



**GEORGE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**



**AUDITOR-GENERAL
SOUTH AFRICA**

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LW 12 Dec 2018

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

General Information

Mayoral committee

| | |
|------------------------|---|
| Executive Mayor | MG Naik |
| Deputy Executive Mayor | C Clarke (Appointed February 2018) |
| Speaker | G Pretorius (Appointed February 2018) |
| Councillors | |
| Ward | |
| 1 | J Säfers |
| 2 | DL Cronje |
| 3 | EP De Villiers |
| 4 | M Barnardt |
| 5 | P Louw |
| 6 | HH Ingo |
| 7 | S Rooiland |
| 8 | AD Willemse |
| 9 | S Dlikilile |
| 10 | BH Mooi |
| 11 | CI Lesele |
| 12 | B Plata |
| 13 | L Langa |
| 14 | E Bussack |
| 15 | NF Mdaka |
| 16 | CH Noble |
| 17 | V Muller |
| 18 | J van der Westhuizen (Appointed May 2018) GC Niehaus (Resigned January 2018) |
| 19 | S Snyman |
| 20 | M Draghoender |
| 21 | NR James |
| 22 | G Pretorius |
| 23 | GJ Stander |
| 24 | M Daniels |
| 25 | JD Esau |
| 26 | J von Brandis |
| 27 | BM Cornelius |



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George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

GENERAL INFORMATION

Proportionally elected councillors

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



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George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

GENERAL INFORMATION

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



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George Local Municipality
Annual Financial Statements for the year ended 30 June 2018

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Abbreviations

| | |
|---------|---|
| COID | Compensation for Occupational Injuries and Diseases |
| CIGFARO | The Chartered Institute of Government Finance Audit and Risk Officers |
| DBSA | Development Bank of Southern Africa |
| GIPTN | George Integrated Public Transport Network |
| GRAP | Generally Recognised Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| 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 |



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George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Accounting Officer's Approval of the Financial Statements

The Accounting Officer is responsible for the preparation and fair presentation of the annual financial statements of the municipality for the year ending 30 June 2018, comprising of the Statement of Financial Position as at 30 June 2018, the Statement of Financial Performance as at 30 June 2018, the Statement of Changes in Net Assets and the Cash Flow Statement, for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

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

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

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

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

I am responsible for the preparation of these Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act 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 30 for the disclosure of Councillor remuneration.


T BOTHA
ACCOUNTING OFFICER

31 August 2018



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2017/18 Dec 2018

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

| Figures in Rand | Note(s) | 2018 | 2017 |
|--|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 2 | 142,330,942 | 152,202,953 |
| Receivables from exchange transactions | 3 | 88,880,663 | 88,750,817 |
| Receivables from non-exchange transactions | 4 | 38,268,554 | 62,770,904 |
| Prepayments | 5 | 13,071,612 | 13,667,836 |
| VAT receivable | 6 | 3,310,259 | - |
| Loans and receivables | 7 | 161,391 | 170,376 |
| Cash and cash equivalents | 8 | 617,784,461 | 505,440,767 |
| | | 903,807,882 | 823,003,653 |
| Non-Current Assets | | | |
| Property, plant and equipment | 9 | 2,866,512,968 | 2,763,898,796 |
| Intangible assets | 10 | 1,355,437 | 1,433,212 |
| Heritage assets | 11 | 4,236,000 | 4,236,000 |
| Investment property | 12 | 152,151,814 | 152,088,405 |
| Loans and receivables | 7 | 681,180 | 515,302 |
| | | 3,024,937,399 | 2,922,171,715 |
| Total Assets | | 3,928,745,281 | 3,745,175,368 |
| Current Liabilities | | | |
| Loans and borrowings | 13 | 39,621,253 | 38,885,435 |
| Finance lease obligation | 14 | 4,717,554 | 4,533,126 |
| Payables from exchange transactions | 15 | 233,235,909 | 193,839,011 |
| VAT payable | 6 | - | 345,563 |
| Consumer deposits | 16 | 27,168,038 | 22,822,167 |
| Employee benefit obligation | 17 | 55,172,826 | 48,829,779 |
| Provisions | 18 | 2,388,295 | 8,880,025 |
| Unspent conditional grants and receipts | 19 | 75,143,780 | 104,809,637 |
| | | 437,447,655 | 422,944,743 |
| Non-Current Liabilities | | | |
| Loans and borrowings | 13 | 290,220,942 | 309,942,195 |
| Finance lease obligation | 14 | 3,435,551 | 7,070,369 |
| Employee benefit obligation | 17 | 145,423,283 | 139,581,720 |
| Provisions | 18 | 90,453,253 | 75,939,972 |
| Payables from exchange transactions | 15 | 2,796,362 | 5,459,261 |
| | | 532,329,391 | 537,993,517 |
| Total Liabilities | | 969,777,046 | 960,938,260 |
| Net Assets | | 2,958,968,235 | 2,784,237,108 |
| Net Assets | | | |
| Housing development fund | 20 | 62,941,145 | 63,214,982 |
| Accumulated surplus | | 2,896,027,090 | 2,721,022,126 |
| Total Net Assets | | 2,958,968,235 | 2,784,237,108 |

George Local Municipality
Annual Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

| Figures in Rand | Note(s) | 2018 | 2017 |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges - Electricity | 21 | 603,331,974 | 565,449,873 |
| Service charges - Water | 21 | 117,656,763 | 121,171,738 |
| Service charges - Sewerage and sanitation charges | 21 | 87,951,733 | 81,869,035 |
| Service charges - Refuse removal | 21 | 69,777,667 | 61,813,769 |
| Rental revenue | | 3,271,235 | 3,756,370 |
| Income from agency services | 22 | 11,257,883 | 9,442,990 |
| Licences and permits | | 2,741,849 | 2,125,807 |
| Sale of erven | | 9,041,869 | 9,380,586 |
| GIPTN Fare Revenue | 23 | 39,419,283 | 37,301,627 |
| Other income | 24 | 41,410,859 | 29,593,762 |
| Interest received - Outstanding Debtors | 25 | 4,676,862 | 4,156,105 |
| Interest received - External Investments | 25 | 50,165,612 | 37,303,968 |
| Gain on disposal of assets and liabilities | 37 | - | 292,672 |
| Total revenue from exchange transactions | | 1,040,703,589 | 963,658,302 |
| Revenue from non-exchange transactions | | | |
| Taxation revenue | | | |
| Property rates | 26 | 235,053,760 | 211,432,567 |
| Transfer revenue | | | |
| Government grants & subsidies - Operating | 27 | 402,554,545 | 310,241,313 |
| Government grants & subsidies - Capital | 27 | 202,852,847 | 149,590,523 |
| Fines, penalties and forfeits | 28 | 81,503,236 | 48,384,291 |
| Total revenue from non-exchange transactions | | 921,964,388 | 719,648,694 |
| Total revenue | | 1,962,667,977 | 1,683,306,996 |
| Expenditure | | | |
| Employee related costs | 29 | 468,427,935 | 407,026,726 |
| Remuneration of Councillors | 30 | 21,519,465 | 18,800,756 |
| Depreciation and amortisation | 31 | 165,172,834 | 155,475,216 |
| Impairment loss | 32 | 111,775,999 | 89,347,357 |
| Finance costs | 33 | 44,140,410 | 44,109,261 |
| Bulk purchases | 34 | 397,810,247 | 395,856,932 |
| Contracted services | 35 | 448,955,634 | 381,210,261 |
| Grants and subsidies paid | 36 | 73,355 | 121,750 |
| Cost of housing sold | | 7,566,330 | 8,496,419 |
| Loss on disposal of assets and liabilities | 37 | 2,762,626 | - |
| Other materials / Inventory | 38 | 31,268,648 | 33,469,934 |
| General Expenses | 39 | 88,463,370 | 84,517,989 |
| Total expenditure | | 1,787,936,853 | 1,618,432,601 |
| Surplus for the year | | 174,731,124 | 64,874,395 |



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George Local Municipality
Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets

| Figures in Rand | Housing Development Fund | Accumulated surplus | Total net assets |
|---|---|--------------------------------|-----------------------------|
| Opening balance as previously reported | 64,940,105 | 2,648,697,842 | 2,713,637,947 |
| Adjustments: | | | |
| Prior year adjustments (Refer to Note 45) | - | 5,724,766 | 5,724,766 |
| Balance at 01 July 2016 as restated | 64,940,105 | 2,654,422,608 | 2,719,362,713 |
| Changes in net assets: | | | |
| Surplus for the year | - | 64,874,395 | 64,874,395 |
| Transfer to / (from) the Housing Development Fund | (1,725,123) | 1,725,123 | - |
| Total changes | (1,725,123) | 66,599,518 | 64,874,395 |
| Balance at 01 July 2017 | 63,214,982 | 2,721,022,129 | 2,784,237,111 |
| Changes in net assets: | | | |
| Surplus for the year | - | 174,731,124 | 174,731,124 |
| Transfer to / (from) the Housing Development Fund | (273,837) | 273,837 | - |
| Total changes | (273,837) | 175,004,961 | 174,731,124 |
| Balance at 30 June 2018 | 62,941,145 | 2,896,027,090 | 2,958,968,235 |
| Note(s) | 20 | | |



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George Local Municipality
Annual Financial Statements for the year ended 30 June 2018

Cash Flow Statement

| Figures in Rand | Note(s) | 2018 | 2017 |
|---|---------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Taxation | | 244,205,691 | 221,296,320 |
| Sale of goods and services | | 889,113,034 | 847,773,214 |
| Grants | | 600,769,491 | 550,790,720 |
| Interest income | | 50,165,612 | 37,303,968 |
| Other receipts | | 57,687,725 | 43,689,265 |
| | | <u>1,841,941,553</u> | <u>1,700,853,487</u> |
| Payments | | | |
| Employee costs | | (477,762,791) | (422,508,982) |
| Suppliers | | (918,463,742) | (858,327,318) |
| Finance costs | | (43,153,884) | (42,810,558) |
| | | <u>(1,439,380,417)</u> | <u>(1,323,646,858)</u> |
| Net cash flows from operating activities | 40 | <u>402,561,136</u> | <u>377,206,629</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 9 | (267,337,144) | (211,220,724) |
| Proceeds on disposal of property, plant and equipment | 9 | 2,284,522 | 953,008 |
| Purchase of intangible assets | 10 | (638,570) | (943,072) |
| Proceeds from loans and receivables | | 54,718 | 185,902 |
| Net cash flows from investing activities | | <u>(265,636,474)</u> | <u>(211,024,886)</u> |
| Cash flows from financing activities | | | |
| Repayment of loans and borrowings | 13 | (18,985,435) | (20,566,458) |
| Repayment of finance lease liabilities | | (5,595,533) | (5,497,177) |
| Net cash flows from financing activities | | <u>(24,580,968)</u> | <u>(26,063,635)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 112,343,694 | 140,118,108 |
| Cash and cash equivalents at the beginning of the year | | 505,440,767 | 365,322,659 |
| Cash and cash equivalents at the end of the year | 8 | <u>617,784,461</u> | <u>505,440,767</u> |



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2018/19

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|----------------------|---------------------|----------------------|------------------------------------|--|--------------------------|
| Figures in Rand | | | | | | |
| Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue by source | | | | | | |
| Property rates | 231,124,108 | 2,780,000 | 233,904,108 | 235,053,760 | 1,149,652 | Difference less than 10% |
| Service charges | 874,084,116 | 6,405,000 | 880,489,116 | 878,718,137 | (1,770,979) | Difference less than 10% |
| Investment revenue | 36,475,750 | 5,402,085 | 41,877,835 | 54,842,474 | 12,964,639 | 55.1 |
| Transfers recognised - operational | 419,819,986 | 9,976,705 | 429,796,691 | 402,554,545 | (27,242,146) | Difference less than 10% |
| Other own revenue | 187,811,449 | (22,486,668) | 165,324,781 | 188,646,214 | 23,321,433 | 55.17 |
| Total Revenue (excluding capital transfers and contributions) | 1,749,315,409 | 2,077,122 | 1,751,392,531 | 1,759,815,130 | 8,422,599 | |
| Expenditure by type | | | | | | |
| Employee costs | 456,094,572 | 24,352,845 | 480,447,417 | 468,427,935 | (12,019,482) | Difference less than 10% |
| Remuneration of Councillors | 22,269,339 | - | 22,269,339 | 21,519,465 | (749,874) | Difference less than 10% |
| Debt impairment | 64,138,560 | - | 64,138,560 | 111,775,999 | 47,637,439 | 55.2 |
| Depreciation and asset impairment | 156,878,423 | (369,030) | 156,509,393 | 165,172,834 | 8,663,441 | Difference less than 10% |
| Finance charges | 38,103,660 | 6,162 | 38,109,822 | 44,140,410 | 6,030,588 | 55.3 |
| Materials and bulk purchases | 444,138,190 | 371,140 | 444,509,330 | 436,645,226 | (7,864,104) | Difference less than 10% |
| Transfers and grants | 200,000 | 1,000,000 | 1,200,000 | 73,355 | (1,126,645) | 55.4 |
| Other expenditure | 627,064,834 | (36,180,470) | 590,884,364 | 540,181,629 | (50,702,735) | Difference less than 10% |
| Total expenditure | 1,808,887,578 | (10,819,353) | 1,798,068,225 | 1,787,936,853 | (10,131,372) | |
| Surplus / (Deficit) | (59,572,169) | 12,896,475 | (46,675,694) | (28,121,723) | 18,553,971 | |
| Transfers recognised - capital | 200,913,362 | 49,735,349 | 250,648,711 | 202,852,847 | (47,795,864) | 55.5 |
| Surplus for the year | 141,341,193 | 62,631,824 | 203,973,017 | 174,731,124 | (29,241,893) | |



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George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|--------------------|------------------|--------------------|------------------------------------|--|--------------------------|
| Figures in Rand | | | | | | |
| Capital expenditure | | | | | | |
| Assets | | | | | | |
| Capital expenditure by vote | | | | | | |
| Executive and Council | 11,258,500 | (129,200) | 11,129,300 | 629,614 | (10,499,686) | 55.16 |
| Finance and administration | 7,635,400 | (1,242,750) | 6,392,650 | 5,173,501 | (1,219,149) | 55.6 |
| Community and social services | 4,352,400 | 1,064,575 | 5,416,975 | 3,451,700 | (1,965,275) | 55.7 |
| Sport and recreation | 6,788,000 | 2,669,300 | 9,457,300 | 8,846,738 | (610,562) | Difference less than 10% |
| Public safety | 1,340,000 | 1,046,690 | 2,386,690 | 1,608,361 | (778,329) | 55.8 |
| Housing | 260,000 | 1,286,423 | 1,546,423 | 1,503,650 | (42,773) | Difference less than 10% |
| Planning and development | 611,500 | (239,915) | 371,585 | 330,243 | (41,342) | 55.9 |
| Road transport | 115,043,662 | 37,192,381 | 152,236,043 | 128,694,914 | (23,541,129) | 55.10 |
| Electricity | 72,299,630 | (28,294,000) | 44,005,630 | 31,873,286 | (12,132,344) | 55.11 |
| Water | 47,863,680 | (6,384,000) | 41,479,680 | 29,167,856 | (12,311,824) | 55.12 |
| Waste water management | 61,663,100 | 1,119,900 | 62,783,000 | 49,123,741 | (13,659,259) | 55.13 |
| Waste management | 11,650,000 | 1,664,000 | 13,314,000 | 8,642,385 | (4,671,615) | 55.14 |
| Other | 166,000 | - | 166,000 | 85,376 | (80,624) | 55.15 |
| | 340,931,872 | 9,753,404 | 350,685,276 | 269,131,365 | (81,553,911) | |
| Sources of Capital Funds | | | | | | |
| Transfers recognised - capital | 230,314,992 | 7,908,785 | 238,223,777 | 196,287,730 | (41,936,047) | |
| Borrowings | 19,900,000 | 3,218,700 | 23,118,700 | 19,525,259 | (3,593,441) | |
| Internally generated funds | 90,716,880 | (1,374,081) | 89,342,799 | 53,318,376 | (36,024,423) | |
| | 340,931,872 | 9,753,404 | 350,685,276 | 269,131,365 | (81,553,911) | |
| Capitalisation consist of the following: | | | | | | |
| Property, plant and equipment additions | | | | 268,497,795 | | 9 |
| Intangible assets | | | | 638,570 | | 10 |
| | | | | 269,136,365 | | |



