: Procurement of goods and services in the upgrading of various sport facilities during the previous financial year	-	78,760
Add: Overpayment of telephone allowance and petrol advance for the previous mayor	-	46,070
Less: Amounts approved by Council	(12,241)	-
	<b>124,830</b>	<b>137,071</b>

The irregular expenditure of 30 June 2016 will be presented to the Municipal Public Accounts Committee (MPAC) during September 2017 for a recommendation to Council

### Details of irregular expenditure

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

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

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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### 49. Irregular expenditure (continued)

#### **Alleged Irregular Expenditure under investigation**

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

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

#### **Potential irregular expenditure: GIPTN**

A matter has been referred to Provincial Treasury for further determination and guidance as to whether the payment to another Organ of State from grant funding in relation to the GIPTN qualifies as irregular expenditure, to the estimated value of R98 million.

Once the matter is resolved at it is determined that irregular expenditure was incurred, the necessary disclosure will be finalised.

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### 50. Material losses

#### **Electricity distribution**

Units purchased (KWh)	471,388,798	461,910,028
Units lost during distribution	36,047,703	34,439,505
Percentage lost during distribution	7.65%	7.45%

#### **Water distribution**

Kilolitres purified	13,157,011	12,390,930
Kilolitres lost during distribution	3,908,501	3,047,375
Percentage lost during distribution	29.71%	24.59%

### 51. 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:

Vehicles for the law enforcement department	410,650	-
Electronic equipment for the housing department	14,647	-
Computer equipment for the branch libraries	78,956	-
	<b>504,253</b>	

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**Notes to the Annual Financial Statements**

<b>Figures in Rand</b>	<b>2017</b>	<b>2016</b>
<b>52. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	(3,245,749)	(3,074,886)
Current year subscription / fee	3,725,739	3,074,886
Amount paid - current year	(4,403,834)	(3,245,749)
	<b>(3,923,844)</b>	<b>(3,245,749)</b>
The municipality pays the SALGA membership fees annually in May for the following financial year in order to receive a 5% discount. Refer to note 5 for more detail.		
<b>Audit fees</b>		
Current year fee	3,465,843	3,120,835
Amount paid - current year	(3,465,843)	(3,120,835)
	-	-
<b>PAYE and UIF</b>		
Current year subscription / fee	59,292,452	50,951,175
Amount paid - current year	(59,292,452)	(50,951,175)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	78,109,994	72,701,513
Amount paid - current year	(78,109,994)	(72,701,513)
	-	-
<b>VAT</b>		
VAT receivable / (payable)	(345,563)	663,683

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

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



# George Local Municipality

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## Notes to the Annual Financial Statements

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at any point in time during the year ended 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
HH Ingo	3,841	21,248	25,089
30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
HH Ingo	9,786	17,101	26,887

# George Local Municipality

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## Notes to the Annual Financial Statements

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

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Accounting Officer and noted by Council. Deviations from the Supply Chain Management processes were identified for the following categories and have been approved by the Accounting Officer and reported to Council.

	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	775,041	1,595,647	727,991	-
Corporate Services	187,072	339,342	504,108	2,971,828
Civil Engineering Services	497,983	2,387,493	-	9,195,661
Electro-technical Services	483,508	1,005,065	1,901,791	-
Human Settlement, Land Affairs & Planning	46,398	281,550	319,369	-
Community Services	863,744	1,603,970	1,287,704	-
Financial Services	109,134	272,354	486,000	-
	<b>2,962,880</b>	<b>7,485,421</b>	<b>5,226,963</b>	<b>12,167,489</b>

The major deviations were as follows:

Awarded	Amount	Reason / Explanation
Entsha Henra	9,195,661	Impossible to follow the official procurement process. Urgently needed to construct bulk sewer to connect to areas 8A, B, C and 3.
Microsoft	2,971,828	Sole supplier
BDE Electrical & Adenco Construction	1,424,899	Emergency: Vandalism of line
Almex Transport Solutions	512,544	Sole supplier
Canon	504,108	Impractical to follow the official procurement process due to the compatibility of the hardware
NMS Management Solutions	486,000	Exceptional case and impossible to follow the official procurement process
Numocento (Pty) Ltd	484,842	Impossible to follow the official procurement process. Service providers on the tender didn't have the equipment available.
ABB South Africa	476,892	Emergency. Power supply to Eden Meander
Mr Noodles	388,512	Impossible to follow the official procurement process. Service providers on the tender didn't have the equipment available.
Must Build	319,369	Emergency. Relocated 19 families in Golden Valley
Eden FM	215,447	Sole supplier of specific community radio station. Utilization of radio airtime
TCS	212,000	Impossible to follow the official procurement process. Sole supplier of specific product.
Electrical Pro	202,350	Impossible to follow the official procurement process. Direct negotiations with suppliers.
OTI Petrosmart	200,000	Impossible to follow the official procurement process. Sole supplier of specific product.
	<b>17,594,452</b>	

# George Local Municipality

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

Purchases from persons in service of the state

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

Company name	Related person	Company capacity	Capacity at State / Municipality	Relationship	Payments
Willvest Twenty Three (Pty) Ltd t/a Urhwebo E-Transand	Various	Various	Various	Various	20,398,836
Royal Haskoning DHV	JD van Eeden	Member	Councillor Langeberg Department of Water Affairs	Brother Nephew	16,101,754
Aurecon SA (Pty) Ltd	Various ZB Ebrahim	Various Non-executive director	Various Social Housing Regulatory	Various	7,221,025
Moreki Distributors	MD Moreki	Director	Palm Springs Magistrates Courts	Spouse	10,809,397
SMEC South Africa (Pty) Ltd	M Phosa	Member	Finance - Mpumalanga Provincial Government	Spouse	7,123,439
ABSA Bank	M Ramos LL Von Zeuner	CEO Director	SA Politician Department of Health	Spouse Brother	5,898,205
Servelec (Pty) Ltd	W Louw	Proposals Manager	SARS Port Elizabeth - Debtors Clerk	Spouse	2,852,044
MVD Consulting Engineers	CV Swart	Director	Teacher	Spouse	2,485,464
Raubenheimers Incorporated	WM Luttig	Director	Teacher	Spouse	1,915,599
Minolta SA:George	KR Mthimunya	Non-executive director	Mintek		1,898,741
iKapa Reticulation and Flow CC	SFA Davids	Director	Western Cape Education Department - Teacher	Spouse	1,569,713
ISHS	CM Willemse	Director	Teacher	Parent	1,056,837
Conlog	L Moodley L Gaxeni	Commercial director Quality Manager	Provincial Health Department of KZN Eskom KZN: Deductor Manager	Spouse Spouse	840,533
Adenco Construction	V Machimana DCC Jackson	Director Director	Department of Health Teacher	Parent Parent	360,267
SMS ICT Choice (Pty) Ltd	SS Maqula	Director	Eastern Cape Department of Human Settlements (Director)	Spouse	339,976
Montidox CC	N Beja	Director	Department of Health	Spouse	336,030
Tuiniqua Consulting Engineers	E Huistra	Member	Department of Education	Spouse	243,143
Total Client Service	V Zitumane BKD Mafu	Member Non-executive director	EC Parks & Tourism EC Liquor Board		241,652

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

Company name	Related person	Company capacity	Capacity at State / Municipality	Relationship	Payments
Bearing Warehouse	FC Zeelie	Member	Department of Agriculture	Spouse	195,920
Noble Enterprise	J Noble	Director	Councillor at George Municipality	Spouse	172,963
Wolfe Pack Race	K Langeveldt	Owner	Official at George Municipality	Spouse	131,699
NB Trading and Garage Doors	JJ Frans	Owner	Official at George Municipality	Spouse	131,589
Elster Kent Metering	NY Nkabinde	Director	Competition Commissioner		129,082
Sebastian Catering	ME Classen	Owner	Official at George Municipality	Daughter	99,777
A Louw t/a Goossen, Clough & Louw	A Louw	Director	Western Cape Education Department	Spouse	91,666
Trentyre	MP Mona	Member	SA Forestry Company		84,122
	A Sing	Non-executive director	DBSA		
INCA Portfolio Managers	M Mokoene	Non-executive director	Gautrain Management Agency		75,240
Leap Quantity Survey	AN Grobler	Director	Department of Justice	Spouse	70,538
Avela General Service and Construction	N Nongogo	Owner	Department of Health: Ambulance Assistant	Son	54,953
	P Nongogo	Owner	Department of Health: Admin Clerk	Daughter	
2 Brothers Enterprise	J Booysen	Director	Official at George Municipality	Sister in law	49,367
Jaji Bee Relocation and Honey Farming	QJ Jaji	Owner	Official at George Municipality	Daughter	29,600
Huriqua (Pty) Ltd	C Lamberts	Director	Deputy Director WC Agriculture		22,170
DWMN Contractors	D Williams	Owner	Official at George Municipality		13,100
Omnisolar	JE Albert	Member	Not Indicated	Spouse	11,041

**83,055,482**

**53. Utilisation of Long-term liabilities reconciliation**

Long-term liabilities raised	348,827,630	369,394,088
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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.

**George Local Municipality**  
Annual Financial Statements for the year ended 30 June 2017

**Notes to the Annual Financial Statements**

<b>Figures in Rand</b>	<b>2017</b>	<b>2016</b>
<b>54. Municipal Land Transport Fund</b>		
Included in the Accumulated surplus is the Municipal Land Transport Fund for the George Integrated Public Transport Network as required by the National Land Transport Act, (Act No. 5 of 2009). Refer to accounting policy 1.24 for more information on the fund.		
The transactions for the year were:		
Opening balance	351	351
Provincial grants	91,134,776	93,226,507
National grants	72,998,000	73,676,798
Fare Revenue	37,301,627	32,532,521
Other income	1,171,947	1,230,332
Interest received	2,609,325	2,150,759
Less: Expenses	(195,161,925)	(202,816,917)
	<b>10,054,101</b>	<b>351</b>

**55. Budget differences**

**55.1 Service charges**

The variance of 1.31% between the actual and budget amounts received relates mainly to electricity sales. The consumption of electricity has declined during the year.

**55.2 Investment revenue**

The difference between the final adjustments budget and the actual amounts is 16%. The differences consist of interest received as a result of more short term investments made on surplus funds.

**55.3 Transfers recognised - Operational**

The spending on housing operating projects did not materialise which has a direct impact on the amount recognised as income. Income can only be recognised once the conditions of the grant has been met.

**55.4 Other own revenue**

The difference between the final adjustments budget and the actual amounts is 18%. Traffic fines issued were less than budgeted.

**55.5 Employee cost**

The variance of 2% between the actual amount spent and the amount budgeted is due to vacant posts that was budgeted for and that was not filled at year end.

**55.6 Remuneration of councillors**

The difference between the final adjustments budget and the actual amounts is 9%. The actual increase of 4% that councillors received on their remuneration was less than the budgeted 7%.

**55.7 Debt impairment**

The difference between the final adjustments budget and the actual amounts is 12% and the majority of the difference consist of the interest on the provisions for the rehabilitation of landfill sites and the GIPTN compensation provision not budgeted for.

**55.8 Depreciation and asset impairment**

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 55. Budget differences (continued)

The difference between the final adjustments budget and the actual amounts is 2%. The budgeted depreciation was calculated to include depreciation on capital expenditure in the 2016/2017 financial year. The actual depreciation is less than the amount budgeted for since the capital budget was not fully spent during the year

#### 55.9 Finance charges

The difference between the final adjustments budget and the actual amounts is 12% and the majority of the difference consist of the interest on the provisions for the rehabilitation of landfill sites and the GIPTN compensation provision not budgeted for.

#### 55.10 Materials and bulk purchases

The difference between the final adjustments budget and the actual amounts is 1% and the decrease in purchases from Eskom is a direct result from the decline in electricity consumption.

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>55. Budget differences (continued)</b>		
<b>55.11 Transfers and grants</b>		
The difference between the final adjustments budget and the actual amounts is 67% and consist mainly out of bursaries budget for to community members which did not materialise.		
<b>55.12 Other expenditure</b>		
The difference between the final adjustments budget and the actual amounts is 6% and consist mainly out of the housing projects that could not be completed by year end.		
<b>55.13 Transfers recognised - Capital</b>		
The difference between the final adjustments budget and the actual amounts is 23% and consist mainly of upgrading of the Nelson Mandela Boulevard project which was not completed.		
<b>55.14 Contributions recognised - Capital</b>		
Capital contributions received and sale of property was more than budgeted for.		
<b>55.15 Capital expenditure: Executive and council</b>		
The difference between the final adjustments budget and the actual amounts is 26% and consist mainly out furniture for the Internal Audit department which was not purchased since the vacancies in the department was not filled.		
<b>55.16 Capital expenditure: Budget and treasury office</b>		
The difference between the final adjustments budget and the actual amounts is 18%. The department purchased a double cab bakkie and the the actual amount was less than the amount budgeted for.		
<b>55.17 Capital expenditure: Corporate services</b>		
The difference between the final adjustments budget and the actual amounts is 50% and consist mainly of the enterprise agreement which was budgeted as capital expenditure but was shifted to the operating budget.		
<b>55.18 Capital expenditure: Community and social services</b>		
The difference between the final adjustments budget and the actual amounts is 36% and consist mainly out of the Conville Library project where the air conditioning have to be fitted and the roof of the Conville Community Hall which was rolled over to the 2017/2018 financial year.		
<b>55.19 Capital expenditure: Sport and recreation</b>		
The difference between the final adjustments budget and the actual amounts is 35% and consist mainly out of tractors and trailers that was not purchased as no suitable tenderer could be found on the state tender. Projects will be rolled over to the 2017/2018 financial year.		
<b>55.20 Capital expenditure: Housing</b>		
The difference between the final adjustments budget and the actual amounts is 21% and consist mainly out of the procurement of the fitting of a canopy on a newly purchased vehicle and the purchasing of a trailer. Projects will be rolled over to the 2017/2018 financial year.		
<b>55.21 Capital expenditure: Health</b>		
The difference between the final adjustments budget and the actual amounts is 14%. There was a saving on the burglar bars for the wendy house project. The amount spent was less than the budgeted amount.		

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
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### 55. Budget differences (continued)

#### 55.22 Capital expenditure: Planning and development

A laptop was purchased during the year and the amount spent was less than the amount budgeted for.

#### 55.23 Capital expenditure: Road transport

The difference between the final adjustments budget and the actual amounts is 41% and consist mainly out the upgrading of the Nelson Mandela Boulevard project. The project could not be completed due to the time frame of when the grant was gazetted. The project will be rolled over the the 2017/2018 financial year.

#### 55.24 Capital expenditure: Electricity

The difference between the final adjustments budget and the actual amounts is 20% and consist mainly out switch gear that was ordered and not delivered on year end as well and a transformer being refurbished on year end. These projects was rolled over to the 2017/2018 financial year.

#### 55.25 Capital expenditure: Water

The difference between the final adjustments budget and the actual amounts is 12% and consist mainly out the Thembaletu UISP water infrastructure project which could not be completed because the tender for the project was more than the budgeted amount.

#### 55.26 Capital expenditure: Waste water management

The difference between the final adjustments budget and the actual amounts is 32% and consist mainly out the Thembaletu UISP sanitation infrastructure project which could not be completed because the tender for the project was more than the budgeted amount.

#### 55.27 Capital expenditure: Waste management

The difference between the final adjustments budget and the actual amounts is 44%. The rehabilitation of the landfill site and the construction of a transfer station could not be completed at year end and will be rolled over to the 2017/2018 financial year.

#### 55.28 Capital expenditure: Other

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



GEORGE LOCAL MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Notes to the Financial Statements