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George Local Municipality
Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--------------------------|--|---|----------------------|----------------------|--------------------------|---------------------|-------------------------------------|--|
| Categories of financial instruments carried at amortised cost | | | | | | | | | | | |
| Financial Performance | | | | | | | | | | | |
| Property rates | 231,124,108 | 2,780,000 | 233,904,108 | - | | 233,904,108 | 235,053,760 | | 1,149,652 | 100 % | 102 % |
| Service charges | 874,084,116 | 6,405,000 | 880,489,116 | - | | 880,489,116 | 878,718,137 | | (1,770,979) | 100 % | 101 % |
| Investment revenue | 36,475,750 | 5,402,085 | 41,877,835 | - | | 41,877,835 | 54,842,474 | | 12,964,639 | 131 % | 150 % |
| Transfers recognised - operational | 419,819,986 | 9,976,705 | 429,796,691 | - | | 429,796,691 | 402,554,545 | | (27,242,146) | 94 % | 96 % |
| Other own revenue | 187,811,449 | (22,486,668) | 165,324,781 | - | | 165,324,781 | 188,646,214 | | 23,321,433 | 114 % | 100 % |
| Total revenue (excluding capital transfers and contributions) | 1,749,315,409 | 2,077,122 | 1,751,392,531 | - | | 1,751,392,531 | 1,759,815,130 | | 8,422,599 | 100 % | 101 % |
| Employee costs | 456,094,572 | 15,751,088 | 471,845,660 | - | 8,601,757 | 480,447,417 | 468,427,935 | - | (12,019,482) | 97 % | 103 % |
| Remuneration of Councillors | 22,269,339 | - | 22,269,339 | - | - | 22,269,339 | 21,519,465 | - | (749,874) | 97 % | 97 % |
| Debt impairment | 64,138,560 | - | 64,138,560 | | | 64,138,560 | 111,775,999 | 47,637,439 | 47,637,439 | 174 % | 174 % |
| Depreciation and asset impairment | 156,878,423 | (369,030) | 156,509,393 | | | 156,509,393 | 165,172,834 | 8,663,441 | 8,663,441 | 106 % | 105 % |
| Finance charges | 38,103,660 | 6,162 | 38,109,822 | - | - | 38,109,822 | 44,140,410 | 6,030,588 | 6,030,588 | 116 % | 116 % |
| Materials and bulk purchases | 444,138,109 | 1,004,640 | 445,142,749 | - | (633,500) | 444,509,249 | 436,645,226 | - | (7,864,023) | 98 % | 98 % |
| Transfers and grants | 200,000 | 1,000,000 | 1,200,000 | - | - | 1,200,000 | 73,355 | - | (1,126,645) | 6 % | 37 % |
| Other expenditure | 627,064,834 | (28,212,213) | 598,852,621 | - | (7,968,257) | 590,884,364 | 540,181,629 | - | (50,702,735) | 91 % | 86 % |
| Total expenditure | 1,808,887,497 | (10,819,353) | 1,798,068,144 | - | - | 1,798,068,144 | 1,787,936,853 | 62,331,468 | (10,131,291) | 99 % | 99 % |
| Surplus/(Deficit) | (59,572,088) | 12,896,475 | (46,675,613) | - | | (46,675,613) | (28,121,723) | | 18,553,890 | 60 % | 47 % |

George Local Municipality
Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|--------------------|---|--------------------------|--|---|--------------------|--------------------|--------------------------|---------------------|-------------------------------------|--|
| Transfers recognised - capital | 200,913,362 | 49,735,349 | 250,648,711 | - | | 250,648,711 | 202,852,847 | | (47,795,864) | 81 % | 101 % |
| Surplus/(Deficit) for the year | 141,341,274 | 62,631,824 | 203,973,098 | - | | 203,973,098 | 174,731,124 | | (29,241,974) | 86 % | 124 % |
| Capital expenditure and funds sources | | | | | | | | | | | |
| Total capital expenditure | 340,931,872 | 9,753,404 | 350,685,276 | - | | 350,685,276 | 269,131,364 | | (81,553,912) | 77 % | 79 % |
| Sources of capital funds | | | | | | | | | | | |
| Transfers recognised - capital | 230,314,992 | 7,908,785 | 238,223,777 | - | | 238,223,777 | 196,287,730 | | (41,936,047) | 82 % | 85 % |
| Borrowing | 19,900,000 | 3,218,700 | 23,118,700 | - | | 23,118,700 | 19,525,259 | | (3,593,441) | 84 % | 98 % |
| Internally generated funds | 90,716,880 | (1,374,081) | 89,342,799 | - | | 89,342,799 | 53,318,375 | | (36,024,424) | 60 % | 59 % |
| Total sources of capital funds | 340,931,872 | 9,753,404 | 350,685,276 | - | | 350,685,276 | 269,131,364 | | (81,553,912) | 77 % | 79 % |



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George Local Municipality
Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|--------------------|---|--------------------------|--|---|--------------------|--------------------|--------------------------|---------------------|-------------------------------------|--|
| Cash flows | | | | | | | | | | | |
| Net cash from (used) operating | 345,186,709 | - | 345,186,709 | - | | 345,186,709 | 402,561,136 | | 57,374,427 | 117 % | 117 % |
| Net cash from (used) investing | (295,339,736) | (16,488,400) | (311,828,136) | - | | (311,828,136) | (265,636,474) | | 46,191,662 | 85 % | 90 % |
| Net cash from (used) financing | (19,771,742) | - | (19,771,742) | - | | (19,771,742) | (24,580,968) | | (4,809,226) | 124 % | 124 % |
| Net increase/(decrease) in cash and cash equivalents | 30,075,231 | (16,488,400) | 13,586,831 | - | | 13,586,831 | 112,343,694 | | 98,756,863 | 827 % | 374 % |
| Cash and cash equivalents at the beginning of the year | 505,440,767 | - | 505,440,767 | - | | 505,440,767 | 505,440,767 | | - | 100 % | 100 % |
| Cash and cash equivalents at year end | 535,515,998 | (16,488,400) | 519,027,598 | - | | 519,027,598 | 617,784,461 | | (98,756,863) | 119 % | 115 % |



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Annual Financial Statements for the year ended 30 June 2018

Appropriation Statement

Figures in Rand

| | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated audited outcome |
|--|---|---|----------------------------|--------------------------------|
| 2017 | | | | |
| Financial Performance | | | | |
| Property rates | | | | 211,432,567 |
| Service charges | | | | 830,304,415 |
| Investment revenue | | | | 41,460,073 |
| Transfers recognised - operational | | | | 310,241,313 |
| Other own revenue | | | | 119,514,410 |
| Total revenue (excluding capital transfers and contributions) | | | | 1,512,952,778 |
| Employee costs | - | - | - | (407,026,726) |
| Remuneration of councillors | - | - | - | (18,800,756) |
| Debt impairment | 25,529,614 | 25,529,614 | - | (89,347,357) |
| Depreciation and asset impairment | - | - | - | (155,475,216) |
| Finance charges | 4,788,936 | 4,788,936 | - | (44,109,261) |
| Bulk purchases | - | - | - | (395,856,932) |
| Other materials | 5,801,824 | 5,801,824 | - | (41,966,353) |
| Transfers and grants | - | - | - | (121,750) |
| Other expenditure | 97,823 | 97,823 | - | (465,728,250) |
| Total expenditure | 36,218,197 | 36,218,197 | - | (1,618,432,601) |
| Surplus/(Deficit) | | | | (105,479,823) |
| Transfers recognised - capital | | | | 149,590,522 |
| Contributions recognised - capital and contributed assets | | | | 20,763,696 |
| Surplus (Deficit) after capital transfers and contributions | | | | 64,874,395 |
| Surplus/(Deficit) for the year | | | | 64,874,395 |
| Capital expenditure and funds sources | | | | |
| Total capital expenditure | | | | 213,537,393 |
| Sources of capital funds | | | | |
| Transfers recognised - capital | | | | 145,307,498 |
| Public contributions and donations | | | | 504,253 |
| Borrowing | | | | 18,492,539 |
| Internally generated funds | | | | 49,233,103 |
| Total sources of capital funds | | | | 213,537,393 |
| Cash flows | | | | |
| Net cash from (used) operating | | | | 377,206,629 |
| Net cash from (used) investing | | | | (211,024,886) |
| Net cash from (used) financing | | | | (26,063,635) |
| Net increase/(decrease) in cash and cash equivalents | | | | 140,118,108 |
| Cash and cash equivalents at the beginning of the year | | | | 365,322,659 |
| Cash and cash equivalents at year end | | | | 505,440,767 |

Accounting Policies

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

The accounting policies for the municipality are:

1. Presentation of Annual Financial Statements

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

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

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

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

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

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

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

| Standard | Description | Effective Date (Year starting on) |
|-----------------|--------------------------|---|
| GRAP 20 | Related Party Disclosure | 1 April 2019 |

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

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

Accounting Policies

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

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

1.4 Significant judgements and sources of estimation uncertainty

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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

Significant judgements include:

Property, plant and equipment

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

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.



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Accounting Policies

1.5 Property, plant and equipment

Recognition and measurement

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

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

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

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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:

| Item | Average useful life in years |
|---------------------------|------------------------------|
| Infrastructure | |
| • Electricity | 20 - 30 |
| • Roads and paving | 10 - 30 |
| • Water | 15 - 20 |
| • Gas | 20 |
| • Sewerage | 3 - 30 |
| • Security measures | 3 - 15 |
| Community | |
| • Buildings | 3 - 30 |
| • Recreational facilities | 20 |
| Other | |
| • Office equipment | 5 - 10 |
| • Furniture and fittings | 7 - 10 |
| • Bins and containers | 5 - 10 |
| • Emergency equipment | 5 - 15 |
| • Motor vehicles | 5 - 20 |
| • Watercraft | 15 |
| • Plant and equipment | 5 - 15 |
| Other - GIPTN buses | |
| • Buses | 6 - 12 |
| Land and buildings | |
| • Buildings | 30 |
| • Land | Indefinite |

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

1.6 Investment property

Initial Recognition

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

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

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

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

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

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

Subsequent Measurement

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

Depreciation

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

| Investment Property | Years |
|---------------------|------------|
| Buildings | 30 |
| Land | Indefinite |

Accounting Policies

1.6 Investment property (continued)

Derecognition

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

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

1.7 Heritage assets

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

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

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

Recognition

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

Initial measurement

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

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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

Accounting Policies

1.8 Intangible assets

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

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

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

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

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, 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. (2017: 5 to 10 years). Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised. The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

Derecognition

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

Accounting Policies

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset in one 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, 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:

Class

Trade receivables from exchange transactions
Trade and other receivables from non-exchange transactions
Loans and receivables
Cash and cash equivalents

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost

Financial asset measured at amortised cost
Financial asset measured at amortised cost

Accounting Policies

1.9 Financial instruments (continued)

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

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

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

Gains and losses

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

Impairment and uncollectibility of financial assets

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

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

Accounting Policies

1.10 Cash and cash equivalents

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

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

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

1.11 Leases

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

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

The Municipality as Lessor

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

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

The Municipality as Lessee

Under a finance lease, property, plant and equipment or intangible assets, except intangible assets such as licensing agreements, subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liabilities are initially recognised at the inception of the lease and are measured at the lower of the asset's fair value or the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

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



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Accounting Policies

1.12 Inventories

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.13 Impairment of cash-generating assets

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

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

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

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

Identification

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

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

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

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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



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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.

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.



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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

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.



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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

1.15 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

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

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

Other post retirement obligations

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

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

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

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

1.16 Provisions, contingent liabilities and contingent assets

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

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

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

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

Accounting Policies

1.16 Provisions, contingent liabilities and contingent assets (continued)

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

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

Management judgement is required when recognising and measuring contingent liabilities.

1.17 Unspent conditional government grants and receipts

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

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

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

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

1.18 Conditional government grants and subsidies receivables

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

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

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

1.19 Grant-in-aid

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

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

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

Accounting Policies

1.20 Revenue

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

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

Revenue from Exchange Transactions

Service Charges

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

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

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

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

Pre-paid electricity

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

Interest earned and rentals received

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

Tariff Charges

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



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Accounting Policies

1.20 Revenue (continued)

Agency commission

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

Housing rental and instalments

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

Sale of goods

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

GIPTN Fare Revenue

Bus tickets are sold as single journey tickets or multi journey tickets. Single journey tickets buy the ticket holder a one hour passage on any of the buses from the time the ticket is cancelled by the bus driver. 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.



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Accounting Policies

1.20 Revenue (continued)

Conditional grants and receipts

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

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

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

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

1.21 Borrowing costs

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

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

1.22 Value Added Tax

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

The municipality accounts for Value Added Tax on the payment basis. The municipality is liable to account for Value Added Tax at the standard rate (14% up to 31 March 2018 and 15% from 1 April 2018) in terms of section 7(1) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 or are out of scope for VAT purposes. The timing of payments to or from the South African Revenue Service is the last day of each of the twelve months of the financial year.

1.23 Housing Development Fund

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



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Accounting Policies

1.24 Municipal Land Transport Fund

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

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

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

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



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Accounting Policies

1.28 Budget information

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

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

The approved budget is prepared on an accrual basis. The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

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

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

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

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.



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Notes to the Annual Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|--------------------|--------------------|
| 2. Inventories | | |
| Consumable stores - at cost | 5,825,317 | 8,269,275 |
| Maintenance materials, chemicals and water reserve - at cost | 7,045,176 | 9,168,494 |
| Purified water | 381,735 | 367,569 |
| Property Developments - at cost | 141,633 | 141,633 |
| Unsold Properties Held for Resale - at net realisable value | 128,937,081 | 134,255,981 |
| | 142,330,942 | 152,202,953 |

The cost of inventories recognised as an expense in the Statement of Financial Performance for stock issues were R19,630,111 (2017: R18,604,357) and RNil (2017: RNil) in respect of inventory written down to net realisable value.

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

3. Trade receivables from exchange transactions

| | | |
|----------------------------|-------------------|-------------------|
| Service debtors | 84,030,719 | 83,958,994 |
| Other exchange receivables | 4,849,944 | 4,791,823 |
| Prepaid electricity | 3,948,348 | 4,352,449 |
| Rental debtors | 582,006 | 232,994 |
| GIPTN fare revenue | 319,590 | 206,380 |
| | 88,880,663 | 88,750,817 |

Gross balances

| | | |
|--------------------------|--------------------|--------------------|
| Electricity | 66,461,649 | 51,968,855 |
| Water | 88,028,362 | 86,577,980 |
| Sewerage | 27,214,558 | 29,549,207 |
| Refuse | 22,019,207 | 23,362,920 |
| Housing loan instalments | 532,119 | 534,980 |
| Housing rental | 125,702 | 413,278 |
| Other consumer debtors | 9,842,857 | 8,378,378 |
| | 214,224,454 | 200,785,598 |

Less: Allowance for impairment

| | | |
|--------------------------|--------------------|--------------------|
| Electricity | 7,841,490 | 4,898,562 |
| Water | 78,501,700 | 72,276,943 |
| Sewerage | 19,451,156 | 21,057,171 |
| Refuse | 15,235,911 | 16,659,163 |
| Housing loan instalments | 464,208 | 492,393 |
| Housing rental | 81,012 | 356,895 |
| Other consumer debtors | 8,618,258 | 1,085,477 |
| | 130,193,735 | 116,826,604 |



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Notes to the Annual Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|-------------------|-------------------|
| 3. Trade receivables from exchange transactions (continued) | | |
| Net balance | | |
| Electricity | 58,620,159 | 47,070,293 |
| Water | 9,526,662 | 14,301,037 |
| Sewerage | 7,763,402 | 8,492,036 |
| Refuse | 6,783,296 | 6,703,757 |
| Housing loan instalments | 67,911 | 42,587 |
| Housing rental | 44,690 | 56,383 |
| Other consumer debtors | 1,224,599 | 7,292,901 |
| | 84,030,719 | 83,958,994 |
| The ageing of trade receivables from exchange transactions consist of the following: | | |
| Electricity | | |
| Current (0 -30 days) | 54,456,897 | 36,653,761 |
| 31 - 60 days | 2,782,782 | 3,049,875 |
| 61 - 90 days | 811,367 | 1,743,191 |
| 91 - 120 days | 564,310 | 936,098 |
| 121 - 365 days | 7,846,293 | 9,585,930 |
| Less: Allowance for impairment | (7,841,490) | (4,898,562) |
| | 58,620,159 | 47,070,293 |
| Water | | |
| Current (0 -30 days) | 15,284,256 | 17,486,566 |
| 31 - 60 days | 2,365,063 | 3,345,392 |
| 61 - 90 days | 1,757,145 | 2,623,319 |
| 91 - 120 days | 2,083,927 | 2,464,855 |
| 121 - 365 days | 66,537,971 | 60,657,848 |
| Less: Allowance for impairment | (78,501,700) | (72,276,943) |
| | 9,526,662 | 14,301,037 |
| Sewerage | | |
| Current (0 -30 days) | 8,691,957 | 7,509,485 |
| 31 - 60 days | 1,599,180 | 1,632,869 |
| 61 - 90 days | 968,133 | 1,053,862 |
| 91 - 120 days | 739,859 | 838,242 |
| 121 - 365 days | 15,215,429 | 18,514,749 |
| Less: Allowance for impairment | (19,451,156) | (21,057,171) |
| | 7,763,402 | 8,492,036 |
| Refuse | | |
| Current (0 -30 days) | 7,497,938 | 6,371,917 |
| 31 - 60 days | 1,394,624 | 1,360,631 |
| 61 - 90 days | 882,848 | 926,986 |
| 91 - 120 days | 671,517 | 706,026 |
| 121 - 365 days | 11,572,280 | 13,997,360 |
| Less: Allowance for impairment | (15,235,911) | (16,659,163) |
| | 6,783,296 | 6,703,757 |

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Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| Figures in Rand | 2018 | 2017 |
|--|-------------------|-------------------|
| 3. Trade receivables from exchange transactions (continued) | | |
| Housing loans instalments | | |
| Current (0 -30 days) | 31,854 | 49,111 |
| 31 - 60 days | 7,470 | 10,921 |
| 61 - 90 days | 6,465 | 8,983 |
| 91 - 120 days | 5,781 | 9,219 |
| 121 - 365 days | 480,549 | 456,746 |
| Less: Allowance for impairment | (464,208) | (492,393) |
| | 67,911 | 42,587 |
| Housing rental | | |
| Current (0 -30 days) | 41,945 | 44,659 |
| 31 - 60 days | 15,754 | 13,309 |
| 61 - 90 days | 11,278 | 9,710 |
| 91 - 120 days | 10,369 | 7,132 |
| 121 - 365 days | 46,356 | 338,468 |
| Less: Allowance for impairment | (81,012) | (356,895) |
| | 44,690 | 56,383 |
| Other consumer debtors | | |
| Current (0 -30 days) | 1,106,093 | 782,473 |
| 31 - 60 days | 689,269 | 25,827 |
| 61 - 90 days | 330,608 | 293,790 |
| 91 - 120 days | 251,273 | 227,534 |
| 121 - 365 days | 7,465,614 | 7,048,754 |
| Less: Allowance for impairment | (8,618,258) | (1,085,477) |
| | 1,224,599 | 7,292,901 |
| Summary of debtors by customer classification | | |
| Residential | | |
| Current (0 -30 days) | 35,252,281 | 34,288,247 |
| 31 - 60 days | 6,995,454 | 7,101,622 |
| 61 - 90 days | 3,968,960 | 5,683,630 |
| 91 - 120 days | 3,693,845 | 4,230,014 |
| 121 - 365 days | 101,064,350 | 101,877,003 |
| Less: Allowance for impairment | (122,347,439) | (110,945,740) |
| | 28,627,451 | 42,234,776 |
| Industrial/ commercial | | |
| Current (0 -30 days) | 48,543,474 | 31,325,482 |
| 31 - 60 days | 1,296,852 | 1,186,544 |
| 61 - 90 days | 427,515 | 472,298 |
| 91 - 120 days | 275,901 | 619,177 |
| 121 - 365 days | 7,251,830 | 8,499,118 |
| Less: Allowance for impairment | (7,846,296) | (5,880,865) |
| | 49,949,276 | 36,221,754 |