56. Property, plant and equipment - detailed analysis

2017	Cost					Work in progress				Accumulated depreciation					Carrying Value
Type	B/Fwd.Cost	Additions	Completed Constructions	Disposals	C/Fwd.Cost	B/Fwd.WIP	Additions	Completed Constructions	C/Fwd.WIP	B/Fwd.Deprec.	Additions	Impairments	Disposals	C/Fwd.Deprec.	
<b>INFRASTRUCTURE</b>															
Access control	23,152	-	-	-	23,152	121,128	-	-121,128	-	-4,656	-4,630	-	-	-9,286	13,866
Access control water	-	28,000	-	-	28,000	-	-	-	-	-15	-	-	-	-15	27,985
Bridges, subways & culverts	22,775,387	-	-	-	22,775,387	-	-	-	-	-5,543,845	-1,011,773	-	-	-6,555,618	16,219,769
Bus terminals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bus stop	19,799,549	6,810,226	-	-	26,609,775	-	3,299,323	-	3,299,323	-975,974	-990,919	-	-	-1,966,893	27,942,205
Car parks	3,502,961	433,323	-	-	3,936,284	-	-	-	-	-1,595,341	-161,963	-	-	-1,757,304	2,178,980
Fencing	1,885,737	12,122,049	668,632	-21,985	14,654,432	186,940	-	-186,940	-	-379,125	-2,186,024	-	21,848	-2,186,024	12,468,408
Fencing waste water	4,422,426	-	-	-	4,422,426	-	-	-	-	-2,896,990	-386,890	-	-	-3,283,880	1,138,546
Fencing water	3,197,666	-	-	-	3,197,666	-	-	-	-	-2,088,432	-112,661	-	-	-2,201,093	996,573
Footways	13,473,877	12,989,788	-	-	26,463,664	-	-	-	-	-3,288,332	-720,864	-	-	-4,009,196	22,454,468
Kerbing	893,326	-	-	-	893,326	-	-	-	-	-188,834	-44,664	-	-	-233,498	659,829
Landfill site	10,327,047	-	-	-	10,327,047	-	-	-	-	-3,276,338	-2,065,389	-2,151,528	-	-7,493,255	2,833,792
Load control equipment	13,230,026	1,363,954	-	-	14,593,980	-	-	-	-	-3,658,962	-543,844	-	-	-4,202,805	10,391,174
Mains electricity	6,605,422	-	-	-	6,605,422	-	-	-	-	-3,138,448	-345,196	-	-	-3,483,644	3,121,779
Mains water	12,577,517	-	-	-	12,577,517	-	-	-	-	-4,392,474	-538,354	-	-	-4,930,827	7,646,690
Meters electricity	460,793	-	-	-	460,793	-	-	-	-	-137,747	-22,989	-	-	-160,737	300,056
Meters water	7,788,938	99,356	-	-86,445	7,801,848	-	-	-	-	-3,930,069	-463,663	-	78,078	-4,315,654	3,486,194
Motorways	308,314	-	-	-	308,314	-	-	-	-	-185,663	-20,554	-	-	-206,217	102,097
Outfall sewers	727,862	-	-	-	727,862	-	3,000,000	-	3,000,000	-234,012	-36,393	-	-	-270,405	3,457,457
Paving	23,918,518	2,782,700	2,458,089	-	29,159,308	92,946	-	-92,946	-	-8,416,890	-1,313,745	-	-	-9,730,635	19,428,672
Pipelines	73,141,367	-	-	-	73,141,367	-	-	-	-	-19,106,108	-3,656,278	-	-	-22,762,385	50,378,981
Power stations	527,809	-	-	-	527,809	-	-	-	-	-510,513	-3,868	-	-	-514,380	13,428
Pump stations	93,644,977	5,312,054	956,470	-	99,913,501	4,317,990	1,534,032	-	5,852,022	-32,175,917	-4,719,211	-	-	-36,895,128	68,870,395
Purification works	40,158,112	11,730,220	7,141,125	-	59,029,457	26,001,771	16,826,928	-8,795,845	34,032,854	-11,208,684	-3,214,036	-	-	-14,422,720	78,639,591
Other roads	520,704,345	21,351,237	23,146,928	-	565,202,510	27,583,534	7,137,314	4,580,924	39,301,771	-281,455,109	-42,820,819	-	-	-324,275,928	280,228,353
Security systems roads	-	5,054,592	-	-	5,054,592	-	-	-	-	-	-2,770	-	-	-2,770	5,051,822
Security systems waste water	211,041	-	-	-	211,041	-	-	-	-	-108,935	-23,168	-	-	-132,102	78,938
Security systems water	33,051	-	-	-	33,051	-	-	-	-	-29,805	-1,630	-	-	-31,435	1,616
Security lighting electricity	929,487	-	-	-	929,487	-	-	-	-	-340	-61,978	-	-	-62,318	867,368
Security systems electricity	1,457,935	-	-	-	1,457,935	-	-	-	-	-852,938	-67,322	-	-	-920,260	537,675
Sewers	247,054,070	2,898,566	-	-	249,952,636	68,367,596	1,437,899	-15,668,808	54,136,688	-90,028,012	-11,054,320	-	-	-101,082,332	203,006,992
Sludge machines	4,791,182	-	-	-	4,791,182	-	-	-	-	-2,457,816	-208,932	-	-	-2,666,747	2,124,435
Sewerage pumps	19,373,501	-	-	-	19,373,501	-	-	-	-	-7,631,791	-1,139,473	-	-	-8,771,264	10,602,238
Street lighting	28,480,687	633,474	675,286	-1,862	29,787,586	333,410	357,103	-333,410	357,103	-10,666,198	-1,149,407	-	1,839	-11,813,766	18,330,924
Supply/reticulation Elec	249,568,285	944,588	297,659	-	250,810,532	2,822,234	2,749,942	-1,460,060	4,112,116	-90,838,438	-11,221,937	-	-	-102,060,374	152,862,274
Supply/reticulation Gas	2,439,947	-	-	-	2,439,947	-	-	-	-	-987,670	-121,996	-	-	-1,109,666	1,330,281
Supply/reticulation Water	275,430,899	2,909,236	55,504	-	278,395,638	2,467,970	1,230,321	-	3,698,291	-111,520,320	-12,977,468	-	-	-124,497,788	157,596,142
Stormwater drains	110,620,916	5,321,491	-	-	115,942,407	-	39,434	-	39,434	-40,329,359	-6,648,041	-	-	-46,977,400	69,004,441
Switchgear equipment	26,939,025	994,510	820,525	-	28,754,060	-	3,003,833	-	3,003,833	-9,537,566	-1,287,032	-	-	-10,824,598	20,933,295
Reservoirs & tanks	25,307,077	242,805	-	-	25,549,881	3,812,282	20,002,467	-956,470	22,858,279	-11,729,314	-1,055,394	-	-	-12,784,708	35,623,453
Taxiways	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tip Site George	3,945,374	-	-	-	3,945,374	-	-	-	-	-3,603	-1,315,111	-	-	-1,318,715	2,626,659
Tip Sites	9,887,592	-	-	-	9,887,592	-	522,467	-	522,467	-3,344,440	-333,026	-	-	-3,677,466	6,732,593
Transformer kiosks	101,252,903	1,740,337	7,411,402	-20,849	110,383,793	7,411,402	812,564	-7,411,402	812,564	-26,733,083	-3,390,360	-	17,234	-30,106,210	81,090,147
Traffic islands	357,019	-	-	-	357,019	-	-	-	-	-70,995	-35,035	-	-	-106,029	250,990
Traffic lights	15,082,960	5,500,643	-	-	20,583,602	-	1,687,119	-	1,687,119	-6,052,244	-784,280	-	-	-6,836,524	15,434,197
Street names & traffic signs	860,794	-	-	-	860,794	-	-	-	-	-500,633	-50,279	-	-	-550,912	309,883
	1,998,119,071	101,263,148	43,631,619	-131,141	2,142,882,697	143,519,202	63,640,746	-30,446,084	176,713,864	-802,211,960	-117,956,422	-2,151,528	118,998	-922,200,911	1,397,395,650
<b>COMMUNITY</b>															
Access control buildings	1,058,922	476,287	-	-	1,535,209	-	-	-	-	-634,608	-140,968	-	-	-775,576	759,633
Animal pound	103,613	-	-	-	103,613	-	-	-	-	-94,181	-2,179	-	-	-96,360	7,254
Beach developments	2,676,711	-	-	-	2,676,711	-	-	-	-	-1,038,692	-89,223	-	-	-1,127,915	1,548,796
Bowling greens	106,488	-	-	-	106,488	-	-	-	-	-71,033	-2,535	-	-	-73,569	32,919
Bus terminals	2,682,871	440,035	-	-	3,122,906	-	2,358,299	-	2,358,299	-1,375,314	-141,203	-	-	-1,516,517	3,964,687
Buildings	1,528,989	-	-	-	1,528,989	-	44,360	-	44,360	-467,190	-71,955	-	-	-539,145	1,034,204
CARAVANS PARKS	893,940	-	-	-	893,940	-	-	-	-	-267,512	-29,798	-	-	-297,310	596,630
Care centres	9,222,269	4,534	-	-	9,226,803	693,025	-	-	693,025	-2,350,894	-306,982	-	-	-2,657,876	7,261,952
Cemeteries	67,861	-	-	-	67,861	-	259,955	-	259,955	-36,160	-2,262	-	-	-38,422	289,394
Community centres	21,256,622	168,222	1,360,072	-	22,784,916	1,093,446	5,297	-881,256	217,487	-6,307,505	-744,568	-	-	-7,052,072	15,950,330
Fencing buildings	6,861,608	628,816	-	-	7,490,424	-	-	-	-	-5,575,594	-331,160	-	-	-5,906,754	1,583,671
Fire stations	1,762,589	-	-	-	1,762,589	-	-	-	-	-576,016	-52,861	-	-	-628,877	1,133,712
Floodlighting	6,869,584	55,684	-	-	6,925,268	-	-	-	-	-3,374,977	-362,865	-	-	-3,737,842	3,187,426
Clinics/hospitals	3,023,763	-	-	-	3,023,763	-	-	-	-	-1,612,740	-90,325	-	-	-1,703,066	1,320,697
Hostels	170,349	-	-	-	170,349	-	-	-	-	-126,737	-4,876	-	-	-131,613	38,735
Housing Schemes	37,696,235	-	-	-	37,696,235	-	-	-	-	-12,268,256	-1,221,723	-	-	-13,489,980	24,206,255
Informal housing	621,383	-	-	-	621,383	-	-	-	-	-120,660	-31,069	-	-	-151,729	469,654
Indoor sports	127,552	-	-	-	127,552	-	-	-	-	-124,621	-874	-	-	-125,495	2,057
Lakes and dams	119,843	-	-	-	119,843	766,135	-	-	766,135	-49,891	-5,992	-	-	-55,883	830,096
Landfill site	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	1,864,786	-	-	-	1,864,786	28,000	-	-	28,000	-1,117,710	-56,687	-	-	-1,174,396	718,390
MARKETS	51,965	-	-	-	51,965	-	-	-	-	-12,277	-1,732	-	-	-14,009	37,956
Monuments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal buildings	66,425,601	635,714	657,877	-	67,719,192	657,877	11,403,690	-657,877	11,403,690	-25,164,020	-2,020,116	-	-	-27,184,135	51,938,747
Municipal houses	459,390	-	-	-	459,390	-	-	-	-	-244,482	-18,124	-	-	-262,606	196,784
Netball courts	235,304	-	-	-	235,304	-	-	-	-	-27,046	-11,600	-	-	-38,646	196,658
Office Buildings	4,927,405	-	-	-	4,927,405	-	-	-	-	-1,893,118	-163,578	-	-	-2,056,696	2,870,709
Organ and case	1,792	-	-	-	1,792	-	-	-	-	-1,568	-15	-	-	-1,583	209
Outdoor sports facilities	52,689,953	696,350	2,607,577	-	55,993,880	5,233,915	2,689,173	-5,233,915	2,689,173	-13,236,493	-2,604,549	-	-	-15,841,042	42,842,012
Parks	1,635,563	-	-	-	1,635,563	105,230	-	-	105,230	-771,609	-54,520	-	-	-826,129	914,664
Public conveniences/bathhouses	3,386,881	131,337	211,784	-	3,730,001	211,784	95,424	-211,784	95,424	-1,331,897	-112,994	-	-	-1,444,891	2,380,535
Recreation centres	3,803,557	-	-	-	3,803,557	1,271,024	-	-1,222,185</							