George Local Municipality
Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| Figures in Rand | 2018 | 2017 | | |
|--|---|-------------------------------------|---|---------------------------------------|
| 3. Trade receivables from exchange transactions (continued) | | | | |
| National and provincial government | | | | |
| Current (0 -30 days) | 3,315,187 | 3,284,239 | | |
| 31 - 60 days | 561,837 | 1,150,659 | | |
| 61 - 90 days | 371,368 | 503,913 | | |
| 91 - 120 days | 357,289 | 339,914 | | |
| 121 - 365 days | 848,311 | 223,738 | | |
| | 5,453,992 | 5,502,463 | | |
| Total | | | | |
| Current (0 -30 days) | 87,110,942 | 68,897,969 | | |
| 31 - 60 days | 8,854,143 | 9,438,825 | | |
| 61 - 90 days | 4,767,843 | 6,659,841 | | |
| 91 - 120 days | 4,327,035 | 5,189,105 | | |
| 121 - 365 days | 109,164,491 | 110,599,859 | | |
| | 214,224,454 | 200,785,599 | | |
| Less: Allowance for impairment | (130,193,735) | (116,826,605) | | |
| | 84,030,719 | 83,958,994 | | |
| Reconciliation of allowance for impairment for receivables from exchange transactions | | | | |
| 2018 | Balance at the beginning of the year | Impairment losses recognised | Amounts written off as uncollectible | Balance at the end of the year |
| Electricity | 4,898,562 | 3,096,820 | (153,892) | 7,841,490 |
| Water | 72,276,943 | 21,364,592 | (15,139,835) | 78,501,700 |
| Sewerage | 21,057,171 | 6,523,987 | (8,130,002) | 19,451,156 |
| Refuse | 16,659,163 | 5,623,265 | (7,046,517) | 15,235,911 |
| Housing loan instalments | 492,394 | (28,186) | - | 464,208 |
| Housing rentals | 356,895 | (275,883) | - | 81,012 |
| Other consumer debtors | 1,085,477 | 7,586,805 | (54,024) | 8,618,258 |
| | 116,826,605 | 43,891,400 | (30,524,270) | 130,193,735 |
| 2017 | Balance at the beginning of the year | Impairment losses recognised | Amounts written off as uncollectible | Balance at the end of the year |
| Electricity | 5,876,019 | (939,070) | (38,387) | 4,898,562 |
| Water | 50,772,525 | 30,188,275 | (8,683,856) | 72,276,944 |
| 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 | 113,684 | - | 492,393 |
| Housing rentals | 383,666 | (26,771) | - | 356,895 |
| Other consumer debtors | 1,088,060 | 24,118 | (26,701) | 1,085,477 |
| | 87,903,801 | 46,715,562 | (17,792,758) | 116,826,605 |
| Total debtors past due but not impaired | | 2018 | 2017 | |
| 31 - 60 days | | 5,713,532 | 2,221,213 | |
| 61 - 90 days | | 2,113,685 | 2,068,231 | |
| 91 - 120 days | | 1,675,502 | 1,182,224 | |
| 121 - 365 days | | 7,997,057 | 12,808,900 | |
| | | 17,499,776 | 18,280,568 | |

Notes to the Annual Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|-------------------|-------------------|
| 3. Trade receivables from exchange transactions (continued) | | |
| Credit quality of consumer debtors | | |
| Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary. | | |
| Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables. | | |
| 4. Receivables from non-exchange transactions | | |
| Taxation receivables | | |
| Net Rates | 18,278,162 | 20,586,069 |
| Gross rates | 33,259,057 | 32,154,333 |
| Allowance for impairment on rates | (14,980,895) | (11,568,264) |
| Transfer receivables | | |
| Net Fines | 11,200,392 | 9,135,978 |
| Fines | 114,369,809 | 85,588,735 |
| Allowance for impairment on fines | (103,169,417) | (76,452,757) |
| Conditional government grants and subsidies receivable (Refer note 19) | 4,196,365 | 29,224,324 |
| Other receivables | | |
| Sundry receivables | 4,593,635 | 3,824,533 |
| Allowance for impairment on sundry receivables | 4,685,783 | 3,488,846 |
| | (792,583) | (802,713) |
| Non-cash portion of Housing Development Fund | 588,291 | 1,012,475 |
| Operating lease receivables | 112,144 | 125,925 |
| | 38,268,554 | 62,770,904 |
| The ageing of trade receivables from non-exchange transactions | | |
| Rates | | |
| Current (0 -30 days) | 15,145,343 | 13,582,238 |
| 31 - 60 days | 2,714,141 | 2,295,219 |
| 61 - 90 days | 1,363,984 | 1,248,023 |
| 91 - 120 days | 920,608 | 805,210 |
| 121 - 365 days | 13,114,981 | 14,223,643 |
| Less: Allowance for impairment | (14,980,895) | (11,568,264) |
| | 18,278,162 | 20,586,069 |



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|--|-------------------|-------------------|
| 4. Receivables from non-exchange transactions (continued) | | |
| Summary of Rates by customer classification | | |
| Residential consumers | | |
| Current (0 -30 days) | 12,802,387 | 11,432,975 |
| 31 - 60 days | 2,272,672 | 2,078,253 |
| 61 - 90 days | 1,250,176 | 1,140,370 |
| 91 - 120 days | 843,605 | 756,911 |
| 121 - 365 days | 11,352,907 | 12,532,453 |
| Less: Allowance for impairment | (13,314,417) | (10,556,254) |
| | 15,207,330 | 17,384,708 |
| Industrial / commercial | | |
| Current (0 -30 days) | 2,166,537 | 1,961,880 |
| 31 - 60 days | 385,515 | 216,263 |
| 61 - 90 days | 106,077 | 107,638 |
| 91 - 120 days | 69,208 | 48,300 |
| 121 - 365 days | 1,628,092 | 1,524,557 |
| Less: Allowance for impairment | (1,666,477) | (1,012,010) |
| | 2,688,952 | 2,846,628 |
| National and provincial government and other | | |
| Current (0 -30 days) | 176,420 | 187,384 |
| 31 - 60 days | 55,954 | 703 |
| 61 - 90 days | 7,731 | 20 |
| 91 - 120 days | 7,794 | - |
| 121 - 365 days | 133,981 | 166,626 |
| Less: Allowance for impairment | - | - |
| | 381,880 | 354,733 |
| Total of rates by customer classification | 18,278,162 | 20,586,069 |
| Fines | | |
| The ageing of fines is as follows: | | |
| Current (0 - 30 days) | 5,278,650 | 3,813,250 |
| 31 - 60 days | 6,310,350 | 3,533,450 |
| 61 - 90 days | 6,307,820 | 2,202,500 |
| 91 - 120 days | 5,859,354 | 1,545,350 |
| 121 - 365 days | 90,613,635 | 74,494,185 |
| | 114,369,809 | 85,588,735 |
| Less: Allowance for impairment | (103,169,417) | (76,452,757) |
| | 11,200,392 | 9,135,978 |



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4. Receivables from non-exchange transactions (continued)

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

| 2018 | 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) | 11,568,264 | 7,016,969 | (3,604,338) | 14,980,895 |
| Transfer receivables (Fines) | 76,452,758 | 65,577,830 | (38,861,171) | 103,169,417 |
| Other receivables | 802,713 | - | (10,130) | 792,583 |
| | 88,823,735 | 72,594,799 | (42,475,639) | 118,942,895 |
| 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) | 78,938,580 | 42,600,278 | (45,086,101) | 76,452,757 |
| Other receivables | 802,713 | - | - | 802,713 |
| | 88,536,337 | 46,558,500 | (46,271,103) | 88,823,734 |

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.



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| 4. Receivables from non-exchange transactions (continued) | | |
| Operating lease asset | | |
| Opening balance | 125,925 | 94,124 |
| Straight lining adjustment in the Statement of Financial Performance | (13,781) | 31,801 |
| | 112,144 | 125,925 |
| Operating leases - as lessor (income) | | |
| Minimum lease payments receivable | | |
| - within one year | 614,631 | 524,200 |
| - in second to fifth year inclusive | 2,086,511 | 1,489,674 |
| - later than five years | 331,677 | 55,768 |
| | 3,032,819 | 2,069,642 |

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 | 4,504,678 | 3,923,844 |
| Stadler & Swart Attorneys | - | 1,700,000 |
| Mercedes-Benz South Africa Ltd for maintenance of buses | 8,566,934 | 8,043,992 |
| | 13,071,612 | 13,667,836 |

SALGA

SALGA membership fees for the 2018/2019 financial year were paid in May 2018 and the municipality received a 5% discount for early settlement.

Stadler & Swart Attorneys

The municipality procured Portion 4 of the Farm 197, Thembaletu during a previous financial year. The property was registered in the name of the municipality during the year and forms part of property, plant and equipment.

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 2018/2019 year and this portion is treated as a prepayment.



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| 6. VAT receivable / (payable) | | |
| VAT receivable from SARS | 3,488,728 | 2,126,641 |
| VAT input provision | 9,910,471 | 7,882,325 |
| VAT output provision | (10,088,940) | (10,354,529) |
| | 3,310,259 | (345,563) |

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 2018 | Gross balance | Impairment allowance | Net balance | Transferred to current assets | Non-current |
|------------------------------|----------------------|-----------------------------|--------------------|--------------------------------------|--------------------|
| Housing scheme loans | 535,156 | (39,326) | 495,831 | (80,574) | 415,257 |
| Sale of erven loans | 96,402 | - | 96,402 | (5,715) | 90,687 |
| Loans to other organisations | - | - | - | - | - |
| Actaris meter debt | 250,338 | - | 250,338 | (75,102) | 175,236 |
| | 881,896 | (39,326) | 842,571 | (161,391) | 681,180 |
| 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 |
| | 1,020,365 | (334,687) | 685,678 | (170,376) | 515,302 |

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



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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

| 2018 | Balance at beginning of year | Impairment losses reversed | Amounts written off as uncollectible | Balance at end of the year |
|----------------------|--|----------------------------------|--|----------------------------------|
| Housing scheme loans | 334,687 | (295,360) | - | 39,327 |
| 2017 | Balance at beginning of the year | Impairment losses | Amounts written off as uncollectible | Balance at end of the year |
| Housing scheme loans | 468,377 | 260,003 | (393,693) | 334,687 |

Impairment losses and amounts written off as uncollectible in the previous year was restated. Refer to note 45 for more detail.



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| 8. Cash and cash equivalents | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | 22,900 | 23,050 |
| Bank balances | 167,761,561 | 405,417,717 |
| Short-term deposits | 450,000,000 | 100,000,000 |
| | 617,784,461 | 505,440,767 |

Cash and cash equivalents pledged as collateral

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

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

The municipality had the following bank accounts:

| | Cash book balances | |
|---|---------------------------|---------------------|
| | 30 June 2018 | 30 June 2017 |
| ABSA BANK - Cheque Account - 102 222 0981 | 167,761,561 | 405,417,717 |
| Nedbank Fixed Deposit | 200,000,000 | 100,000,000 |
| Standard Bank Fixed Deposit | 250,000,000 | - |
| Cash on hand | 22,900 | 23,050 |
| Total | 617,784,461 | 505,440,767 |

The bank balances at year end were:

| | Bank balances | |
|--|----------------------|---------------------|
| | 30 June 2018 | 30 June 2017 |
| ABSA BANK - Cheque Account - 102 222 0981 | 213,605,128 | 403,166,928 |
| ABSA - George Charitable Relief Fund -914 955 4208 | 1,000 | 1,000 |
| Nedbank Fixed Deposit | 200,000,000 | 100,000,000 |
| Standard Bank Fixed Deposit | 250,000,000 | - |
| | 663,606,128 | 503,167,928 |

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 | 663,606,128 | 503,167,928 |
|------|-------------|-------------|

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9. Property, plant and equipment

| | 2018 | | | 2017 | | |
|---------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 921,528,421 | - | 921,528,421 | 923,505,583 | - | 923,505,583 |
| Infrastructure | 2,533,933,318 | (1,045,669,958) | 1,488,263,360 | 2,319,596,560 | (922,170,912) | 1,397,425,648 |
| Community | 205,324,821 | (80,756,090) | 124,568,731 | 177,487,505 | (59,736,854) | 117,750,651 |
| Other | 215,305,938 | (100,208,595) | 115,097,343 | 174,717,811 | (87,147,917) | 87,569,894 |
| Other - Buildings | 97,082,196 | (40,203,808) | 56,878,388 | 112,675,644 | (49,778,939) | 62,896,705 |
| Other - GIPTN Buses | 206,260,523 | (46,083,798) | 160,176,725 | 206,260,523 | (31,510,208) | 174,750,315 |
| Total | 4,179,435,217 | (1,312,922,249) | 2,866,512,968 | 3,914,243,626 | (1,150,344,830) | 2,763,898,796 |

Reconciliation of property, plant and equipment - 2018

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Impairment reversal | Total |
|---------------------|----------------------|--------------------|--------------------|-------------|----------------------|---------------------|----------------------|
| Land | 923,505,583 | 2,863,966 | (4,841,128) | - | - | - | 921,528,421 |
| Infrastructure | 1,397,425,648 | 214,336,758 | - | - | (125,120,905) | 1,621,859 | 1,488,263,360 |
| Community | 117,750,651 | 9,282,774 | - | 6,386,208 | (8,850,902) | - | 124,568,731 |
| Other | 87,569,894 | 40,748,200 | (67,429) | - | (13,153,322) | - | 115,097,343 |
| Other - Buildings | 62,896,705 | 2,961,095 | - | (6,386,208) | (2,593,204) | - | 56,878,388 |
| Other - GIPTN Buses | 174,750,315 | - | - | - | (14,573,590) | - | 160,176,725 |
| | 2,763,898,796 | 270,192,793 | (4,908,557) | - | (164,291,923) | 1,621,859 | 2,866,512,968 |

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Impairment loss | Total |
|---------------------|----------------------------|--------------------|------------------|------------------|----------------------|----------------------------|----------------------|
| Land | 923,728,683 | - | (223,100) | - | - | - | 923,505,583 |
| Infrastructure | 1,339,426,313 | 164,903,894 | (12,142) | 13,185,535 | (117,956,424) | (2,121,528) | 1,397,425,648 |
| Community | 120,690,576 | 7,140,250 | - | (3,369,707) | (6,710,468) | - | 117,750,651 |
| Other | 81,517,924 | 27,272,807 | (379,271) | (9,815,828) | (11,025,738) | - | 87,569,894 |
| Other - Buildings | 54,178,342 | 13,277,370 | - | - | (4,559,007) | - | 62,896,705 |
| Other - GIPTN Buses | 189,324,051 | - | - | - | (14,573,736) | - | 174,750,315 |
| | 2,708,865,889 | 212,594,321 | (614,513) | - | (154,825,373) | (2,121,528) | 2,763,898,796 |

A detailed breakdown of property, plant and equipment by asset class can be found in the appendix to the financial statements. Refer to page 122.

The municipality received public donated assets of RNil (2017: R504,253) which forms part of the asset additions for the year. Refer to note 51.

Pledged as security

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

Assets subject to finance lease (Net carrying amount)

| | 2018 | 2017 |
|----------|-------------|-------------|
| Vehicles | 16,654,171 | 17,078,705 |

Refer to note 14 for details of finance leases.



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| 9. Property, plant and equipment (continued) | | |
| Property, plant and equipment in the process of being constructed or developed | | |
| Land | 32,900 | - |
| Infrastructure | 338,985,478 | 176,713,864 |
| Community | 12,352,433 | 7,261,567 |
| Other | 11,076,180 | 2,268,307 |
| Other - buildings | 7,373,120 | 11,448,050 |
| | 369,820,111 | 197,691,788 |

Details of work in progress per asset class can be found in the appendix to the financial statements on page 122.

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 | |
| Tender related delays | 26,644,146 |
| Other | 48,119,034 |
| | 74,763,180 |

Expenditure incurred to repair and maintain property, plant and equipment

Repairs and maintenance expenditure for the year was R124,493,030 (2017: R91,566,512).