2017	Cost					Work in progress				Accumulated depreciation					Carrying Value
Type	B/Fwd.Cost	Additions	Completed Constructions	Disposals	C/Fwd.Cost	B/Fwd.WIP	Additions	Completed Constructions	C/Fwd.WIP	B/Fwd.Deprec.	Additions	Impairments	Disposals	C/Fwd.Deprec.	
<b>OTHER</b>															
Access control electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Air conditioners	1,356,902	248,878	131,474	-	1,737,254	131,474	-	-131,474	-	-821,220	-89,045	-	-	-910,265	826,989
ANIMAL-POUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bulk containers	2,331,845	-	-	-	2,331,845	-	1,850	-	1,850	-1,107,533	-200,468	-	-	-1,308,001	1,025,694
Cabinets/cupboards	1,989,219	289,212	-	-2,831	2,275,600	-	-	-	-	-991,090	-141,630	-	2,697	-1,130,024	1,145,576
Canopy	52,964	-	-	-3,021	49,943	-	-	-	-	-29,351	-8,616	-	2,826	-35,141	14,802
Caravan	29,000	-	-	-	29,000	-	-	-	-	-28,382	-397	-	-	-28,779	221
Chairs	2,114,219	384,543	-	-58,937	2,439,825	-	-	-	-	-1,116,346	-186,097	-	52,283	-1,250,160	1,189,665
Computer hardware	15,134,824	2,550,803	-	-1,118,515	16,567,112	-	-	-	-	-7,523,477	-1,914,534	-	1,061,182	-8,376,829	8,190,284
Compactor - landfill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Compactor - plate	174,423	-	-	-	174,423	-	-	-	-	-148,467	-117	-	-	-148,585	25,839
Comptser software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Control system/Tracker	1,892,301	115,714	-	-	2,008,015	-	-	-	-	-349,641	-382,534	-	-	-732,175	1,275,840
Drill - concrete	20,528	-	-	-	20,528	-	-	-	-	-12,362	-4,106	-	-	-16,468	4,061
Equipment/apparatus - Clinic/H	3,340	-	-	-	3,340	-	-	-	-	-3,073	-113	-	-	-3,186	154
Equipment/apparatus - Traffic	1,109,332	17,666	-	-	1,126,998	-	-	-	-	-922,352	-64,443	-	-	-986,795	140,203
Electrical equiment	9,009,870	810,331	-	-4,850	9,815,351	-	560,795	-	560,795	-5,721,960	-1,001,534	-	4,608	-6,718,886	3,657,260
laboratory equipment	1,458,693	487,705	-	-	1,946,398	-	-	-	-	-662,092	-253,865	-	-	-915,957	1,030,441
Radio equipment	4,844,880	397,798	-	-	5,242,678	-	-	-	-	-2,233,829	-408,088	-	-	-2,641,917	2,600,761
Telecommunication equipment	2,119,733	502,758	-	-763,630	1,858,861	-	-	-	-	-1,803,061	-89,067	-	763,482	-1,128,646	730,215
Fire equipment	1,797,405	-	-	-243,590	1,553,815	-	-	-	-	-676,020	-108,243	-	172,156	-612,107	941,708
Firearms	309,850	-	-	-	309,850	-	-	-	-	-158,205	-61,969	-	-	-220,175	89,675
Generator	2,928,898	1,279,497	-	-	4,208,395	-	978,129	-	978,129	-2,075,789	-305,905	-	-	-2,381,694	2,804,830
General plant	16,531,964	622,404	518,429	-46,921	17,625,876	21,830	-	-21,830	-	-9,623,776	-1,018,200	-	39,435	-10,602,541	7,023,335
Household refuse bins	1,096	-	-	-	1,096	-	-	-	-	-662	-219	-	-	-881	216
Fire hoses	233,192	-	-	-	233,192	-	-	-	-	-194,461	-18,364	-	-	-212,825	20,367
Hoist - refuse bins	704,293	-	-	-	704,293	-	-	-	-	-441,467	-54,813	-	-	-496,280	208,013
Irrigation systems	413,117	-	644,000	-	1,057,117	-	-	-	-	-58,418	-70,474	-	-	-128,892	928,225
Lathes	55,042	-	-	-	55,042	-	-	-	-	-42,055	-1,446	-	-	-43,501	11,541
Emergency light	9,646	-	-	-	9,646	-	-	-	-	-4,991	-1,556	-	-	-6,547	3,099
Loader - drill	771,676	-	-	-	771,676	-	-	-	-	-580,610	-6,125	-	-	-586,735	184,942
Loader - front-end	5,444,756	869,345	-	-	6,314,101	-	-	-	-	-3,089,166	-245,882	-	-	-3,335,049	2,979,052
Miscellaneous furniture	3,116,143	107,279	-	-30,420	3,193,002	-	-	-	-	-2,030,234	-257,617	-	28,401	-2,259,450	933,551
Mixer - concrete	7,318	-	-	-	7,318	-	-	-	-	-6,735	-292	-	-	-7,028	291
Office machines	2,071,836	216,693	-	-93,571	2,194,958	-	-	-	-	-1,464,035	-188,686	-	91,254	-1,561,467	633,491
EQUIPMENT	663,422	-	-	-	663,422	-	727,533	-	727,533	-60,964	-67,425	-	-	-128,388	1,262,567
Pumps	945,448	2,573,050	-	-	3,518,498	-	-	-	-	-351,497	-330,515	-	-	-682,012	2,836,487
roller - pavement	199,600	-	-	-	199,600	-	-	-	-	-173,191	-13,258	-	-	-186,450	13,150
Roller - water/ballast	78,320	-	-	-	78,320	-	-	-	-	-76,243	-1,042	-	-	-77,284	1,036
Tables/desks	1,877,963	152,912	-	-27,371	2,003,504	-	-	-	-	-1,075,917	-114,565	-	27,220	-1,163,262	840,242
Tippers	2,414,204	-	-	-	2,414,204	-	-	-	-	-1,144,307	-112,920	-	-	-1,257,228	1,156,976
Tools	67,047	-	-	-	67,047	-	-	-	-	-56,299	-3,713	-	-	-60,011	7,035
Trailers	1,626,362	905,541	-	-	2,531,903	-	-	-	-	-907,999	-209,136	-	-	-1,117,135	1,414,768
Vehicles	11,467,818	3,599,554	-	-708,001	14,359,371	-	-	-	-	-6,988,790	-446,145	-	480,451	-6,954,484	7,404,887
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Watercraft/boats	201,160	-	-	-	201,160	-	-	-	-	-90,243	-11,349	-	-	-101,591	99,569
Compressors	185,551	-	-	-	185,551	-	-	-	-	-171,561	-4,466	-	-	-176,027	9,524
Compactor truck - refuse	6,444,141	3,482,086	-	-	9,926,227	-	-	-	-	-2,541,264	-590,014	-	-	-3,131,278	6,794,948
Motor cycles	558,215	-	-	-	558,215	-	-	-	-	-345,375	-38,862	-	-	-384,237	173,978
Fire engines	3,829,023	1,011,283	2,000,000	-	6,840,306	2,000,000	-	-2,000,000	-	-1,179,487	-199,814	-	-	-1,379,302	5,461,005
Farm equipment	6,187	-	-	-	6,187	-	-	-	-	-6,023	-82	-	-	-6,105	82
Graders	2,067,294	-	-	-	2,067,294	-	-	-	-	-1,228,330	-139,807	-	-	-1,368,137	699,157
Lawnmowers	101,512	-	-	-5,416	96,096	-	-	-	-	-57,261	-11,865	-	5,410	-63,716	32,380
Roller - mechanically driven	1,155,779	-	-	-	1,155,779	-	-	-	-	-903,424	-52,927	-	-	-956,351	199,428
Pound vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road maintenance equipment	264,534	-	-	-	264,534	-	-	-	-	-260,473	-2,813	-	-	-263,286	1,248
Trucks/bakkies	34,616,045	4,379,448	-	-	38,995,492	-	-	-	-	-17,107,653	-1,556,024	-	-	-18,663,676	20,331,816
Tractors	456,350	-	-	-15,000	441,350	-	-	-	-	-214,252	-32,773	-	11,399	-235,626	205,724
Welder	8,895	-	-	-	8,895	-	-	-	-	-3,568	-1,779	-	-	-5,346	3,548
	147,273,175	25,004,500	3,293,903	-3,122,075	172,449,502	2,153,304	2,268,307	-2,153,304	2,268,307	-78,864,982	-11,025,739	-	2,742,804	-87,147,916	87,569,893
Bus Go George Minibus	26,823,258	-	-	-	26,823,258	-	-	-	-	-3,090,646	-3,357,242	-	-	-6,447,888	20,375,371
Bus Go George	179,437,265	-	-	-	179,437,265	10,956,427	-	-10,956,427	-	-13,845,827	-11,216,493	-	-	-25,062,320	154,374,945
	206,260,523	-	-	-	206,260,523	10,956,427	-	-10,956,427	-	-16,936,472	-14,573,736	-	-	-31,510,208	174,750,315
	<b>353,533,698</b>	<b>25,004,500</b>	<b>3,293,903</b>	<b>-3,122,075</b>	<b>378,710,025</b>	<b>13,109,731</b>	<b>2,268,307</b>	<b>-13,109,731</b>	<b>2,268,307</b>	<b>-95,801,454</b>	<b>-25,599,474</b>	<b>-</b>	<b>2,742,804</b>	<b>-118,658,124</b>	<b>262,320,208</b>
<b>LAND</b>															
BUSINESS	9,697,000	-	-	-	9,697,000	-	-	-	-	-	-	-	-	-	9,697,000
BUSINESS INDUSTRIAL	65,550	-	-	-	65,550	-	-	-	-	-	-	-	-	-	65,550
CEMETERIES	5,678,500	-	-	-	5,678,500	-	-	-	-	-	-	-	-	-	5,678,500
CHURCHES	85,000	-	-	-	85,000	-	-	-	-	-	-	-	-	-	85,000
COMMAGE	9,950,000	-	-	-	9,950,000	-	-	-	-	-	-	-	-	-	9,950,000
CRECHE	479,750	-	-	-	479,750	-	-	-	-	-	-	-	-	-	479,750
GENERAL RESIDENTIAL	3,785,000	-	-	-	3,785,000	-	-	-	-	-	-	-	-	-	3,785,000
GOVERNMENT	50,000	-	-	-	50,000	-	-	-	-	-	-	-	-	-	50,000
INDUSTRIAL	14,798,800	-	-	-	14,798,800	-	-	-	-	-	-	-	-	-	14,798,800
INSTATUTIONS	1,953,850	-	-	-	1,953,850	-	-	-	-	-	-	-	-	-	1,953,850
OPEN PLACE	8,000	-	-	-	8,000	-	-	-	-	-	-	-	-	-	8,000
Other land	610,405,950	-	-	-98,100	610,307,850	-	-	-	-	-	-	-	-	-	610,307,850
PARKING	30,785,000	-	-	-	30,785,000	-	-	-	-	-	-	-	-	-	30,785,000
PUBLIC OPEN SPACE	161,586,150	-	-	-125,000	161,461,150	-	-	-	-	-	-	-	-	-	161,461,150
PRIVATE OPEN SPACE	7,880,000	-	-	-	7,880,000	-	-	-	-	-	-	-	-	-	7,880,000
ROADS	1,250,000	-	-	-	1,250,000	-	-	-	-	-	-	-	-	-	1,250,000
SPECIAL HOUSING	26,670,000	-	-	-	26,670,000	-	-	-	-	-	-	-	-	-	26,670,000
SINGLE RESIDENTIAL	18,099,900	-	-	-	18,099,900	-	-	-	-	-	-	-	-	-	18,099,900
Vacantland	20,500,233	-	-	-	20,500,233	-	-	-	-	-	-	-	-	-	20,500,233
	<b>923,728,683</b>	<b>-</b>	<b>-</b>	<b>-223,100</b>	<b>923,505,583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>923,505,583</b>
<b>TOTAL OF PROPERTY, PLANT AND EQUIPMENT</b>	<b>3,538,436,252</b>	<b>129,829,070</b>	<b>51,762,831</b>	<b>-3,476,316</b>	<b>3,716,551,837</b>	<b>166,689,368</b>	<b>82,765,251</b>	<b>-51,762,831</b>	<b>197,691,788</b>	<b>-996,259,731</b>	<b>-154,825,371</b>	<b>-2,151,528</b>	<b>2,861,803</b>	<b>-1,150,374,828</b>	<b>2,763,868,797</b>

GEORGE LOCAL MUNICIPALITY  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016  
Notes to the Financial Statements

56. Property, plant and equipment - detailed analysis

2016	Cost						Work in progress				Accumulated depreciation					Carrying Value
Type	B/Fwd.Cost	Additions	Completed Constructions	Disposals	Transfers	C/Fwd.Cost	B/Fwd.WIP	Additions	Completed Constructions	C/Fwd.WIP	B/Fwd.Deprec.	Additions	Disposals	Transfers	C/Fwd.Deprec.	
<b>INFRASTRUCTURE</b>																
Access control	927,028	155,046	-	-	-1,058,922	23,152	-	121,128	-	121,128	-523,926	-115,339	-	634,608	-4,656	139,624
Bridges, subways & culverts	17,625,389	5,149,998	-	-	-	22,775,387	-	-	-	-	-4,700,965	-842,880	-	-	-5,543,845	17,231,542
Bus terminals	2,682,871	-	1,905,948	-	-4,588,819	-	1,905,948	-	-1,905,948	-	-1,241,158	-134,156	-	1,375,314	-	-
Bus stop	19,411,855	387,694	-	-	-	19,799,549	-	-	-	-	-2,659	-973,314	-	-	-975,974	18,823,575
Car parks	3,502,961	-	-	-	-	3,502,961	-	-	-	-	-1,423,210	-172,130	-	-	-1,595,341	1,907,620
Fencing	15,153,246	1,214,190	-	-	-14,481,700	1,885,737	-	186,940	-	186,940	-9,529,125	-1,411,017	-	10,561,016	-379,125	1,693,551
Fencing waste water	-	-	-	-	-	4,422,426	-	-	-	-	-	-	-	-	-2,896,990	1,525,435
Fencing water	-	-	-	-	-	3,197,666	-	-	-	-	-	-	-	-2,088,432	-2,088,432	1,109,234
Footways	10,285,681	3,188,196	-	-	-	13,473,877	-	-	-	-	-2,729,875	-558,457	-	-	-3,288,332	10,185,545
Kerbing	893,326	-	-	-	-	893,326	-	-	-	-	-144,047	-44,786	-	-	-188,834	704,493
Landfill site	-	-	-	-	-	10,327,047	-	-	-	-	-	-	-	-3,276,338	-3,276,338	7,050,709
Load control equipment	13,230,026	-	-	-	-	13,230,026	-	-	-	-	-3,113,815	-545,147	-	-	-3,658,962	9,571,064
Mains electricity	6,605,422	-	-	-	-	6,605,422	-	-	-	-	-2,792,306	-346,142	-	-	-3,138,448	3,466,974
Mains water	12,169,295	408,222	-	-	-	12,577,517	-	-	-	-	-3,872,467	-520,007	-	-	-4,392,474	8,185,043
Meters electricity	361,018	99,775	-	-	-	460,793	-	-	-	-	-118,016	-19,731	-	-	-137,747	323,046
Meters water	7,399,586	389,351	-	-	-	7,788,938	-	-	-	-	-3,466,956	-463,113	-	-	-3,930,069	3,858,869
Motorways	308,314	-	-	-	-	308,314	-	-	-	-	-165,053	-20,610	-	-	-185,663	122,651
Outfall sewers	727,862	-	-	-	-	727,862	-	-	-	-	-197,520	-36,492	-	-	-234,012	493,850
Paving	23,519,726	398,792	-	-	-	23,918,518	-	92,946	-	92,946	-7,237,113	-1,179,778	-	-	-8,416,890	15,594,574
Pipelines	73,141,367	-	-	-	-	73,141,367	-	-	-	-	-15,439,812	-3,666,296	-	-	-19,106,108	54,035,259
Power stations	527,809	-	-	-	-	527,809	-	-	-	-	-506,634	-3,878	-	-	-510,513	17,296
Pump stations	92,661,614	983,363	-	-	-	93,644,977	2,330,722	1,987,268	-	4,317,990	-27,531,801	-4,644,116	-	-	-32,175,917	65,787,050
Purification works	44,709,885	-4,532,902	-	-18,871	-	40,156,983	18,102,538	7,899,233	-	26,001,771	-8,499,617	-2,724,586	15,519	-	-11,208,684	54,951,198
Other roads	472,138,639	44,262,055	2,397,703	-	-	518,798,397	17,441,160	12,540,077	-2,397,703	27,583,534	-243,224,466	-38,230,643	-	-	-281,455,109	264,926,822
Security systems waste water	-	-	-	-	211,041	211,041	-	-	-	-	-	-	-	-108,935	-108,935	102,106
Security systems water	-	-	-	-	33,051	33,051	-	-	-	-	-	-	-	-29,805	-29,805	3,246
Security lighting electricity	11,320	929,687	-	-	-11,320	929,687	-	-	-	-	-2	-1,096	-	759	-340	929,347
Security systems electricity	9,917,595	1,283,939	-	-16,300	-9,727,299	1,457,935	-	-	-	-	-3,201,354	-1,571,487	1,911	3,917,992	-852,938	604,997
Sewers	227,272,705	4,038,596	15,742,768	-	-	247,054,070	73,225,755	10,884,609	-15,742,768	68,367,596	-79,155,745	-10,872,267	-	-	-90,028,012	225,393,654
Sludge machines	3,427,381	1,363,801	-	-	-	4,791,182	-	-	-	-	-2,248,310	-209,505	-	-	-2,457,816	2,333,367
Sewerage pumps	16,910,822	2,462,680	-	-	-	19,373,501	-	-	-	-	-6,490,979	-1,140,812	-	-	-7,631,791	11,741,711
Street lighting	28,384,694	95,993	-	-	-	28,480,687	-	333,410	-	333,410	-9,517,096	-1,149,102	-	-	-10,666,198	18,147,900
Supply/reticulation Elec	235,822,365	13,745,919	-	-	-	249,568,285	-	2,822,234	-	2,822,234	-78,402,090	-12,436,348	-	-	-90,838,438	161,552,081
Supply/reticulation Gas	2,439,947	-	-	-	-	2,439,947	-	-	-	-	-865,339	-122,330	-	-	-987,670	1,452,277
Supply/reticulation Water	272,069,678	3,615,511	-	-254,291	-	275,430,899	2,274,323	193,647	-	2,467,970	-98,768,963	-12,880,300	128,944	-	-111,520,320	166,378,549