10. Intangible assets

| | 2018 | | | 2017 | | |
|-------------------|-----------|---|----------------|-----------|---|----------------|
| | Cost | Accumulated amortisation and accumulated impairment | Carrying value | Cost | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 2,642,718 | (1,287,281) | 1,355,437 | 2,004,147 | (570,935) | 1,433,212 |

Reconciliation of intangible assets - 2018

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

Reconciliation of intangible assets - 2017

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



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11. Heritage assets

| | 2018 | | | 2017 | | |
|-------------------------------------|-----------|-------------------------------|----------------|-----------|-------------------------------|----------------|
| | 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 - 2018

| | Opening balance | Additions | Impairment losses recognised | Total |
|-------------------------------------|-----------------|-----------|------------------------------|-----------|
| Historical monuments and open areas | 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 |

Details of heritage assets

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

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

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

Expenditure incurred to repair and maintain heritage assets

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



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|-----------------|------|------|

12. Investment property

| | 2018 | | | 2017 | | |
|--------------|--------------------|---|--------------------|--------------------|---|--------------------|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 149,777,700 | - | 149,777,700 | 149,777,700 | - | 149,777,700 |
| Buildings | 5,206,973 | (2,832,859) | 2,374,114 | 4,981,973 | (2,671,268) | 2,310,705 |
| Total | 154,984,673 | (2,832,859) | 152,151,814 | 154,759,673 | (2,671,268) | 152,088,405 |

Reconciliation of investment property - 2018

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

Reconciliation of investment property - 2017

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

The municipality received public donated assets of R225,000 (2017: RNil) which forms part of the asset additions for the year. Refer to note 51.

Investment property was not pledged as security for financial liabilities.

Other disclosure

Included in the surplus for the year are the following:

| | | |
|--|---------|-----------|
| Total rental income from investment property | 706,622 | 1,533,642 |
| Repairs and maintenance of investment property | 176,353 | 119,502 |

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



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| 13. Loans and borrowings | | |
| At amortised cost | | |
| Annuity loans | 329,480,507 | 348,285,098 |
| Other loans | 361,688 | 542,532 |
| | 329,842,195 | 348,827,630 |
| Non-current liabilities | | |
| Annuity loans | 290,040,098 | 309,580,507 |
| Other loans | 180,844 | 361,688 |
| | 290,220,942 | 309,942,195 |
| Current liabilities | | |
| Annuity loans | 39,440,409 | 38,704,591 |
| Other loans | 180,844 | 180,844 |
| | 39,621,253 | 38,885,435 |

Annuity loans

Annuity loans are repaid over periods varying from 1 years to 11 years (2017: 2 years to 12 years) and at interest rates varying from 6.75% to 12,665% (2017: 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 2 years (2017: 1 year to 3 years) and at interest rates varying from 7,835% to 12% (2017: 7,835% and 12%) per annum. Other loans are not secured.

14. Finance lease obligation

| | | |
|--|------------------|-------------------|
| Minimum lease payments due | | |
| - within one year | 5,349,633 | 5,476,552 |
| - in second to fifth year inclusive | 3,833,223 | 7,812,565 |
| | 9,182,856 | 13,289,117 |
| less: future finance charges | (1,029,751) | (1,685,622) |
| Present value of minimum lease payments | 8,153,105 | 11,603,495 |
| Present value of minimum lease payments due | | |
| - within one year | 4,717,554 | 4,533,126 |
| - in second to fifth year inclusive | 3,435,551 | 7,070,369 |
| | 8,153,105 | 11,603,495 |
| Non-current liabilities | 3,435,551 | 7,070,369 |
| Current liabilities | 4,717,554 | 4,533,126 |
| | 8,153,105 | 11,603,495 |

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% (2017: 8.84%). Interest rates are fixed at the contract date and all leases have fixed repayment terms.

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

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|--|--------------------|--------------------|
| 15. Payables from exchange transactions | | |
| Current liabilities | | |
| Trade payables | 152,917,114 | 118,510,305 |
| Payments received in advance | 16,376,677 | 18,674,074 |
| Retentions | 26,483,599 | 19,013,090 |
| GIPTN compensation liability | 3,615,887 | 3,434,542 |
| Other payables | 19,393,918 | 22,147,545 |
| Sundry Deposits | 9,166,218 | 8,397,317 |
| Unidentified deposits | 5,282,496 | 3,662,138 |
| | 233,235,909 | 193,839,011 |
| Non-current liabilities | | |
| GIPTN compensation liability | 2,796,362 | 5,459,261 |
| Total | 236,032,271 | 199,298,272 |

The prior period balances were restated for a prior year error. Refer to note 45.2 for more detail.

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

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

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 | 8,893,803 | 11,358,461 |
| Transferred from Provisions | 595,468 | 249,411 |
| Increase in liability | 629,475 | 665,589 |
| Paid during the year | (3,706,497) | (3,379,658) |
| | 6,412,249 | 8,893,803 |
| Non-current liabilities | 2,796,362 | 5,459,261 |
| Current liabilities | 3,615,887 | 3,434,542 |
| | 6,412,249 | 8,893,803 |



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|---|------------|------------|
| 16. Consumer deposits | | |
| Electricity and water | 27,168,038 | 22,822,167 |
| Guarantees held in lieu of electricity and water deposits | 18,433,832 | 17,264,484 |

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

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

17. Employee benefit obligations

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

Non-current liabilities

| | | |
|--|--------------------|--------------------|
| Post-Retirement Medical Aid benefits liability | 124,210,257 | 118,609,320 |
| Ex-gratia pension benefits liability | 1,415,860 | 2,018,897 |
| Long service awards | 19,797,166 | 18,953,503 |
| | 145,423,283 | 139,581,720 |

Current liabilities

| | | |
|--|-------------------|-------------------|
| Post-Retirement Medical Aid benefits liability | 5,367,866 | 4,977,326 |
| Ex-gratia pension benefits liability | 248,958 | 276,714 |
| Long service awards | 3,573,533 | 2,381,136 |
| Staff leave | 35,681,280 | 30,914,992 |
| Staff annual bonus | 10,301,189 | 10,279,611 |
| | 55,172,826 | 48,829,779 |

Total liabilities

| | | |
|--|--------------------|--------------------|
| Post-Retirement Medical Aid benefits liability | 129,578,123 | 123,586,646 |
| Ex-gratia pension benefits liability | 1,664,818 | 2,295,611 |
| Long service awards | 23,370,699 | 21,334,639 |
| Staff leave | 35,681,280 | 30,914,992 |
| Staff annual bonus | 10,301,189 | 10,279,611 |
| | 200,596,109 | 188,411,499 |

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 2018. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.



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|---|--------------------|--------------------|
| 17. Employee benefit obligations (continued) | | |
| In-service (Employees) members | 554 | 501 |
| In-service (Employees) non-members | 691 | 487 |
| Continuation members (Retirees, widowers and orphans) | 128 | 126 |
| | 1,373 | 1,114 |
| In-service members | 65,392,181 | 61,892,614 |
| Continuation members | 64,185,942 | 61,694,032 |
| | 129,578,123 | 123,586,646 |

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 2019 is estimated to be R4,925,534 (2018: R4,541,531) whereas the interest cost for the same year is estimated to be R12,124,239 (2018: R11,625,744).

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

i) Rate of interest

| | | |
|---------------------------------|--------|--------|
| Discount rate | 9.55 % | 9.60 % |
| Health care cost inflation rate | 7.36 % | 7.89 % |
| Net effective discount rate | 2.04 % | 1.58 % |

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

Discount rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 9.55% per annum has been used. The corresponding index-linked yield at this term is 3.01%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018.

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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|-----------------|------|------|

17. Employee benefit obligations (continued)

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



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|-----------------|------|------|
|-----------------|------|------|

17. Employee benefit obligations (continued)

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

| | | |
|-----------------------------------|--------------------|--------------------|
| Present value of fund obligations | 129,578,123 | 123,586,646 |
| Fair value plan assets | - | - |
| | 129,578,123 | 123,586,646 |

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

| | | |
|---|-------------------|------------------|
| Current service cost | 4,541,531 | 4,624,356 |
| Interest cost | 11,625,744 | 11,590,218 |
| Recognised actuarial losses / (gains) | (5,198,472) | (14,336,935) |
| Total included in employee related cost - refer to note 29 | 10,968,803 | 1,877,639 |

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

| | | |
|---------------------------------------|--------------------|--------------------|
| Balance at the beginning of the year | 123,586,646 | 126,255,843 |
| - Current service cost | 4,541,531 | 4,624,356 |
| - Interest cost | 11,625,744 | 11,590,218 |
| - Actuarial losses (gains) | (5,198,472) | (14,336,935) |
| - Benefits paid | (4,977,326) | (4,546,836) |
| Balance at the end of the year | 129,578,123 | 123,586,646 |

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

| Liability History | 30 June 2014 | 30 June 2015 | 30 June 2016 | 30 June 2017 | 30 June 2018 |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Accrued liability | 117.768 | 134.044 | 126.256 | 123.587 | 129.578 |
| Fair value of plan asset | - | - | - | - | - |
| Surplus / (Deficit) | (117.768) | (134.044) | (126.256) | (123.587) | (129.578) |

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

| Experience adjustments | 30 June 2014 | 30 June 2015 | 30 June 2016 | 30 June 2017 | 30 June 2018 |
|----------------------------|--------------|--------------|----------------|----------------|--------------|
| Liabilities: (Gain) / Loss | 1.743 | 5.507 | (4.381) | (1.791) | 2.128 |
| Assets: Gain / (Loss) | - | - | - | - | - |
| | 1.743 | 5.507 | (4.381) | (1.791) | 2.128 |



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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 | 745,300 | 890,600 |
| Effect on the defined benefit obligation | 5,685,000 | 5,073,000 |
| Decrease | | |
| Effect on the current service cost and interest cost | (1,125,500) | (1,315,600) |
| Effect on the defined benefit obligation | (8,230,000) | (7,478,000) |

Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2018 2 employees and 14 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 2019 is estimated to be Rnil (2018: Rnil) whereas the interest cost for the same year is estimated to be R126,354 (2018: R176,034).

| | | |
|--------------------|-----------|-----------|
| Pensioners | 14 | 15 |
| Eligible employees | 2 | 2 |
| | <u>16</u> | <u>17</u> |

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

| | | |
|-----------------------------|--------|--------|
| i) Rate of interest | | |
| Discount rate | 8.19 % | 8.15 % |
| Pension increase rate | 2.19 % | 2.48 % |
| Net effective discount rate | 5.57 % | 5.53 % |

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 8.19% per annum has been used. The corresponding index-linked yield at this term is 2.59%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018.

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

ii) Mortality rates



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|-----------------|------|------|

17. Employee benefit obligations (continued)

Pre-retirement

SA 85 - 90 mortality table
Post-retirement

PA (90 - 1) ultimate mortality table

iii) Normal retirement age

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



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|-----------------|------|------|
|-----------------|------|------|

17. Employee benefit obligations (continued)

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

| | | |
|-----------------------------------|------------------|------------------|
| Present value of fund obligations | 1,664,818 | 2,295,611 |
| Fair value of plan assets | - | - |
| | 1,664,818 | 2,295,611 |

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

| | | |
|---|------------------|----------------|
| Interest cost | 176,034 | 198,816 |
| Recognised actuarial losses / (gains) | (530,113) | 45,195 |
| Total included in employee related cost - refer to note 29 | (354,079) | 244,011 |

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

| | | |
|--------------------------------------|------------------|------------------|
| Balance at the beginning of the year | 2,295,611 | 2,679,172 |
| - Interest cost | 176,034 | 198,816 |
| - Actuarial losses (gains) | (530,113) | 45,195 |
| - Benefits paid | (276,714) | (627,572) |
| | 1,664,818 | 2,295,611 |

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

| Liability History | 30 June 2014 | 30 June 2015 | 30 June 2016 | 30 June 2017 | 30 June 2018 |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Accrued liability | 3,057,369 | 2,681,298 | 2,679,172 | 2,295,611 | 1,664,818 |
| Fair value of plan assets | - | - | - | - | - |
| Surplus / (Deficit) | (3,057,369) | (2,681,298) | (2,679,172) | (2,295,611) | (1,664,818) |

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

| Experience adjustment | 30 June 2014 | 30 June 2015 | 30 June 2016 | 30 June 2017 | 30 June 2018 |
|----------------------------|---------------|---------------|----------------|---------------|------------------|
| Liabilities: (Gain) / Loss | 31,653 | 85,984 | 416,614 | 95,982 | (526,983) |
| Assets: Gain / (Loss) | - | - | - | - | - |
| | 31,653 | 85,984 | 416,614 | 95,982 | (526,983) |



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|---|----------|-----------|
| 17. Employee benefit obligations (continued) | | |
| The effect of a 1% movement in the assumed pension increase rate is as follows: | | |
| Increase | | |
| Effect on interest cost | 13,421 | 14,318 |
| Effect on defined benefit obligation | 104,240 | 164,680 |
| Decrease | | |
| Effect on interest cost | (12,084) | (12,871) |
| Effect on defined benefit obligation | (94,659) | (148,271) |

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 2018.

At year end, 1 245 (2017: 988) employees were eligible for Long-services Awards. The future service cost for the ensuing year is estimated to be R1,743,927 (2018: R1,536,659), whereas the interest cost for the ensuing year is estimated to be R1,846,394 (2018: R1,701,781).

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

| | | |
|-----------------------------|--------|--------|
| i) Rate of interest | | |
| Discount rate | 8.54 % | 8.44 % |
| Benefit inflation rate | 6.15 % | 6.26 % |
| Net effective discount rate | 2.25 % | 2.05 % |
| Expected retirement age | 62 | 62 |

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 8.54% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.54% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.75%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 29 June 2018.

ii) Mortality rates

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|-----------------|------|------|
|-----------------|------|------|

17. Employee benefit obligations (continued)

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.

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

| | | |
|---|-------------------|-------------------|
| Present value of projected fund obligations | 23,370,699 | 21,334,639 |
| Plan assets | - | - |
| | 23,370,699 | 21,334,639 |

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

| | | |
|---|------------------|------------------|
| Net current service cost and actuarial losses (gains) included in the long service awards expense | 2,715,415 | 1,154,110 |
| Interest cost | 1,701,781 | 1,680,413 |
| Total included in employee related cost - refer to note 29 | 4,417,196 | 2,834,523 |

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

| | | |
|---|-------------------|-------------------|
| Balance at the beginning of the year | 21,334,639 | 20,800,828 |
| - Net current service cost and actuarial losses (gains) included in the long service awards expense | 2,715,415 | 1,154,110 |
| - Interest cost | 1,701,781 | 1,680,413 |
| - Benefits paid | (2,381,136) | (2,300,712) |
| | 23,370,699 | 21,334,639 |

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



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|--|--------------|--------------|--------------|--------------|--------------|
| 17. Employee benefit obligations (continued) | | | | | |
| Liability History | 30 June 2014 | 30 June 2015 | 30 June 2016 | 30 June 2017 | 30 June 2018 |
| Accrued Liability | 17,981,565 | 19,674,941 | 20,800,828 | 21,334,639 | 23,370,699 |
| Fair value of plan assets | - | - | - | - | - |
| Surplus / (Deficit) | (17,981,565) | (19,674,941) | (20,800,828) | (21,334,639) | (23,370,699) |

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

| | | | | | |
|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Experience adjustment | 30 June 2014 | 30 June 2015 | 30 June 2016 | 30 June 2017 | 30 June 2018 |
| Liabilities: (Gain) / Loss | 1,276,184 | 908,105 | 852,348 | 729,329 | 1,486,754 |
| Assets: Gain / (Loss) | - | - | - | - | - |
| | 1,276,184 | 908,105 | 852,348 | 729,329 | 1,486,754 |



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|---|-------------|-------------|
| 17. Employee benefit obligations (continued) | | |
| The effect of a 1% movement in the assumed salary inflation rate is as follows: | | |
| Increase | | |
| Effect on the current service cost and interest cost | 242,500 | 254,700 |
| Effect on the defined benefit obligation | 1,485,000 | 1,377,000 |
| Decrease | | |
| Effect on the current service cost and interest cost | (217,500) | (227,300) |
| Effect on the defined benefit obligation | (1,342,000) | (1,245,000) |

Multi-employer retirement benefit information

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

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

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

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

The total expense recognised in the Statement of Financial Performance of R41,534,131 for employees and R651,800 for Councillors represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

LA Retirement Fund

The LA Retirement Fund's contribution rate payable is 9% by the members and 18% by Council. The valuation of 30 June 2017 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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|-----------------|------|------|

17. Employee benefit obligations (continued)

Municipal Councillors Pension Fund

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

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

South African Municipal Workers Union Pension Fund

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

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

Staff leave

The movement on the leave accrual consists of the following:

| | | |
|----------------------|-------------------|-------------------|
| Opening balance | 30,914,992 | 25,754,564 |
| Payments | (5,140,217) | (2,176,411) |
| Additional provision | 9,906,505 | 7,336,839 |
| | 35,681,280 | 30,914,992 |

Staff annual bonus

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

| | | |
|---|-------------------|-------------------|
| Opening balance | 10,279,611 | 9,602,594 |
| Payments | (10,279,611) | (9,602,594) |
| Additional bonus accrual recognised during the year | 10,301,189 | 10,279,611 |
| | 10,301,189 | 10,279,611 |



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|-----------------|------|------|
|-----------------|------|------|

18. Provisions

Reconciliation of provisions - 2018

| | Opening Balance | Additions / Reversed | Utilised during the year | Change in discount factor | Transferred to Trade and Other payables | Total |
|---------------------------------|--------------------|-------------------------|-----------------------------|---------------------------------|--|-------------------|
| Rehabilitation of landfill site | 21,653,095 | 5,517,206 | (1,811,621) | - | - | 25,358,680 |
| Compensation Liability GIPTN | 63,166,902 | 5,263,264 | - | (351,830) | (595,468) | 67,482,868 |
| | 84,819,997 | 10,780,470 | (1,811,621) | (351,830) | (595,468) | 92,841,548 |

Reconciliation of provisions - 2017

| | Opening Balance | Additions / Reversed | Utilised during the year | Change in discount factor | 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 |
| Compensation Liability GIPTN | 64,874,836 | 828,078 | - | (2,286,600) | (249,412) | 63,166,902 |
| | 88,076,712 | (1,408,183) | (1,098,673) | (500,447) | (249,412) | 84,819,997 |

Current liabilities consist of
Rehabilitation of landfill site
Compensation Liability GIPTN

| 2018 | 2017 |
|-------------------|-------------------|
| 2,228,709 | 2,115,896 |
| 159,586 | 6,764,129 |
| 2,388,295 | 8,880,025 |
| 90,453,253 | 75,939,972 |
| 2,388,295 | 8,880,025 |
| 92,841,548 | 84,819,997 |

The comparative values for provisions was restated. Refer to note 45 for more information.