Stormwater drains	106,047,814	4,573,102	-	-	-	110,620,916	-	-	-	-	-33,912,536	-6,416,823	-	-	-40,329,359	70,291,557
Switchgear equipment	26,522,653	416,372	-	-	-	26,939,025	-	-	-	-	-8,309,102	-1,228,464	-	-	-9,537,566	17,401,459
Reservoirs & tanks	23,112,908	2,194,169	-	-	-	25,307,077	449,245	3,363,037	-	3,812,282	-10,771,366	-957,948	-	-	-11,729,314	17,390,045
Taxiways	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tip Site George	-	-	-	-	3,945,374	3,945,374	-	-	-	-	-	-	-	-3,603	-3,603	3,941,770
Tip Sites	-	-	-	-	9,887,592	9,887,592	-	-	-	-	-	-	-	-3,344,440	-3,344,440	6,543,152
Transformer kiosks	97,453,310	3,799,920	-	-327	-	101,252,903	413,564	6,997,838	-	7,411,402	-23,392,237	-3,341,174	327	-	-26,733,083	81,931,222
Traffic islands	207,218	149,800	-	-	-	357,019	-	-	-	-	-49,982	-21,012	-	-	-70,995	286,024
Traffic lights	12,952,338	2,130,621	-	-	-	15,082,960	-	-	-	-	-5,373,102	-679,143	-	-	-6,052,244	9,030,715
Street names & traffic signs	860,794	-	-	-	-	860,794	-	-	-	-	-450,216	-50,417	-	-	-500,633	360,162
	<b>1,881,396,463</b>	<b>92,903,892</b>	<b>20,046,419</b>	<b>-289,788</b>	<b>2,156,137</b>	<b>1,996,213,122</b>	<b>116,143,256</b>	<b>47,422,365</b>	<b>-20,046,419</b>	<b>143,519,202</b>	<b>-697,368,961</b>	<b>-109,730,845</b>	<b>146,701</b>	<b>4,741,145</b>	<b>-802,211,960</b>	<b>1,337,520,365</b>
<b>COMMUNITY</b>																
Access control buildings	-	-	-	-	1,058,922	1,058,922	-	-	-	-	-	-	-	-634,608	-634,608	424,314
Animal pound	-	-	-	-	103,613	103,613	-	-	-	-	-	-	-	-94,181	-94,181	9,433
Beach developments	2,676,711	-	-	-	-	2,676,711	-	-	-	-	-949,225	-89,467	-	-	-1,038,692	1,638,019
Bowling greens	106,488	-	-	-	-	106,488	-	-	-	-	-68,491	-2,542	-	-	-71,033	35,455
Bus terminals	-	-	-	-	4,588,819	4,588,819	-	-	-	-	-	-	-	-1,375,314	-1,375,314	3,213,505
Buildings	1,528,989	-	-	-	-	1,528,989	-	-	-	-	-395,037	-72,153	-	-	-467,190	1,061,800
CARAVANS PARK!	893,940	-	-	-	-	893,940	-	-	-	-	-237,633	-29,879	-	-	-267,512	626,428
Care centres	9,222,269	-	-	-	-	9,222,269	-	693,025	-	693,025	-2,043,099	-307,795	-	-	-2,350,894	7,564,400
Cemeteries	67,861	-	-	-	-	67,861	-	-	-	-	-33,892	-2,268	-	-	-36,160	31,701
Community centres	20,957,751	298,871	-	-	-	21,256,622	3,000	1,090,446	-	1,093,446	-5,614,847	-692,658	-	-	-6,307,505	16,042,563
Fencing buildings	-	-	-	-	6,861,608	6,861,608	-	-	-	-	-	-	-	-5,575,594	-5,575,594	1,286,014
Fire stations	1,762,589	-	-	-	-	1,762,589	-	-	-	-	-517,102	-58,913	-	-	-576,016	1,186,573
Floodlighting	6,869,584	-	-	-	-	6,869,584	-	-	-	-	-3,041,042	-333,935	-	-	-3,374,977	3,494,607
Clinics/hospitals	3,023,763	-	-	-	-	3,023,763	-	-	-	-	-1,518,352	-94,389	-	-	-1,612,740	1,411,023
Hostels	170,349	-	-	-	-	170,349	-	-	-	-	-121,245	-5,492	-	-	-126,737	43,612
Housing Schemes	37,696,235	-	-	-	-	37,696,235	-	-	-	-	-11,008,285	-1,259,972	-	-	-12,268,256	25,427,979
Informal housing	621,383	-	-	-	-	621,383	-	-	-	-	-89,506	-31,154	-	-	-120,660	500,723
Indoor sports	127,552	-	-	-	-	127,552	-	-	-	-	-123,745	-876	-	-	-124,621	2,931
Lakes and dams	119,843	-	-	-	-	119,843	766,135	-	-	766,135	-43,882	-6,009	-	-	-49,891	836,088
Landfill site	10,327,047	-	-	-10,327,047	-	-	-	-	-	-	-1,205,290	-2,071,048	-	3,276,338	-	-
Libraries	1,864,786	-	-	-	-	1,864,786	-	28,000	-	28,000	-1,060,867	-56,842	-	-	-1,117,710	775,077
MARKETS	51,965	-	-	-	-	51,965	-	-	-	-	-10,540	-1,737	-	-	-12,277	39,688
Monuments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal buildings	66,037,329	392,872	-	-4,600	-	66,425,601	-	657,877	-	657,877	-23,074,662	-2,093,855	4,498	-	-25,164,020	41,919,458
Municipal houses	459,390	-	-	-	-	459,390	-	-	-	-	-18,173	-244,482	-	-	-244,482	214,908
Netball courts	235,304	-	-	-	-	235,304	-	-	-	-	-15,415	-11,631	-	-	-27,046	208,257
Office Buildings	4,927,405	-	-	-	-	4,927,405	-	-	-	-	-1,728,423	-164,695	-	-	-1,893,118	3,034,287
Organ and case	1,792	-	-	-	-	1,792	-	-	-	-	-1,553	-15	-	-	-1,568	224
Outdoor sports facilities	48,134,856	1,691,984	2,863,114	-	-	52,689,953	5,205,339	2,891,690	-2,863,114	5,233,915	-10,927,025	-2,309,468	-	-	-13,236,493	44,687,376
Parks	1,635,563	-	-	-	-	1,635,563	27,600	77,630	-	105,230	-716,939	-54,669	-	-	-771,609	969,184
Public conveniences/bathhouses	3,281,542	105,339	-	-	-	3,386,881	-	211,784	-	211,784	-1,224,218	-107,679	-	-	-1,331,897	2,266,768
Recreation centres	3,803,557	-	-	-	-	3,803,557	-	1,271,024	-	1,271,024	-1,116,938	-126,775	-			