Rehabilitation of landfill site

The consulting engineers, Aurecon South Africa (Pty) Ltd, used a predominantly desktop-based methodology in estimating the airspace consumed in the 2017/2018 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 2017 cost was increased by 5.913% to determine the rehabilitation cost as at 30 June 2018.

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

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18. Provisions (continued)

The cost as at 30 June 2018 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 (7.820%).

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

| | Opening balance | Additions / Reversal | Utilised during the year | Unwinding of discount | Total |
|-----------|--------------------|-------------------------|-----------------------------|--------------------------|-------------------|
| George | 18,881,781 | 2,699,209 | (1,811,621) | 1,455,124 | 21,224,493 |
| Uniondale | 2,771,314 | 1,150,314 | - | 212,560 | 4,134,188 |
| | 21,653,095 | 3,849,523 | (1,811,621) | 1,667,684 | 25,358,681 |

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 (2017: 229) licences were subject to the buy-in option, while 278 (2017: 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 R80,606,087 (2017: R75,392,814). A discount rate of 7.820% (2017: 7.670%) (3 year Government Bond rate) was used to discount the provision. During the year, a decision was made that buy-out compensation should also be adjusted annually with inflation until the buy-outs are paid. This resulted in an additional provision being raised.

The municipality expects to pay the buy-out options between July 2019 and April 2020 as the next phases are rolled out and the buy-in options within 5 years from the roll out dates.



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|--|--------------------|---------------------|
| 19. Conditional government grants and subsidies | | |
| Unspent conditional government grants and subsidies | 75,143,780 | 104,809,639 |
| National Government Grants | 27,448,316 | 57,923,505 |
| Provincial Government Grants | 39,991,437 | 39,182,107 |
| Other | 7,704,027 | 7,704,027 |
| Less: Conditional government grants and subsidies receivable - Note 4 | (4,196,365) | (29,224,324) |
| National Government Grants | (262,147) | (25,290,106) |
| Provincial Government Grants | (1,360,820) | - |
| Other | (2,573,398) | (3,934,218) |
| | 70,947,415 | 75,585,315 |

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

The total grants recognised in the Statement of Financial Performance are (Refer to note 27):

| | | |
|--|--------------------|--------------------|
| Unconditional Grants | | |
| Grants | 122,613,000 | 105,336,000 |
| Conditional Grants | | |
| Grants and Donations | 604,596,708 | 352,769,527 |
| Subsidies | 810,684 | 1,726,309 |
| Total Government Grants and Subsidies | 605,407,392 | 459,831,836 |
| Government grants & subsidies - Operating | 402,554,545 | 310,241,313 |
| Government grants & subsidies - Capital | 202,852,847 | 149,590,523 |
| | 605,407,392 | 459,831,836 |

Details of the different grants are set out below.

Unconditional Grants

19.1 Equitable share

| | | |
|---|---------------|---------------|
| Grants received | 122,613,000 | 105,336,000 |
| Conditions met - Operating | (122,613,000) | (105,336,000) |
| Conditions met - Capital | - | - |
| Conditions still to be met/(Grant expenditure to be recovered) | - | - |

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

Conditional Grants

19.2 National: Finance Management Grant (FMG)

| | | |
|---|-------------|-------------|
| Opening balance | - | - |
| Grants received | 1,550,000 | 1,475,000 |
| Conditions met - Operating | (1,550,000) | (1,475,000) |
| Conditions still to be met/(Grant expenditure to be recovered) | - | - |

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



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|---|-------------|-------------|
| 19. Conditional government grants and subsidies (continued) | | |
| 19.3 National: Infrastructure Skills Development | | |
| Opening balance | - | - |
| Grants received | 4,600,000 | 3,700,000 |
| Conditions met - Operating | (4,392,999) | (2,959,231) |
| Conditions met - Capital | (207,001) | (740,769) |
| Conditions still to be met/(Grant expenditure to be recovered) | - | - |

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

19.4 National: Energy Efficiency and Demand Side Management Grant

| | | |
|---|------------------|----------|
| Opening balance | - | - |
| Grants received | 7,000,000 | - |
| Conditions met - Capital | (5,845,178) | - |
| Conditions still to be met/(Grant expenditure to be recovered) | 1,154,822 | - |

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

19.5 National: Municipal Infrastructure Grant (MIG)

| | | |
|---|--------------|--------------|
| Opening balance | - | - |
| Grants received | 40,764,000 | 38,283,000 |
| Conditions met - Operating | (2,038,200) | (1,914,150) |
| Conditions met - Capital | (38,725,800) | (36,368,850) |
| Conditions still to be met/(Grant expenditure to be recovered) | - | - |

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

19.6 National: Regional Bulk Infrastructure Grant (RBIG)

| | | |
|---|------------------|-------------------|
| Opening balance | 10,659,331 | 11,304,317 |
| Grants received | - | - |
| Conditions met - Capital | (851,715) | (644,987) |
| Conditions still to be met/(Grant expenditure to be recovered) | 9,807,616 | 10,659,330 |

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.

19.7 National: Integrated National Electrification Grant

| | | |
|---|------------------|--------------------|
| Opening balance | (3,017,189) | (12,517,189) |
| Grants received | 18,048,000 | 9,500,000 |
| Conditions met - Capital | (10,254,086) | - |
| Conditions still to be met/(Grant expenditure to be recovered) | 4,776,725 | (3,017,189) |

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



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| 19. Conditional government grants and subsidies (continued) | | |
| 19.8 National: Expanded Public Works Program Grant (EPWP) | | |
| Opening balance | - | - |
| Grants received | 4,001,000 | 4,014,000 |
| Conditions met - Operating | (4,001,000) | (4,014,000) |
| Conditions still to be met/(Grant expenditure to be recovered) | - | - |

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

| | | |
|---|------------------|------------------|
| 19.9 National: Lawaakamp Sports Grounds (Lotto) | | |
| Opening balance | (262,147) | (262,147) |
| Grants received | - | - |
| Conditions met - Capital | - | - |
| Conditions still to be met/(Grant expenditure to be recovered) | (262,147) | (262,147) |

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

| | | |
|---|-------------------|-------------------|
| 19.10 National: Public Transport Grant | | |
| Opening balance | 25,253,405 | (22,010,770) |
| Grants received | 210,362,000 | 156,444,000 |
| Conditions met - Operating | (124,764,718) | (72,998,000) |
| Conditions met - Capital | (99,141,534) | (36,181,826) |
| Conditions still to be met/(Grant expenditure to be recovered) | 11,709,153 | 25,253,404 |

This grant's purpose is to provide supplementary operational funding to municipalities operating approved Integrated Public Transport Network services and to provide improved public transport network services that are formal, scheduled and well managed, as well as to provide funding for accelerated planning, construction and improvement of public and non-motorised transport infrastructure. This grants was disclosed in the 30 June 2017 financial statements as two separate grants.

This grants was disclosed in the 30 June 2017 financial statements as two separate grants (operating and infrastructure grants) but was combined since the grant gazetted by National Treasury is one grant.

19.12 Provincial: Western Cape Financial Management Support Grant

| | | |
|---|-----------|-----------|
| Opening balance | - | - |
| Grants received | 255,000 | 220,000 |
| Conditions met - Operating | (255,000) | (220,000) |
| Conditions still to be met/(Grant expenditure to be recovered) | - | - |

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.

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| 19. Conditional government grants and subsidies (continued) | | |
| 19.13 Provincial: Western Cape Financial Management Capacity Building Grant | | |
| Opening balance | - | - |
| Grants received | 240,000 | 120,000 |
| Conditions met - Operating | (160,000) | (120,000) |
| Conditions still to be met/(Grant expenditure to be recovered) | 80,000 | - |

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

19.14 Provincial: Integrated Public Transport Network Grant

| | | |
|---|--------------|--------------|
| Opening balance | - | (10,391,933) |
| Grants received | 98,544,000 | 150,544,000 |
| Conditions met - Operating | (95,545,129) | (91,134,776) |
| Conditions met - Capital | (2,998,871) | (49,017,291) |
| Conditions still to be met/(Grant expenditure to be recovered) | - | - |

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

This grants was disclosed in the 30 June 2017 financial statements as two separate grants (operating and infrastructure grants) but was combined since the grant gazetted by Provincial Treasury is one grant.

19.15 Provincial: Fire Services Capacity Building Grant

| | | |
|---|----------------|----------|
| Opening balance | - | - |
| Grants received | 800,000 | - |
| Conditions met - Capital | (611,471) | - |
| Conditions still to be met/(Grant expenditure to be recovered) | 188,529 | - |

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

19.16 Provincial: Integrated Transport Planning Grant

| | | |
|---|----------------|----------|
| Opening balance | - | - |
| Grants received | 600,000 | - |
| Conditions still to be met/(Grant expenditure to be recovered) | 600,000 | - |

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

19.17 Provincial: Human Settlements Operating Grants

| | | |
|---|-------------------|-------------------|
| Opening balance | 29,594,131 | (748,652) |
| Grants received | 44,252,104 | 44,415,933 |
| Conditions met - Operating | (36,762,141) | (14,073,150) |
| Conditions still to be met/(Grant expenditure to be recovered) | 37,084,094 | 29,594,131 |

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|-----------------|------|------|

19. Conditional government grants and subsidies (continued)

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

19.18 Provincial: Human Settlements Capital Grant

| | | |
|---|------------------|------------------|
| Opening balance | 8,468,250 | 10,000,000 |
| Grants received | 36,948,703 | 20,863,478 |
| Conditions met - Capital | (43,475,768) | (22,395,228) |
| Conditions still to be met/(Grant expenditure to be recovered) | 1,941,185 | 8,468,250 |

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 | 54,000 | - |
| Grants received | - | 54,000 |
| Conditions met - Operating | (54,000) | - |
| Conditions still to be met/(Grant expenditure to be recovered) | - | 54,000 |

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 | 441,000 | 5,734,000 |
| Conditions met - Operating | (441,000) | (5,734,000) |
| Conditions still to be met/(Grant expenditure to be recovered) | - | - |

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

19.21 Provincial: Thembaletu & Pacaltsdorp sport fields (YDVS)

| | | |
|---|--------------------|--------------------|
| Opening balance | (1,360,820) | (1,360,820) |
| Grants received | - | - |
| Conditions still to be met/(Grant expenditure to be recovered) | (1,360,820) | (1,360,820) |

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

19.22 Provincial: Electricity Master Plan Operations

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

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.

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|---|-------------|----------------|
| 19. Conditional government grants and subsidies (continued) | | |
| 19.23 Provincial: Library Services | | |
| Opening balance | 741,423 | 4,982,994 |
| Grants received | 8,635,000 | 7,996,000 |
| Conditions met - Operating | (8,635,000) | (7,996,000) |
| Conditions met - Capital | (741,423) | (4,241,572) |
| Conditions still to be met/(Grant expenditure to be recovered) | - | 741,422 |

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 | 34,303 | - |
| Grants received | 93,000 | 75,000 |
| Conditions met - Operating | (74,674) | (40,697) |
| Conditions still to be met/(Grant expenditure to be recovered) | 52,629 | 34,303 |

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 | 212,000 | - |
| Conditions met - Operating | (212,000) | - |
| Conditions still to be met/(Grant expenditure to be recovered) | - | - |

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

19.26 Provincial: Local Government Graduate Internship Grant

| | | |
|---|---------------|---------------|
| Opening balance | 60,000 | - |
| Grants received | - | 60,000 |
| Conditions met - Operating | (15,000) | - |
| Conditions still to be met/(Grant expenditure to be recovered) | 45,000 | 60,000 |

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 - Capital | - | - |
| Conditions still to be met/(Grant expenditure to be recovered) | 200,000 | 200,000 |

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

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| 19. Conditional government grants and subsidies (continued) | | |
| 19.27 Other: Eden District Municipality Emergency Relief Funds | | |
| Opening balance | (2,573,398) | (2,573,398) |
| Grants received | - | - |
| Conditions met - Capital | - | - |
| Conditions still to be met/(Grant expenditure to be recovered) | (2,573,398) | (2,573,398) |
| This grant was given to reimburse municipalities for flood damage incurred by the municipality. | | |
| 19.28 Other: SANRAL N2 /York Bridge | | |
| Opening balance | 7,504,027 | 7,504,027 |
| Grants received | - | - |
| Conditions met - Capital | - | - |
| Conditions still to be met/(Grant expenditure to be recovered) | 7,504,027 | 7,504,027 |
| This grant was utilised to widen the N2/York Street bridge and to add a pedestrian crossing to the bridge. | | |
| 19.29 Other: LG Seta | | |
| Opening balance | - | - |
| Grants received | 810,684 | 1,726,309 |
| Conditions met - Operating | (810,684) | (1,726,309) |
| Conditions still to be met/(Grant expenditure to be recovered) | - | - |
| These amounts were received from LG Seta based on the municipality's workplace skills plan. | | |
| Total Grants | | |
| Opening balance | 75,585,316 | (15,373,570) |
| Grants received | 600,769,491 | 550,790,721 |
| Conditions met - Operating | (402,554,545) | (310,241,313) |
| Conditions met - Capital | (202,852,847) | (149,590,523) |
| Conditions still to be met/(Grant expenditure to be recovered) | 70,947,415 | 75,585,315 |



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| 20. Housing development fund | | |
| Unappropriated surplus | 9,557,902 | 9,831,739 |
| Loans extinguished by Government on 1 April 1998 | 53,383,243 | 53,383,243 |
| | 62,941,145 | 63,214,982 |

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

| | | |
|--|------------|-------------|
| Housing selling scheme loans | 535,157 | 692,782 |
| Inventory | 141,633 | 141,633 |
| Trade and other receivables from exchange transactions | 657,716 | 948,259 |
| Trade and other receivables from non-exchange transactions | 588,291 | 1,012,475 |
| Government Grants in debit | - | 3,017,189 |
| Bank and cash | 61,606,639 | 58,415,119 |
| Trade and other payables from exchange transactions | (588,291) | (1,012,475) |

| | | |
|--|-------------------|-------------------|
| Total Housing Development Fund Assets and Liabilities | 62,941,145 | 63,214,982 |
|--|-------------------|-------------------|

21. Service charges

| | | |
|---------------------------------|--------------------|--------------------|
| Electricity | 603,331,974 | 565,449,873 |
| Water | 117,656,763 | 121,171,738 |
| Sewerage and sanitation charges | 87,951,733 | 81,869,035 |
| Refuse removal | 69,777,667 | 61,813,769 |
| | 878,718,137 | 830,304,415 |

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

22. Income from agency services

| | | |
|----------------------------------|------------|-----------|
| Provincial vehicle registrations | 11,257,883 | 9,442,990 |
|----------------------------------|------------|-----------|

23. GIPTN Fare Revenue

| | | |
|--------------------|------------|------------|
| GIPTN Fare Revenue | 39,419,283 | 37,301,627 |
|--------------------|------------|------------|

Fare revenue is recognised in accordance with accounting policy 1.20.



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| 24. Other income | | |
| Building plan fees and related income | 7,479,252 | 6,167,805 |
| Camping fees | 830,580 | 744,162 |
| Cemetery fees | 1,302,138 | 1,166,597 |
| Collection charges | 4,115,013 | 4,411,056 |
| Development charges (previously Contributions received for capital projects) | 23,426,428 | 11,382,719 |
| Insurance claims received | 826,047 | 1,134,257 |
| Land usage fees (previously Public donations received) | 612,707 | 862,902 |
| Public contributions for donated asset additions | 225,000 | 504,253 |
| Rates clearance certificates for property transfers | 760,123 | 743,684 |
| Sundry income | 1,833,571 | 2,476,327 |
| | 41,410,859 | 29,593,762 |

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

Refer to note 51 for details of the public contributions for donated asset additions.

The prior year balances was restated. Refer to note 45 for more detail.

25. Interest received

Outstanding Debtors

| | | |
|--------------------------|------------------|------------------|
| Trade receivables | 4,607,646 | 4,066,867 |
| Art. 185(a) arrangements | 516 | 1,515 |
| Land sales | 3,068 | 2,926 |
| Selling schemes | 65,632 | 84,533 |
| Victoria Bay loans | - | 264 |
| | 4,676,862 | 4,156,105 |

External Investments

| | | |
|------------------------|-------------------|-------------------|
| Bank accounts | 14,445,220 | 19,851,843 |
| Short term investments | 35,720,392 | 17,452,125 |
| | 50,165,612 | 37,303,968 |
| | 54,842,474 | 41,460,073 |



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| 26. Property rates | | |
| Rates received | | |
| Agriculture | 3,487,250 | 3,171,669 |
| Commercial | 56,066,392 | 50,220,919 |
| Industrial | 13,922,937 | 12,613,814 |
| Other | 55,347 | 59,308 |
| Public benefit organisations | 276,723 | 1,260,035 |
| Residential | 172,761,136 | 152,632,523 |
| State-owned | 10,117,437 | 9,218,153 |
| Vacant land | 17,935,333 | 18,785,289 |
| Less: Income forgone | (32,234,615) | (29,830,737) |
| Less: Impermissible rates | (7,334,180) | (6,698,406) |
| | 235,053,760 | 211,432,567 |
| Valuations | | |
| Agriculture | 1,946,902,000 | 1,910,333,400 |
| Churches & parks | 356,254,300 | 361,040,700 |
| Commercial | 5,771,653,390 | 5,674,555,290 |
| Industrial | 1,515,837,600 | 1,513,915,200 |
| Municipal (non-taxable valuations) | 1,065,362,050 | 1,085,749,650 |
| Other | 27,729,200 | 27,024,200 |
| Public benefit organisations | 145,069,800 | 150,069,500 |
| Residential | 23,757,737,810 | 23,012,463,800 |
| State-owned | 1,300,859,000 | 1,322,437,800 |
| Vacant land | 1,963,212,200 | 2,167,122,459 |
| | 37,850,617,350 | 37,224,711,999 |

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 0,7264 (2017: 0,6664) cents in the Rand on total valuations were applied to determine assessment rates. Business tariffs are levied at 0,9170 (2017: 0,8413) for Commercial, Industrial and Business erven, and this was applicable for all Areas.

A rebate of 15% (2017: 15%) was allowed on residential properties, whilst rebates of 20% - 40% (2017: 20% - 40%) were applied to pensioners, based on the annual income of the ratepayer. A rebate of 40% (2017: 40%) 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. The new General Valuation comes in effect on 1 July 2018.



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| Figures in Rand | 2018 | 2017 |
|---|--------------------|--------------------|
| 27. Government grants and subsidies | | |
| Operating grants | | |
| National: Equitable Share | 122,613,000 | 105,336,000 |
| National: Financial Management Grant (FMG) | 1,550,000 | 1,475,000 |
| National: Infrastructure Skills Development | 4,392,999 | 2,959,231 |
| National: Municipal Infrastructure Grant (MIG) | 2,038,200 | 1,914,150 |
| National: Expanded Public Works Program Grant | 4,001,000 | 4,014,000 |
| National: Public Transport Grant | 124,764,718 | 72,998,000 |
| Provincial: Western Cape Financial Management Support Grant | 255,000 | 220,000 |
| Provincial: Western Cape Financial Management Capacity Building Grant | 160,000 | 120,000 |
| Provincial: Integrated Public Transport Network Grant | 95,545,129 | 91,134,776 |
| Provincial: Human Settlements Operating Grant | 36,762,141 | 14,073,150 |
| Provincial: Proclaimed Roads | 441,000 | 5,734,000 |
| Provincial: Electricity Master Plan Operations Grant | 230,000 | 500,000 |
| Provincial: Library Services Grant | 8,635,000 | 7,996,000 |
| Provincial: Community Development Workers Grant | 74,674 | 40,697 |
| Provincial: Thusong Centre Grant | 212,000 | - |
| Provincial: Sport / Recreational Facilities Grant | 54,000 | - |
| Provincial: Local Government Graduate Internship Grant | 15,000 | - |
| Other: LG Seta | 810,684 | 1,726,309 |
| | 402,554,545 | 310,241,313 |
| Capital grants | | |
| National: Infrastructure Skills Development | 207,001 | 740,769 |
| National: Electricity Demand Side Management Grant | 5,845,178 | - |
| National: Municipal Infrastructure Grant (MIG) | 38,725,800 | 36,368,850 |
| National: Regional Bulk Infrastructure Grant (RBIG) | 851,715 | 644,987 |
| National: Integrated National Electrification Grant | 10,254,086 | - |
| National: Public Transport Grant | 99,141,534 | 36,181,826 |
| Provincial: Integrated Public Transport Network Grant | 2,998,871 | 49,017,291 |
| Provincial: Human Settlements Capital Grant | 43,475,768 | 22,395,228 |
| Provincial: Library Services Grant | 741,423 | 4,241,572 |
| Provincial: Fire Services Capacity Building Grant | 611,471 | - |
| | 202,852,847 | 149,590,523 |
| | 605,407,392 | 459,831,836 |
| Revenue recognised per vote as required by Section 123 (c) of the MFMA | | |
| Civil Engineering Services | 157,080,221 | 365,861,589 |
| Community Services | 43,536,724 | 52,641,092 |
| Corporate Services | 1,431,049 | 4,403,175 |
| Electro-technical Services | 35,665,063 | 17,683,462 |
| Financial Services | 3,276,253 | 3,082,970 |
| Human Settlements | 37,218,964 | - |
| Human Settlements, Land Affairs & Planning | - | 14,642,999 |
| Office of the Municipal Manager | 1,959,962 | 1,516,549 |
| Planning and Development | 1,015,789 | - |
| Protection Services | 324,223,367 | - |
| | 605,407,392 | 459,831,836 |

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| Figures in Rand | 2018 | 2017 |
|--|-------------------|-------------------|
| 28. Fines, penalties and forfeits | | |
| Property rates penalties | 1,314,207 | 540,102 |
| GIPTN Bus operator penalties | 1,882,793 | 397,265 |
| Other fines | 646,402 | 243,550 |
| Traffic fines | 77,659,834 | 47,203,374 |
| | 81,503,236 | 48,384,291 |

The contract for the traffic fines lapsed in November 2016 and was only renewed in May 2017. Camera fines was not issued during this period.

The prior year balances was restated. Refer to note 45 for more detail.

29. Employee related costs

| | | |
|--|--------------------|--------------------|
| Basic | 308,852,351 | 264,895,945 |
| Housing benefits and allowances | 1,934,438 | 1,704,242 |
| Long-service awards | 2,386,268 | 910,665 |
| Medical aid - company contributions | 18,385,374 | 16,408,345 |
| Other payroll levies | 3,945,105 | 3,395,146 |
| Overtime payments | 36,523,289 | 34,562,150 |
| Employee benefit obligations | 12,329,888 | 3,780,160 |
| - Current service cost | 4,554,914 | 4,602,453 |
| - Interest cost | 13,503,559 | 13,469,447 |
| - Actuarial (gains) / losses recognised | (5,728,585) | (14,291,740) |
| Travel, motor car, accommodation, subsistence and other allowances | 29,581,018 | 31,970,145 |
| UIF | 3,057,739 | 2,557,300 |
| Pension | 40,953,618 | 33,198,503 |
| Subsistence and Travelling Allowance | 2,786,295 | 1,219,427 |
| | 460,735,383 | 394,602,028 |

Employee related cost consist out of the following:

| | | |
|---|--------------------|--------------------|
| Salaried staff | 460,735,383 | 394,602,028 |
| Section 56 and 57 employees (detail is below) | 7,692,552 | 12,424,698 |
| | 468,427,935 | 407,026,726 |

The organisational structure of the municipality was reviewed and Council adopted the new structure in August 2017. The municipality has eight directorates in the current financial year compared to six directorates during the previous financial year. The remuneration disclosed below in the current year is for eight directorates compared to six directorates in the previous year.

Remuneration of Municipal Manager

| | | |
|---|------------------|------------------|
| Annual Remuneration | 1,589,002 | 1,729,149 |
| Contributions to UIF, Medical and Pension Funds | 24,771 | 22,414 |
| Performance bonus | 50,208 | - |
| | 1,663,981 | 1,751,563 |

The remuneration of the Municipal Manager was restated in the prior year to include his UIF and bargaining council levy contributions.

Notes to the Annual Financial Statements

| Figures in Rand | 2018 | 2017 |
|---|------------------|------------------|
| 29. Employee related costs (continued) | | |
| Remuneration of Director Financial Services | | |
| Annual Remuneration | 1,105,432 | 1,395,233 |
| Car Allowance | 60,000 | 60,000 |
| Contributions to UIF, Medical and Pension Funds | 239,936 | 303,036 |
| Acting expenses | 3,500 | 47,118 |
| | 1,408,868 | 1,805,387 |
| Remuneration of Director Corporate Services | | |
| Annual Remuneration | 17,348 | 1,248,680 |
| Severance package | - | 361,482 |
| Car Allowance | - | 172,830 |
| Contributions to UIF, Medical and Pension Funds | - | 291,656 |
| Acting expenses | 71,169 | - |
| | 88,517 | 2,074,648 |
| Remuneration of Director Human Settlement, Land Affairs & Planning | | |
| Annual Remuneration | 378,843 | 1,258,421 |
| Car Allowance | 16,000 | 96,000 |
| Contributions to UIF, Medical and Pension Funds | 49,286 | 286,402 |
| Acting expenses | 4,961 | 51,074 |
| | 449,090 | 1,691,897 |
| Remuneration of Director Human Settlements | | |
| Annual Remuneration | 740,909 | - |
| Contributions to UIF, Medical and Pension Funds | 28,893 | - |
| | 769,802 | - |
| Remuneration of Director Civil Engineering Services | | |
| Annual Remuneration | 875,744 | 1,360,816 |
| Car Allowance | - | 121,000 |
| Severance package | - | 410,206 |
| Contributions to UIF, Medical and Pension Funds | 1,668 | 23,964 |
| Acting expenses | 88,857 | 14,700 |
| | 966,269 | 1,930,686 |
| Remuneration of Director Electro- Technical Services | | |
| Annual Remuneration | 16,545 | 1,337,279 |
| Car Allowance | - | 132,000 |
| Severance package | - | 400,130 |
| Contributions to UIF, Medical and Pension Funds | - | 46,578 |
| Acting expenses | 96,203 | 8,621 |
| | 112,748 | 1,924,608 |

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| Figures in Rand | 2018 | 2017 |
|---|------------------|------------------|
| 29. Employee related costs (continued) | | |
| Remuneration Director Community Services | | |
| Annual Remuneration | 1,053,811 | 990,828 |
| Car Allowance | 60,000 | 60,000 |
| Contributions to UIF, Medical and Pension Funds | 207,717 | 195,081 |
| Acting expenses | 2,927 | - |
| Performance bonus | 122,961 | - |
| | 1,447,416 | 1,245,909 |
| Remuneration of Director Protection Services | | |
| Annual Remuneration | 566,875 | - |
| Car Allowance | 56,000 | - |
| Contributions to UIF, Medical and Pension Funds | 146,928 | - |
| Acting expenses | 16,058 | - |
| | 785,861 | - |



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|--|-------------------|-------------------|
| 30. Remuneration of Councillors | | |
| Basic Salaries | | |
| Executive Mayor | 561,851 | 506,527 |
| Deputy Executive Mayor | 508,632 | 498,626 |
| Speaker | 558,835 | 504,149 |
| Chief Whip | 462,273 | 418,044 |
| Mayoral Committee Members | 4,927,521 | 4,114,474 |
| Councillors | 6,879,211 | 6,927,585 |
| Allowances and contributions | | |
| Car allowance | 4,565,904 | 4,090,346 |
| Cellphone allowance | 2,152,770 | 1,194,395 |
| Contributions to medical aid | 250,668 | 145,100 |
| Contributions to pension fund | 651,800 | 401,510 |
| | 21,519,465 | 18,800,756 |

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

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

| | | |
|---|----------------|----------------|
| Executive Mayor | | |
| Basic salary | 561,851 | 506,527 |
| Car allowance | 206,604 | 187,773 |
| Cellphone allowance | 40,800 | 26,823 |
| Contributions to medical aid and pension fund | 57,960 | 59,640 |
| | 867,215 | 780,763 |
| Deputy Executive Mayor | | |
| Basic salary | 508,632 | 498,626 |
| Car allowance | 124,552 | 95,378 |
| Cellphone allowance | 40,800 | 26,823 |
| Contributions to medical aid and pension fund | 24,825 | 7,311 |
| | 698,809 | 628,138 |
| Speaker | | |
| Basic salary | 558,835 | 504,149 |
| Car allowance | 99,169 | 95,378 |
| Cellphone allowance | 40,800 | 26,823 |
| Contributions to medical aid and pension fund | - | 1,789 |
| | 698,804 | 628,139 |
| Chief Whip | | |
| Basic salary | 462,344 | 418,044 |
| Car allowance | 154,953 | 140,830 |
| Cellphone allowance | 40,800 | 21,597 |
| Contributions to medical aid and pension fund | - | 4,812 |
| | 658,097 | 585,283 |

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| Figures in Rand | 2018 | 2017 |
|---|---------|----------|
| 30. Remuneration of Councillors (continued) | | |
| In-kind benefits | | |
| The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Executive Mayoral Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties. | | |
| The Executive Mayor and Deputy Executive Mayor have use of a Council owned vehicle for official duties. | | |
| Remuneration per councillor: | | |
| L Arries | 642,428 | 352,721 |
| C Bob | - | 30,519 |
| N Bungane | 302,329 | 241,019 |
| E Bussack | 660,611 | 527,328 |
| JP Buys | 302,329 | 241,019 |
| CM Clarke | 455,837 | 241,019 |
| BM Cornelius | 523,797 | 555,834 |
| DL Cronje | 660,611 | 527,328 |
| M Daniels | 302,329 | 241,019 |
| PH De Swart | - | 59,150 |
| EP De Villiers | 660,611 | 584,465 |
| NNE Dlephu | - | 30,519 |
| S Dlikilile | 302,329 | 241,019 |
| M Draghoender | 520,640 | 586,506 |
| M Du Preez | - | 39,521 |
| J Du Toit | 302,328 | 274,336 |
| JD Esau | 302,329 | 112,302 |
| LBC Esau | - | 30,519 |
| RS Figland | 391,899 | 241,019 |
| J Fry | 302,329 | 241,019 |
| V Gericke | 302,329 | 294,237 |
| MD Gingcana | - | 30,519 |
| FS Guga | - | 30,519 |
| WT Harris | 302,329 | 235,817 |
| LS Hayward | - | 30,519 |
| HH Ingo | 302,329 | 269,525 |
| NR James | 302,329 | 241,019 |
| N Jantjies | 302,329 | 269,525 |
| HJ Jones | - | (17,765) |
| NF Kamte | - | 30,322 |
| A Kiwit | 302,329 | 241,019 |
| MEF Kleynhans | - | 59,150 |
| NV Kom | - | 30,519 |
| PB Komani | - | 30,519 |
| IC Kritzinger | 682,944 | 629,900 |
| L Langa | 302,329 | 241,019 |
| PS Leholo | - | 30,519 |
| CI Lesele | 302,329 | 112,302 |
| H Loff | 302,329 | 241,019 |
| R Lombaard | - | 30,519 |
| P Louw | 302,329 | 241,019 |
| G Macclune | - | 50,289 |
| D Maritz | - | 62,430 |
| VE Mashini | - | 29,229 |
| NF Mdaka | 302,329 | 241,345 |

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|--|-------------------|-------------------|
| 30. Remuneration of Councillors (continued) | | |
| BH Mooi | 302,329 | 241,020 |
| ZM Moyi | - | 58,651 |
| V Muller | 302,329 | 241,019 |
| MG Naik | 867,214 | 775,078 |
| J Ncamazana | 302,329 | 241,019 |
| C Neetling | - | 30,519 |
| GC Niehaus | 382,963 | 555,834 |
| CH Noble | 660,611 | 527,328 |
| PP Nosana | 302,329 | 241,019 |
| FZ Ntozini | - | 30,519 |
| MM Nyakathi | 658,026 | 570,026 |
| B Petrus | 302,329 | 241,019 |
| B Plata | 302,329 | 266,103 |
| G Pretorius | 698,804 | 584,631 |
| LN Quepe | - | 30,519 |
| C Remas | - | 30,519 |
| S Rooiland | 302,329 | 241,019 |
| J Safers | 302,329 | 241,019 |
| B Salmani | - | 30,519 |
| GM Y Sihoyiya | - | 30,519 |
| S Snyman | 440,416 | 241,019 |
| GJ Stander | 520,153 | 584,465 |
| C Standers | - | 67,327 |
| I Stemela | 302,329 | 298,156 |
| EH Stroebe | 302,329 | 241,217 |
| T Teyisi | 302,329 | 269,525 |
| JS Thanda | - | 30,519 |
| PJ Van der Hoven | 302,329 | 269,525 |
| J Van der Westhuizen | 55,309 | - |
| GJ Van Niekerk | 302,329 | 241,019 |
| LD Van Wyk | 302,329 | 283,329 |
| AJ Van Zyl | - | 30,519 |
| M Barnard (Viljoen) | 658,026 | 555,834 |
| J Von Brandis | 438,770 | 241,019 |
| DJ Wessels | 302,329 | 241,019 |
| AM Wildeman | - | 30,519 |
| AD Wilemse | 660,611 | 542,156 |
| CT Williams | 302,329 | 269,524 |
| W Witbooi | - | 30,519 |
| G Xesi | - | 42,432 |
| | 21,519,466 | 18,800,756 |



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| Figures in Rand | 2018 | 2017 |
|--|--------------------|--------------------|
| 31. Depreciation and amortisation | | |
| Property, plant and equipment | 164,294,919 | 154,796,242 |
| Intangible assets | 716,345 | 517,402 |
| Investment property | 161,570 | 161,572 |
| | 165,172,834 | 155,475,216 |
| 32. Impairment of assets | | |
| Impairments | | |
| Trade receivables from exchange transactions | 39,392,811 | 42,528,854 |
| Trade and other receivables from non-exchange transactions | 72,594,799 | 46,558,500 |
| Loans and receivables | (211,611) | 260,003 |
| | 111,775,999 | 89,347,357 |
| The prior year figures was restated. Refer to note 45 for more detail. | | |
| 33. Finance costs | | |
| Loans and borrowings | 36,065,224 | 39,801,491 |
| Finance leases | 986,526 | 1,298,703 |
| Provision for rehabilitation of landfill site | 1,667,683 | 1,786,153 |
| Provision for Compensation Liability GIPTN | 5,420,977 | 1,222,914 |
| | 44,140,410 | 44,109,261 |
| Refer to note 18 for detail on the discounting of the provisions for the rehabilitation of the landfill site and the GIPTN Compensation Liability. | | |
| 34. Bulk purchases | | |
| Electricity | 396,388,765 | 395,745,838 |
| Water | 1,421,482 | 111,094 |
| | 397,810,247 | 395,856,932 |

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.