2016	Cost						Work in progress				Accumulated depreciation					Carrying Value
Type	B/Fwd.Cost	Additions	Completed Constructions	Disposals	Transfers	C/Fwd.Cost	B/Fwd.WIP	Additions	Completed Constructions	C/Fwd.WIP	B/Fwd.Deprec.	Additions	Disposals	Transfers	C/Fwd.Deprec.	
<b>OTHER</b>																
Access control electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Air conditioners	1,058,414	298,488	-	-	-	1,356,902	-	131,474	-	131,474	-775,942	-45,277	-	-	-821,220	667,156
ANIMAL-POUND	103,613	-	-	-	-103,613	-	-	-	-	-	-91,996	-2,185	-	94,181	-1,107,533	1,224,313
Bulk containers	2,331,845	-	-	-	-	2,331,845	-	-	-	-	-906,515	-201,018	-	-	-991,090	998,129
Cabinets/cupboards	1,645,059	344,160	-	-	-	1,989,219	-	-	-	-	-882,188	-108,902	-	-	-29,351	23,613
Canopy	52,964	-	-	-	-	52,964	-	-	-	-	-20,702	-8,643	-	-	-28,382	618
Caravan	29,000	-	-	-	-	29,000	-	-	-	-	-27,983	-398	-	-	-1,116,346	997,873
Chairs	1,792,961	321,258	-	-	-	2,114,219	-	-	-	-	-970,385	-145,961	-	-	-7,523,477	7,611,347
Computer hardware	9,993,052	4,912,051	250,000	-20,279	-	15,134,824	250,000	-	-250,000	-	-6,589,500	-940,012	6,035	-	-	-
Compactor - landfill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Compactor - plate	174,423	-	-	-	-	174,423	-	-	-	-	-144,161	-4,306	-	-	-148,467	25,956
Compter software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Control system/Tracker	1,757,309	134,992	-	-	-	1,892,301	-	-	-	-	-963	-348,678	-	-	-349,641	1,542,660
Drill - concrete	20,528	-	-	-	-	20,528	-	-	-	-	-8,245	-4,117	-	-	-12,362	8,166
Equipment/apparatus - Clinic/H	3,340	-	-	-	-	3,340	-	-	-	-	-2,960	-113	-	-	-3,073	267
Equipment/apparatus - Traffic	1,095,564	13,768	-	-	-	1,109,332	-	-	-	-	-860,496	-61,856	-	-	-922,352	186,980
Electrical equipment	8,455,584	554,286	-	-	-	9,009,870	-	-	-	-	-4,840,014	-881,946	-	-	-5,721,960	3,287,910
laboratory equipment	1,189,494	269,199	-	-	-	1,458,693	-	-	-	-	-432,134	-229,958	-	-	-662,092	796,601
Radio equipment	3,656,021	1,188,859	-	-	-	4,844,880	-	-	-	-	-1,939,299	-294,529	-	-	-2,233,829	2,611,052
Telecommunication equipment	2,095,104	29,981	-	-5,353	-	2,119,733	-	-	-	-	-1,717,925	-90,423	5,287	-	-1,803,061	316,672
Fire equipment	1,273,374	524,031	-	-	-	1,797,405	-	-	-	-	-601,864	-74,156	-	-	-676,020	1,121,385
Firearms	306,955	2,895	-	-	-	309,850	-	-	-	-	-96,645	-61,560	-	-	-158,205	151,645
Generator	2,857,415	71,484	-	-	-	2,928,898	-	-	-	-	-1,781,252	-294,537	-	-	-2,075,789	853,109
General plant	16,374,602	227,844	-	-70,481	-	16,531,964	-	21,830	-	21,830	-8,707,866	-979,628	63,718	-	-9,623,776	6,930,018
Household refuse bins	1,096	-	-	-	-	1,096	-	-	-	-	-442	-220	-	-	-662	435
Fire hoses	233,192	-	-	-	-	233,192	-	-	-	-	-176,046	-18,415	-	-	-194,461	38,731
Hoist - refuse bins	704,293	-	-	-	-	704,293	-	-	-	-	-386,504	-54,963	-	-	-441,467	262,826
Irrigation systems	413,117	-	-	-	-	413,117	-	-	-	-	-30,801	-27,616	-	-	-58,418	354,699
Lathes	55,042	-	-	-	-	55,042	-	-	-	-	-40,605	-1,450	-	-	-42,055	12,987
Emergency light	9,646	-	-	-	-	9,646	-	-	-	-	-3,432	-1,560	-	-	-4,991	4,654
Loader - drill	771,676	-	-	-	-	771,676	-	-	-	-	-574,468	-6,142	-	-	-580,610	191,066
Loader - front-end	5,444,756	-	-	-	-	5,444,756	-	-	-	-	-2,877,384	-211,782	-	-	-3,089,166	2,355,590
Miscellaneous furniture	2,808,042	308,101	-	-	-	3,116,143	-	-	-	-	-1,795,783	-234,451	-	-	-2,030,234	1,085,909
Mixer - concrete	7,318	-	-	-	-	7,318	-	-	-	-	-6,442	-293	-	-	-6,735	583
Office machines	1,811,386	260,451	-	-	-	2,071,836	-	-	-	-	-1,310,133	-153,902	-	-	-1,464,035	607,801
EQUIPMENT	260,730	402,693	-	-	-	663,422	-	-	-	-	-32,943	-28,021	-	-	-60,964	602,459
Pumps	917,568	27,880	-	-	-	945,448	-	-	-	-	-262,457	-89,040	-	-	-351,497	593,951
roller - pavement	199,600	-	-	-	-	199,600	-	-	-	-	-159,897	-13,295	-	-	-173,191	26,409
Roller - water/ballast	78,320	-	-	-	-	78,320	-	-	-	-	-75,198	-1,044	-	-	-76,243	2,077
Tables/desks	1,531,902	346,061	-	-	-	1,877,963	-	-	-	-	-979,451	-96,467	-	-	-1,075,917	802,046
Tipppers	2,414,204	-	-	-	-	2,414,204	-	-	-	-	-1,031,078	-113,230	-	-	-1,144,307	1,269,896
Tools	67,047	-	-	-	-	67,047	-	-	-	-	-52,576	-3,723	-	-	-56,299	10,748
Trailers	1,493,629	132,733	-	-	-	1,626,362	-	-	-	-	-747,102	-160,897	-	-	-907,999	718,363
Vehicles	11,335,122	132,696	-	-	-	11,467,818	-	-	-	-	-6,555,441	-433,350	-	-	-6,988,790	4,479,027
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Watercraft/boats	201,160	-	-	-	-	201,160	-	-	-	-	-78,860	-11,382	-	-	-90,243	110,917
Compressors	185,551	-	-	-	-	185,551	-	-	-	-	-167,082	-4,478	-	-	-171,561	13,990
Compactor truck - refuse	5,125,601	1,318,540	-	-	-	6,444,141	-	-	-	-	-2,104,199	-437,065	-	-	-2,541,264	3,902,876
Motor cycles	558,215	-	-	-	-	558,215	-	-	-	-	-306,406	-38,969	-	-	-345,375	212,840
Fire engines	3,829,023	-	-	-	-	3,829,023	-	2,000,000	-	2,000,000	-1,024,879	-154,609	-	-	-1,179,487	4,649,536
Farm equipment	6,187	-	-	-	-	6,187	-	-	-	-	-5,940	-83	-	-	-6,023	164
Graders	2,067,294	-	-	-	-	2,067,294	-	-	-	-	-1,088,140	-140,190	-	-	-1,228,330	838,964
Lawnmowers	101,512	-	-	-	-	101,512	-	-	-	-	-45,362	-11,899	-	-	-57,261	44,251
Roller - mechanically driven	1,155,779	-	-	-	-	1,155,779	-	-	-	-	-850,352	-53,072	-	-	-903,424	252,355
Pound vehicles	21,748	-	-	-	-21,748	-	-	-	-	-	-20,362	-278	-	20,640	-	-
Road maintenance equipment	264,534	-	-	-	-	264,534	-	-	-	-	-257,652	-2,821	-	-	-260,473	4,061
Trucks/bakkies	31,469,708	3,833,084	-	-686,748	-	34,616,045	-	-	-	-	-15,829,104	-1,503,346	224,798	-	-17,107,653	17,508,392
Tractors	456,350	-	-	-	-	456,350	-	-	-	-	-181,333	-32,919	-	-	-214,252	242,098
Welder	8,895	-	-	-	-	8,895	-	-	-	-	-1,784	-3,568	-	-	-5,327	-
	132,275,861	15,655,537	250,000	-782,861	-125,362	147,273,175	250,000	2,153,304	-250,000	2,153,304	-70,458,674	-8,820,966	299,837	114,821	-78,864,982	70,561,497
Bus Go George Minibus	12,270,747	15,319,433	-	-766,922	-	26,823,258	-	-	-	-	-185,011	-2,961,123	55,488	-	-3,090,646	23,732,613
Bus Go George	160,619,312	28,888,827	-	-10,070,874	-	179,437,265	10,956,427	-	-	10,956,427	-6,355,399	-8,405,036	914,608	-	-13,845,827	176,547,866
	172,890,059	44,208,260	-	-10,837,796	-	206,260,523	10,956,427	-	-	10,956,427	-6,540,410	-11,366,158	970,096	-	-16,936,472	200,280,478
	<b>305,165,919</b>	<b>59,863,797</b>	<b>250,000</b>	<b>-11,620,657</b>	<b>-125,362</b>	<b>353,533,698</b>	<b>11,206,427</b>	<b>2,153,304</b>	<b>-250,000</b>	<b>13,109,731</b>	<b>-76,999,083</b>	<b>-20,187,125</b>	<b>1,269,933</b>	<b>114,821</b>	<b>-95,801,454</b>	<b>270,841,975</b>
<b>LAND</b>																
BUSINESS	9,697,000	-	-	-	-	9,697,000	-	-	-	-	-	-	-	-	-	9,697,000
BUSINESS INDUSTRIAL	65,550	-	-	-	-	65,550	-	-	-	-	-	-	-	-	-	65,550
CEMETERIES	5,678,500	-	-	-	-	5,678,500	-	-	-	-	-	-	-	-	-	5,678,500
CHURCHES	85,000	-	-	-	-	85,000	-	-	-	-	-	-	-	-	-	85,000
COMMAGE	9,950,000	-	-	-	-	9,950,000	-	-	-	-	-	-	-	-	-	9,950,000
CRECHE	479,750	-	-	-	-	479,750	-	-	-	-	-	-	-	-	-	479,750
GENERAL RESIDENTIAL	3,785,000	-	-	-	-	3,785,000	-	-	-	-	-	-	-	-	-	3,785,000
GOVERNMENT	50,000	-	-	-	-	50,000	-	-	-	-	-	-	-	-	-	50,000
INDUSTRIAL	14,798,800	-	-	-	-	14,798,800	-	-	-	-	-	-	-	-	-	14,798,800
INSTAUTIONS	1,953,850	-	-	-	-	1,953,850	-	-	-	-	-	-	-	-	-	1,953,850
OPEN PLACE	8,000	-	-	-	-	8,000	-	-	-	-	-	-	-	-	-	8,000
Other land	610,405,950	-	-	-	-	610,405,950	-	-	-	-	-	-	-	-	-	610,405,950
PARKING	30,785,000	-	-	-	-	30,785,000	-	-	-	-	-	-	-	-	-	30,785,000
PUBLIC OPEN SPACE	161,586,150	-	-	-1,000	-	161,586,150	-	-	-	-	-	-	-	-	-	161,586,150
PRIVATE OPEN SPACE	7,880,000	-	-	-	-	7,880,000	-	-	-	-	-	-	-	-	-	7,880,000
ROADS	1,250,000	-	-	-	-	1,250,000	-	-	-	-	-	-	-	-	-	1,250,000
SPECIAL HOUSING	26,670,000	-	-	-	-	26,670,000	-	-	-	-	-	-	-	-	-	26,670,000
SINGLE RESIDENTIAL	18,099,900	-	-	-	-	18,099,900	-	-	-	-	-	-	-	-	-	18,099,900
Vacantland	20,500,233	-	-	-	-	20,500,233	-	-	-	-	-	-	-	-	-	20,500,233
	<b>923,728,683</b>	<b>-</b>	<b>-</b>	<b>-1,000</b>	<b>-</b>	<b>923,728,683</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>923,728,683</b>
<b>TOTAL OF PROPERTY, PLANT AND EQUIPMENT</b>	<b>3,367,966,215</b>	<b>159,225,549</b>	<b>23,159,533</b>	<b>-11,916,045</b>	<b>-</b>	<b>3,538,436,252</b>	<b>133,351,757</b>	<b>56,497,144</b>								