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| Figures in Rand | 2018 | 2017 |
|---------------------------------|--------------------|--------------------|
| 35. Contracted services | | |
| Cemeteries | 3,083,180 | 3,522,135 |
| Credit Control | 5,297,427 | 4,545,581 |
| Dumping Site Contractors | 6,846,708 | 5,998,536 |
| Electricity Distribution | 27,279,543 | 25,767,306 |
| Financial Services | 2,008,344 | 1,977,874 |
| Fire Services | 1,268,588 | 1,178,961 |
| General & additional valuations | 3,292,080 | 761,644 |
| Housing projects | 44,748,393 | 22,163,381 |
| Human Resources Contractors | 2,766,173 | 2,196,791 |
| IT Services Mainframe | 1,897,005 | 1,013,353 |
| Integrated Transport Services | 211,881,658 | 160,175,799 |
| Internal Auditors | 3,359,617 | 3,283,676 |
| Legal fees | 3,938,349 | 3,738,655 |
| Other Contractors | 17,042,462 | 17,920,218 |
| Parks and Gardens Contractors | 4,869,123 | 6,423,860 |
| Proclaimed Roads | 18,032,593 | 25,725,543 |
| Refuse Removal | 16,837,961 | 10,658,118 |
| SPCA - Small Animal Pound | 2,211,184 | 1,756,128 |
| Security | 17,174,699 | 13,106,870 |
| Sewerage | 12,451,606 | 23,136,912 |
| Sport Maintenance | 1,603,405 | 2,132,459 |
| Street Cleansing | 1,310,544 | 2,301,036 |
| Streets and Stormwater | 18,794,301 | 21,630,173 |
| Town Planning | 509,854 | 483,502 |
| Traffic Contractors | 3,456,649 | 2,293,326 |
| Water Contamination | 4,679,528 | 6,178,762 |
| Water Distribution | 12,314,660 | 11,139,662 |
| | 448,955,634 | 381,210,261 |

The prior year figures was restated. Refer to note 45 for more detail.

36. Grants and subsidies paid

Other subsidies

| | | |
|----------------------------|---------------|----------------|
| Bursary Grants | 67,855 | 120,000 |
| Merit Grants and Donations | 5,500 | 1,750 |
| | 73,355 | 121,750 |

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.

37. Loss on disposal of assets and liabilities

| | | |
|-------------------------------|--------------------|----------------|
| Property, plant and equipment | (2,624,035) | 338,495 |
| Inventory | (138,591) | (45,823) |
| | (2,762,626) | 292,672 |

The prior year figures was restated. Refer to note 45 for more detail.

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| Figures in Rand | 2018 | 2017 |
|--|-------------------|-------------------|
| 38. Other materials / Inventory | | |
| Fuel | 10,500,851 | 9,726,301 |
| Chemicals | 15,870,720 | 21,172,680 |
| Other | 4,897,077 | 2,570,953 |
| | 31,268,648 | 33,469,934 |
| 39. General expenses | | |
| Advertising, publicity and marketing | 2,815,228 | 2,510,736 |
| Auditors remuneration | 4,284,907 | 3,632,565 |
| Bank charges | 2,363,698 | 2,700,210 |
| Bargaining Council | 4,519,903 | 4,024,748 |
| Commission Third Party Vendors | 2,626,036 | 1,563,260 |
| External computer services | 7,461,087 | 10,351,784 |
| Insurance | 6,099,561 | 6,836,609 |
| Learnerships and interns | 1,150,334 | 3,403,531 |
| Lease rentals on operating leases | 14,110,086 | 13,800,659 |
| Other general expenses | 5,422,474 | 4,457,409 |
| Postage | 1,713,271 | 1,793,531 |
| Printing and publications | 3,101,267 | 3,066,716 |
| Refuse | 5,435,006 | 6,371,449 |
| Skills Development Levy | 4,611,975 | 4,043,307 |
| Telephone and fax | 2,276,945 | 2,673,073 |
| Travel - local | 3,754,705 | 2,359,956 |
| Uniforms | 2,113,107 | 1,836,030 |
| Vehicle Tracking | 12,369,194 | 7,090,639 |
| Workmen's Compensation Fund | 2,234,586 | 2,001,777 |
| | 88,463,370 | 84,517,989 |

The prior year figures was restated. Refer to note 45 for more detail.



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|---|--------------------|--------------------|
| 40. Cash generated from operations | | |
| Surplus | 174,731,124 | 64,874,395 |
| Adjustments for: | | |
| Depreciation and amortisation | 165,172,834 | 155,475,216 |
| Loss on sale of assets and liabilities | 2,762,626 | (292,672) |
| Donated asset receipts included in other income | (225,000) | (504,253) |
| Finance costs - Finance leases | 986,526 | 1,298,703 |
| Impairment of assets | 111,775,999 | 89,347,357 |
| Movements in bonus provision | 21,578 | 677,017 |
| Movements in provisions | 8,211,313 | (36,514) |
| Provisions utilised during the year | (1,811,621) | (1,098,673) |
| Movement in Employee benefit asset and liabilities - Medical Aid, Pension and Long Service Awards | 15,031,920 | 4,328,601 |
| Movement in Employee benefit asset and liabilities - Staff leave | 4,766,287 | 5,160,428 |
| Benefits paid in terms of employee benefits obligations | (7,635,176) | (6,847,548) |
| Unspent conditional grants received | 600,769,491 | 550,790,720 |
| Payments from unspent conditional grants | (605,407,392) | (459,831,835) |
| Changes in working capital: | | |
| (Increase) / Decrease in Inventories | 9,733,418 | 8,963,425 |
| Receivables from exchange transactions | (39,522,657) | (27,935,720) |
| Other receivables from non-exchange transactions | (73,120,409) | (39,245,949) |
| (Increase) / Decrease in Prepayments | (1,103,776) | (1,846,902) |
| Increase / (Decrease) in Trade and other payables from exchange transactions | 36,734,002 | 29,858,972 |
| (Increase) / Decrease in VAT | (3,655,822) | 1,009,240 |
| Increase / (Decrease) in Consumer deposits | 4,345,871 | 3,062,621 |
| | 402,561,136 | 377,206,629 |



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|--|-------------------|--------------------|
| 41. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Infrastructure | 58,897,169 | 110,582,044 |
| • Community | - | 2,336,814 |
| • Intangible assets | - | 11,184,860 |
| | 58,897,169 | 124,103,718 |
| Operating leases - as lessee (expense) | | |
| Minimum lease payments due | | |
| - within one year | 975,661 | 1,452,304 |
| - in second to fifth year inclusive | 47,339 | 1,023,000 |
| | 1,023,000 | 2,475,304 |

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



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|--|--------------------|--------------------|
| 42. Financial instruments disclosure | | |
| Categories of financial instruments | | |
| Categories of financial instruments carried at amortised cost | | |
| Financial assets | | |
| Loans and receivables | | |
| Housing Scheme Loans | 495,831 | 358,094 |
| Sale of Erven Loans | 96,402 | 95,334 |
| Loans to other organisations | - | 12,888 |
| Actaris Meter Debt | 250,338 | 219,362 |
| Trade and other receivables from exchange transactions | | |
| Service debtors | 84,030,719 | 83,958,994 |
| Other debtors | 4,849,944 | 4,791,823 |
| Other receivables from non-exchange transactions | | |
| Other debtors | 3,893,200 | 2,686,133 |
| Cash and cash equivalents | | |
| Cash and cash equivalents | 617,784,461 | 505,440,767 |
| | 711,400,895 | 597,563,395 |
| Financial liabilities | | |
| Loans and borrowings | | |
| Annuity loans | 329,480,507 | 348,285,098 |
| Other loans | 361,688 | 542,532 |
| Finance lease obligation | | |
| Finance lease obligation | 8,153,105 | 11,603,495 |
| Consumer deposits | | |
| Electricity and water deposits | 27,168,038 | 22,822,167 |
| Payables | | |
| Trade payables | 214,373,098 | 176,962,060 |
| | 579,536,436 | 560,215,352 |
| 43. Contingencies | | |
| Compensation for damages | | |
| Magnolia Ridge Properties 77 (Pty) Ltd | 700,000 | - |
| Mr Reigate | 2,000,000 | - |
| Mr Greyling | 752,000 | - |
| Southern Cape Brick | 1,000,000 | - |
| Acme Tool Hire | 1,963,793 | - |
| Coastal Armature Winders and Supplies | 500,000 | - |
| J Barnard | - | 465,000 |
| Expropriation of Portion 4 of the Farm Sandkraal No. 197 | - | 1,835,000 |
| N Landu | 2,307,000 | 2,307,000 |
| | 9,222,793 | 4,607,000 |

Magnolia Ridge Properties 77 (Pty) Ltd: Claimant brought a review application against the George Municipality regarding a decision made to claimant's application for and uses of erven 25538 and 25541. There was also an appeal against a decision on request for rectification of an alleged error on zoning scheme map of erf 25541, Kraaibosch. The possible future amounts payable on these two cases amounts to R700,000.

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43. Contingencies (continued)

Mr Reigate: The municipality is in an arbitration process relating to this person's service agreement. Possible legal costs payable by the municipality could be R1,500,000 if the arbitration award is given in favour of Mr Reigate.

Mr Greyling: The individual is claiming R752,000 as a result of injuries sustained when he fell at a Go George bus stop. His claim is against the bus operator, George Link, but George Link claims that they are not liable since the municipality is responsible for third party claims as per the Operator Agreement. This matter was referred to the municipality's insurance company.

Southern Cape Brick: The municipality instituted a claim against Southern Cape Brick for illegal mining activities in Thembaletu. Possible legal costs payable by the municipality could be R1,000,000 if the claim is not successful.

Acme Tool Hire: A summons amounting to R1,963,793 was issued against the municipality for lost equipment. This matter was referred to Goussard Attorneys.

Coastal Armature Winders and Supplies: The applicant took the municipality to court for the setting aside of a tender award. In the current application, the municipality only faces a possible court order for cost, which depending on how the other parties involved conduct the matter, might easily amount to as much as R500 000.

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 municipality's insurance paid this amount during the year.

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 wanted R10,000,000. The matter was subjected 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 arbitrator decided that the market value and legal costs should be paid by the municipality.

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.



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44. Related parties

Relationships

Councillor

Ward

| | |
|--------------|---|
| 1 | J Säfers |
| 2 | DL Cronje |
| 3 | EP De Villiers |
| 4 | M Barnardt |
| 5 | P Louw |
| 6 | HH Ingo |
| 7 | S Rooiland |
| 8 | AD Willemse |
| 9 | S Dlikilile |
| 10 | BH Mooi |
| 11 | CI Lesele |
| 12 | B Plata |
| 13 | L Langa |
| 14 | E Bussack |
| 15 | NF Mdaka |
| 16 | CH Noble |
| 17 | V Muller |
| 18 | J van der Westhuizen (Appointed May 2018) |
| | GC Niehaus (Resigned January 2018) |
| 19 | S Snyman |
| 20 | M Draghoender |
| 21 | NR James |
| 22 | G Pretorius |
| 23 | GJ Stander |
| 24 | M Daniels |
| 25 | JD Esau |
| 26 | J von Brandis |
| 27 | BM Cornelius |
| Proportional | L Arries |
| Proportional | N Bungane |
| Proportional | JP Buys |
| Proportional | CM Clarke |
| Proportional | J du Toit |
| Proportional | RS Figland |
| Proportional | J Fry |
| Proportional | V Gericke |
| Proportional | WT Harris |
| Proportional | N Jantjies |
| Proportional | A Kiwit |
| Proportional | IC Kritzingier |
| Proportional | H Loff |
| Proportional | MG Naik |
| Proportional | J Ncamazana |
| Proportional | PP Nosana |
| Proportional | MM Nyakathi |
| Proportional | B Petrus |
| Proportional | I Stemela |
| Proportional | EH Stroebel |

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44. Related parties (continued)

Councillor

Proportional
Proportional
Proportional
Proportional
Proportional
Proportional

T Teyisi
PJ van der Hoven
GJ van Niekerk
LD van Wyk
DJ Wessels
CT Williams

Directors

Directorate Financial Services
Directorate Corporate Services
Directorate Human Settlements
Directorate Planning and Development
Directorate Civil Engineering Services
Directorate Electro Technical Services
Directorate Community Services
Directorate Protection Services

K Jordaan
S James - Acting
C Lubbe
C Lubbe - Acting
R Wesso
P Gerber - Acting
W Hendricks
S Erasmus
T Botha

Municipal Manager

Related party transactions

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

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

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 29 and 30 to the Annual Financial Statements.

GIPTN Compensation Liability

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

Payments made to related parties

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



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|--|--------------------------|------------------|------------------|---------------|
| 45. Prior period errors and reclassifications | | | | |
| STATEMENT OF FINANCIAL POSITION | 2017 previously reported | Reclassification | Prior year error | 2017 restated |
| Assets | | | | |
| Current Assets | | | | |
| Inventories | 152,202,953 | - | - | 152,202,953 |
| Trade receivables from exchange transactions | 88,750,817 | - | - | 88,750,817 |
| Trade and other receivables from non-exchange transactions | 59,783,789 | - | 2,987,115 | 62,770,904 |
| Prepayments | 13,667,836 | - | - | 13,667,836 |
| Loans and receivables | 170,376 | - | - | 170,376 |
| Cash and cash equivalents | 505,440,767 | - | - | 505,440,767 |
| | 820,016,538 | - | 2,987,115 | 823,003,653 |
| Non-current Assets | | | | |
| Property, plant and equipment | 2,763,889,796 | - | - | 2,763,889,796 |
| Intangible assets | 1,433,212 | - | - | 1,433,212 |
| Heritage assets | 4,236,000 | - | - | 4,236,000 |
| Investment property | 152,088,405 | - | - | 152,088,405 |
| Loans and receivables | 515,302 | - | - | 515,302 |
| | 2,922,162,715 | - | - | 2,922,162,715 |
| Total Assets | 3,742,179,253 | - | 2,987,115 | 3,745,166,368 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Loans and borrowings | 38,885,435 | - | - | 38,885,435 |
| Finance lease obligation | 4,533,126 | - | - | 4,533,126 |
| Trade and other payables from exchange transactions | 196,188,412 | - | (2,349,401) | 193,839,011 |
| VAT payable | 345,563 | - | - | 345,563 |
| Consumer deposits | 22,822,167 | - | - | 22,822,167 |
| Employee benefits | 48,829,779 | - | - | 48,829,779 |
| Provisions | 11,083,765 | - | (2,203,740) | 8,880,025 |
| Unspent conditional grants and receipts | 104,809,637 | - | - | 104,809,637 |
| | 427,497,884 | - | (4,553,141) | 422,944,743 |
| Non-Current Liabilities | | | | |
| Loans and borrowings | 309,942,195 | - | - | 309,942,195 |
| Finance lease obligation | 7,070,369 | - | - | 7,070,369 |
| Employee benefits | 139,581,720 | - | - | 139,581,720 |
| Provisions | 75,939,972 | - | - | 75,939,972 |
| Trade and other payables from exchange transactions | 5,459,261 | - | - | 5,459,261 |
| | 537,993,517 | - | - | 537,993,517 |
| Total Liabilities | 965,491,401 | - | (4,553,141) | 960,938,260 |
| Total Net Assets | 2,776,687,852 | - | 7,540,256 | 2,784,228,108 |

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|-----------------|------|------|

45. Prior period errors and reclassifications (continued)

Net Assets

| | | | | |
|--------------------------|----------------------|----------|------------------|----------------------|
| Housing development fund | 63,214,982 | - | - | 63,214,982 |
| Accumulated surplus | 2,713,481,871 | - | 7,540,255 | 2,721,022,126 |
| | 2,776,696,853 | - | 7,540,255 | 2,784,237,108 |

STATEMENT OF FINANCIAL PERFORMANCE

| | 2017 previously reported | Reclassifi- cation | Prior year error | 2017 restated |
|---|--------------------------------|-----------------------|---------------------|----------------------|
| Revenue from exchange transactions | 958,954,574 | 4,411,056 | - | 963,365,630 |
| Service charges - Electricity | 565,449,873 | - | - | 565,449,873 |
| Service charges - Water | 121,171,738 | - | - | 121,171,738 |
| Service charges - Sewerage and sanitation charges | 81,869,035 | - | - | 81,869,035 |
| Service charges - Refuse removal | 61,813,769 | - | - | 61,813,769 |
| Service charges - Other | 18,439 | (18,439) | - | - |
| Rental revenue | 3,756,370 | - | - | 3,756,370 |
| Income from agency services | 9,445,287 | (2,297) | - | 9,442,990 |
| Licences and permits | 2,125,807 | - | - | 2,125,807 |
| Sale of erven | 9,380,586 | - | - | 9,380,586 |
| GIPTN Fare Revenue | 37,301,627 | - | - | 37,301,627 |
| Other income | 25,161,970 | 4,431,792 | - | 29,593,762 |
| Interest received - External | 37,303,968 | - | - | 37,303,968 |
| Investments | | | | |
| Interest received - Outstanding debtors | 4,156,105 | - | - | 4,156,105 |
| Revenue from non-exchange transactions | 705,564,046 | (4,411,056) | 18,495,704 | 719,648,694 |
| Property rates | 211,432,567 | - | - | 211,432,567 |
| Government grants and subsidies - Operating | 310,241,313 | - | - | 310,241,313 |
| Government grants and subsidies - Capital | 149,590,523 | - | - | 149,590,523 |
| Fines, penalties and forfeits | 34,299,643 | (4,411,056) | 18,495,704 | 48,384,291 |
| | 1,664,518,620 | - | 18,495,704 | 1,683,014,324 |



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| 45. Prior period errors and reclassifications (continued) | | | | |
| | 2017 previously reported | Reclassifi- cation | Prior year error | 2017 restated |
| Expenditure | | | | |
| Employee related cost | 407,026,726 | - | - | 407,026,726 |
| Remuneration of councillors | 18,800,756 | - | - | 18,800,756 |
| Depreciation and amortisation | 155,475,216 | - | - | 155,475,216 |
| Impairment losses | 72,145,388 | - | 17,201,969 | 89,347,357 |
| Finance cost | 44,109,261 | - | - | 44,109,261 |
| Repairs and maintenance | 91,716,014 | (91,587,954) | (128,060) | - |
| Bulk purchases | 395,856,932 | - | - | 395,856,932 |
| Contracted services | 287,682,748 | 93,527,514 | - | 381,210,262 |
| Grants and subsidies paid | 121,750 | - | - | 121,750 |
| Cost of erven sold | 8,496,419 | - | - | 8,496,419 |
| Loss on disposal of assets | 101,022 | - | (393,694) | (292,672) |
| Other materials / Inventory | 33,469,934 | - | - | 33,469,934 |
| General Expenses | 86,457,549 | (1,939,560) | - | 84,517,989 |
| | 1,601,459,715 | - | 16,680,215 | 1,618,139,930 |
| Surplus / (Deficit) for the year | 63,058,905 | - | 1,815,489 | 64,874,394 |
| CASH FLOW STATEMENT | | | | |
| | 2017 previously reported | Reclassifi- cation | Prior year error | 2017 restated |
| Net cash from operating activities | 377,252,452 | - | (45,825) | 377,206,627 |
| Net cash from investing activities | (211,070,709) | - | 45,825 | (211,024,884) |
| Net cash from financing activities | (26,063,635) | - | - | (26,063,635) |
| Total cash movement for the year | 140,118,108 | - | - | 140,118,108 |
| Cash and cash equivalents at the beginning of the year | 365,322,659 | - | - | 365,322,659 |
| | 505,440,767 | - | - | 505,440,767 |

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.