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## APPENDIX: GEORGE INTEGRATED PUBLIC TRANSPORT NETWORK

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

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

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

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

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

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

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

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

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

### STATEMENT OF FINANCIAL PERFORMANCE

	MLTF	NON-MLTF	Total
<b>Revenue</b>			
Fare revenue	37,301,627	-	37,301,627
Government Grants and subsidies	164,132,776	80,144,524	244,277,300
Other income	1,171,948	-	1,171,948
Interest received	2,609,325	-	2,609,325
Total revenue	205,215,676	80,144,524	285,360,200
<b>Expenditure</b>			
Employee related cost	639,520	1,231,127	1,870,647
Depreciation	-	25,766,727	25,766,727
Finance cost	1,222,914	-	1,222,914
Contracted services	161,686,837	-	161,686,837
Repairs and maintenance	17,785,485	-	17,785,485
Loss on disposal of assets	-	6,471	6,471
Inventory / Other materials	144,522	-	144,522
General expenses	13,682,647	3,850,000	17,532,647
Total expenditure	195,161,925	30,854,325	226,016,250
<b>Surplus for the year</b>	<b>10,053,751</b>	<b>49,290,199</b>	<b>59,343,950</b>

# George Local Municipality

Annual Financial Statements for the year ended 30 June 2017

## APPENDIX: GEORGE INTEGRATED PUBLIC TRANSPORT NETWORK

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

### Custom Schedule

#### Assets

Property, plant and equipment	Cost price	Accumulated depreciation	Book value
Standard 12m & Midi 10.5m bus (69 buses)	179,437,265	(25,062,320)	154,374,945
Sprinter / Mini bus (35 buses)	26,823,258	(6,447,888)	20,375,370
	<b>206,260,523</b>	<b>(31,510,208)</b>	<b>174,750,315</b>

#### Receivables from exchange and non-exchange transactions

	Note	2017
GIPTN Fare Revenue	3	237,484
George Link (Pty) Ltd (part of sundry debtors)	4	154,320
Mercedes-Benz South Africa Ltd (part of sundry debtors)	4	654,127
Conditional grants and subsidies: National Transport Operations Grant	19	22,010,770
		<b>23,056,701</b>

#### Prepayments

Mercedes-Benz South Africa Ltd - maintenance contracts for buses	5	8,043,992
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#### Liabilities

##### Provisions

Compensation liability GIPTN	18	(63,140,460)
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#### Trade and other payables from exchange transactions

GIPTN Compensation Accrual		(8,920,244)
George Link (Pty) Ltd		(3,096,115)
Department of Transport		(18,383,185)
George Link (Pty) Ltd retentions (including interest)		(8,333,828)
		<b>(38,733,372)</b>