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| 45. Prior period errors and reclassifications (continued) | | |
| 45.1 Prior year error: Clearing of alien vegetation | | |
| The provision for the clearing of alien vegetation is an ongoing maintenance activity rather than an obligating event on any particular year and the provision is therefore reversed. | | |
| The effect of this correction is as follows: | | |
| (Increase) / Decrease in Contracted Services | | 128,060 |
| Increase / (Decrease) in Provisions | | (2,203,740) |
| Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2016 | | 2,075,680 |
| Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2017 | | 2,203,740 |

45.2 Prior year error: Traffic fines

The municipality did not account for all spot fines issued by the municipality and by the provincial traffic department. The effect of these spot fines and the impairment of thereof is as follows:

| | |
|---|------------------|
| (Increase) / Decrease in Receivables from non-exchange transactions | (2,987,115) |
| Decrease / (Increase) in Payables from exchange transactions | 2,349,401 |
| Increase / (Decrease) in Fines, penalties and forfeits | 18,495,704 |
| (Increase) / Decrease in Impairment loss | (16,808,275) |
| Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2016 | 3,649,086 |
| Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2017 | 5,336,515 |

45.3 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.

During the previous financial year, all balances were reclassified to conform with the mSCOA chart of accounts. This balance was reclassified in the current year as follows:



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|---|--------------------|------------------------|--------------------|
| 45. Prior period errors and reclassifications (continued) | | | |
| Revenue | 2017 | mSCOA reclassification | 2017 reclassified |
| Service charges - Other | 18,439 | (18,439) | - |
| Income from agency services | 9,445,287 | (2,297) | 9,442,990 |
| Other income | 25,161,970 | 4,431,792 | 29,593,762 |
| | 34,625,696 | 4,411,056 | 39,036,752 |
| Expenditure | 2017 | mSCOA reclassification | 2017 reclassified |
| Repairs and maintenance | 91,716,014 | (91,716,014) | - |
| Contracted services | 287,682,748 | 93,655,574 | 381,338,322 |
| General expenses | 86,457,549 | (1,939,560) | 84,517,989 |
| | 465,856,311 | - | 465,856,311 |

45.4 Impairment of loans and borrowings incorrectly classified as loss on disposal of assets and liabilities

The accounts for the impairment and write off of the loans and receivables was incorrectly classified as loss on disposal of assets and liabilities. This incorrect allocation was corrected as follows:

| | |
|---|-----------|
| (Increase) / Decrease in Loss on disposal of assets and liabilities | 393,694 |
| (Increase) / Decrease in Impairment loss | (393,694) |
| Increase / (Decrease) in Accumulated surplus for the year ended 30 June 2017 | - |

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 markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk.

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

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

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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.

| At 30 June 2018 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|--------------------------|-----------------------------|----------------------------------|----------------------------------|---------------------|
| Loans and borrowings | 73,490,648 | 63,187,807 | 170,544,003 | 184,524,442 |
| Consumer deposits | 27,168,038 | - | - | - |
| Trade and other payables | 192,399,658 | 2,584,831 | 645,144 | - |
| At 30 June 2017 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| 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 | - |

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 counterparty to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur financial loss.

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

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

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46. Risk management (continued)

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

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

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

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

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

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

| Financial instruments | 2018 | 2017 |
|--|--------------------|--------------------|
| Loans and receivables | 842,571 | 685,678 |
| Receivables from exchange transactions | 88,880,663 | 88,750,817 |
| Receivables from non-exchange transactions | 38,268,554 | 62,770,904 |
| Cash and cash equivalents | 617,784,461 | 505,440,767 |
| | 745,776,249 | 657,648,166 |

The method for determining the credit quality of the different financial instruments is 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.

47. Unauthorised expenditure

Depreciation

| | | |
|---------------------------------------|------------------|----------|
| Opening balance | - | - |
| Unauthorised expenditure current year | 8,663,441 | - |
| Approved by Council | - | - |
| | 8,663,441 | - |

Unauthorised expenditure on depreciation relates to actual depreciation being more than budgeted.

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47. Unauthorised expenditure (continued)

Unauthorised expenditure for the year ending 30 June 2018 will be presented to the Council after year end to be condoned.

Impairment losses

Reconciliation of unauthorised expenditure

| | | |
|---------------------------------------|--------------------------|--------------------------|
| Opening balance | 51,865,079 | 26,335,465 |
| Unauthorised expenditure current year | 47,637,439 | 25,529,614 |
| Approved by Council | (35,056,804) | - |
| | <u>64,445,714</u> | <u>51,865,079</u> |

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

Unauthorised expenditure for the year ending 30 June 2018 will be presented to the Council after year end to be condoned.

The balance of the prior year unauthorised expenditure was increased from R8,721,339 to R25,529,614 as a result of a prior year error on traffic fines. Refer to note 45.2. The increased amount will be presented to Council after year end to be condoned.

Finance charges

Reconciliation of unauthorised expenditure

| | | |
|---------------------------------------|-------------------------|-------------------------|
| Opening balance | 9,399,471 | 4,610,535 |
| Unauthorised expenditure current year | 6,030,588 | 4,788,936 |
| Approved by Council | (9,399,471) | - |
| | <u>6,030,588</u> | <u>9,399,471</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 2018 will be presented to the Council after year for approval.



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| 47. Unauthorised expenditure (continued) | | |
| Other materials / Inventory | | |
| Reconciliation of unauthorised expenditure | | |
| Opening balance | 5,801,824 | - |
| Unauthorised expenditure current year | - | 5,801,824 |
| Approved by Council | (5,801,824) | - |
| | <u>-</u> | <u>5,801,824</u> |
| Loss on disposal of PPE | | |
| Reconciliation of unauthorised expenditure | | |
| Opening balance | 97,823 | - |
| Unauthorised expenditure current year | - | 97,823 |
| Approved by Council | (97,823) | - |
| | <u>-</u> | <u>97,823</u> |
| Capital expenditure | | |
| Reconciliation of unauthorised expenditure | | |
| Opening balance | 2,350,696 | 2,350,696 |
| Unauthorised expenditure current year | - | - |
| Approved by Council | (2,350,696) | - |
| | <u>-</u> | <u>2,350,696</u> |



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| 48. Irregular expenditure | | |
| Opening balance | 124,830 | 137,071 |
| Add: Irregular Expenditure - current year | 11,721,578 | - |
| Less: Amounts condoned | - | (12,241) |
| | 11,846,408 | 124,830 |

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

Details of irregular expenditure

Current year irregular expenditure:

| | |
|--|-------------------|
| 3 quotations not obtained | 595,608 |
| PPPFA Points System | 795,687 |
| Deviations not valid | 4,464,284 |
| Declaration of interest (MBD4) not obtained | 509,607 |
| Unfair awarding of points to the winning bidder during functionality | 5,356,392 |
| | 11,721,578 |

Section 44 of the MSA outlines the functions and powers of the executive committee. None of these powers and functions include a role in individual procurement transactions. Section 56 of the MSA outlines the powers and functions of the executive mayor. None of these powers and functions include a role in individual procurement transactions. MFMA Section 117 states that: "Councillors barred from serving on municipal tender committees. No councillor of any municipality may be a member of a municipal bid committee or any other committee evaluating or approving tenders, quotations, contracts or other bids, nor attend any such meeting as an observer." A section 80 committee operates as per mandate from the executive mayor or executive committee – and such mandate shall not include involvement in tender processes as this is not within the scope of the powers and functions of the executive committee or executive mayor. Instance whereby the section 80 committee were involved in the tender process was identified. The municipality has not been able to quantify the impact of the above.

Prior year 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.

Alleged Irregular Expenditure under investigation

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



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48. Irregular expenditure (continued)

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.

-

49. Fruitless and wasteful expenditure

| | | |
|--|---------|---------|
| Opening balance | 687,271 | 168,368 |
| GO George bus tickets: Cost price of old bus tickets destroyed after bus tariff increase | - | 518,903 |

| | |
|----------------|----------------|
| 687,271 | 687,271 |
|----------------|----------------|

Fruitless and wasteful expenditure consist out of the following:

| | | |
|--|---------|---------|
| Interest paid on incorrect submission of the Value Added Tax return at SARS | 22,193 | 22,193 |
| Procurement of goods and services in the upgrading of various sport facilities | 103,063 | 103,063 |
| Misuse of a 3G data card | 43,112 | 43,112 |
| GO George bus tickets: Cost price of old bus tickets destroyed after bus tariff increase | 518,903 | 518,903 |

| | |
|----------------|----------------|
| 687,271 | 687,271 |
|----------------|----------------|

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 2018 is being referred to a Section 32 committee for a recommendation to Council.

50. Material losses

Electricity distribution

| | | |
|-------------------------------------|-------------|-------------|
| Units purchased (KWh) | 470,867,215 | 471,388,798 |
| Units lost during distribution | 35,741,355 | 36,047,703 |
| Percentage lost during distribution | 7.59 | 7.65 |

Water distribution

| | | |
|-------------------------------------|------------|------------|
| Kilolitres purified | 11,187,913 | 13,157,011 |
| Kilolitres lost during distribution | 3,025,560 | 3,908,501 |
| Percentage lost during distribution | 27.04 | 29.71 |



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| 51. In-kind donations and assistance | | |
| The following assets have been donated to the municipality and form part of the Investment property additions for the year: | | |
| Property, plant and equipment | | |
| Vehicles for the law enforcement department | - | 410,650 |
| Electronic equipment for the housing department | - | 14,647 |
| Computer equipment for the branch libraries | - | 78,956 |
| Investment property | | |
| Skatelab building | 225,000 | - |
| | 225,000 | 504,253 |
| 52. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to organised local government | | |
| Opening balance | (3,923,844) | (3,245,749) |
| Current year subscription / fee | 3,923,844 | 3,725,739 |
| Amount paid - current year | (4,504,678) | (4,403,834) |
| Prepayment - Refer to note 5 | (4,504,678) | (3,923,844) |
| The municipality pays the SALGA membership fees annually in May for the following financial year in order to receive a 5% discount. Refer to note 5 for more detail. | | |
| Audit fees | | |
| Current year subscription / fee | 4,284,907 | 3,465,843 |
| Amount paid - current year | (4,284,907) | (3,465,843) |
| | - | - |
| PAYE and UIF | | |
| Current year subscription / fee | 66,952,257 | 59,292,452 |
| Amount paid - current year | (66,952,257) | (59,292,452) |
| | - | - |
| Pension and Medical Aid Deductions | | |
| Current year subscription / fee | 93,269,333 | 78,109,994 |
| Amount paid - current year | (93,269,333) | (78,109,994) |
| | - | - |
| VAT | | |
| VAT receivable / (payable) | 3,310,259 | (345,563) |

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

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



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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 2018:

| 30 June 2018 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|--------------|--|--|------------|
| | - | - | - |
| 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 |

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.

2018

| | Less than R30,000 | Between R30,001 and R200,000 | Between R200,001 and R2,000,000 | More than R2,000,000 |
|---------------------------------|----------------------|------------------------------------|---------------------------------------|-------------------------|
| Office of the Municipal Manager | 554,395 | 1,907,705 | 805,392 | - |
| Civil Engineering Services | 510,326 | 6,363,727 | 13,009,524 | - |
| Community Services | 802,881 | 1,923,357 | 4,849,325 | - |
| Corporate Services | 155,466 | 294,670 | 1,343,989 | 2,223,989 |
| Electro-technical Services | 491,256 | 919,751 | 1,056,743 | 2,300,000 |
| Financial Services | 72,913 | 955,003 | 2,037,918 | - |
| Human Settlement | 18,608 | 94,034 | - | - |
| Planning and Development | 190,556 | 200,084 | 500,000 | - |
| Protection Services | 185,783 | 796,793 | 387,780 | - |
| | 2,982,184 | 13,455,124 | 23,990,671 | 4,523,989 |

2017

| | 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 | - |
| | 2,962,880 | 7,485,421 | 5,226,963 | 12,167,489 |

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

The major deviations were as follows:

2018

| Awarded | Amount | Reason / Explanation |
|-------------------------------|---------------|--|
| Metsi Chem iKapa | 7,192,317 | Impossible to follow the official procurement process. Sole supplier in the Western Cape. Received direct quotes from three suppliers. Tender is in the final stage. |
| Chlorcape | 5,772,686 | Impossible to follow the official procurement process. Sole supplier in the Western Cape. Received direct quotes from three suppliers. Tender is in the final stage. |
| Microsoft | 4,245,097 | Sole supplier - Software licenses, Enterprise agreement & Azure Commit. |
| Numecento | 3,525,379 | Impossible to follow the official procurement process. Service providers on year tender did not have the equipment available for the War on Waste project: Hiring of TLB's and Trucks. |
| Powerrec TRF | 2,300,000 | Emergency . Rewinding of bonar long transformer |
| Mr Noodles | 1,206,576 | Impossible to follow the official procurement process. Emergency Service providers on year tender did not have the equipment available. War on Waste project and bulldozer for refuse site: Hiring of trucks and bulldozers. |
| Ultra Water | 782,952 | Impossible to follow the official procurement process. Sole supplier in the Western Cape. Received direct quotes from three suppliers. Tender is in the final stage. |
| Almex Transport Solutions | 772,188 | Sole supplier for the fare collection and ticket validation systems. |
| ESRI SA | 620,206 | Exceptional case and impractical to follow the official procurement process. ESRI is the current supplier of the enterprise wide GIS solution - GIS development and maintenance |
| A Bruinders | 500,000 | Acquisition of repair workers to historical building - Repairs and restoration of the heritage building in Pacaltsdorp |
| Adenco Construction | 435,784 | Impossible to follow the official procurement process. Contractor on site need to repair work on 66Kv line |
| Elements Consulting Engineers | 362,296 | Impossible to follow the official procurement process. Elements were appointed for the design of phase 2 in the construction monitoring of Ballots Bay to Glenwood 66Kv line. |
| First Technology | 294,670 | Impossible to follow the official procurement process. First Technology was appointed by Microsoft as their solutions partner for Business Support |
| Reinhausen SA | 258,662 | Emergency. Repairs to OLTC situated at Protea sub station. |
| Outeniqua Plastics | 234,749 | Impossible to follow the official procurement process. Tender is in the final stage of evaluation. Direct negotiations with suppliers for black refuse bags. |
| Eden FAM | 220,833 | Sole supplier of radio talk slots and adverts |
| Business Engineering | 220,000 | Sole supplier of the Collaborator system support service |
| RAW Projects | 216,602 | Impossible to follow the official procurement process. Formal process were followed without any success - Specialised trailers. |
| Huber Technology | 216,545 | Sole supplier of Huber equipment |
| JPCE (Pty) Ltd | 215,346 | Emergency. Waste diversion feasibility study |
| Brasika Consulting | 200,151 | Impossible to follow the official process. Adv Venter has previously provided professional services to the municipality including governance arrangements relating to the IGA and FA - Legal advice: Review of existing contracts with DTPW in relation to GIPTN |

29,793,039

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

2017

| 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. |
| | 17,594,452 | |



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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 | | |
|--|----------------|------------------------|---|--------------|------------|------------|
| Willvest Twenty Three (Pty) Ltd t/a Urhwebo E-Transand | Various | Various | Various | Various | 18,591,438 | 20,398,836 |
| Aurecon SA (Pty) Ltd | Various | Various | Various | Various | 8,242,802 | 7,221,025 |
| | ZB Ebrahim | Non-executive director | Social Housing Regulatory | | | |
| SMEC South Africa (Pty) Ltd | M Phosa | Member | Finance - Mpumalanga Provincial Government | Spouse | 6,012,271 | 7,123,439 |
| ABSA Bank | M Ramos | CEO | SA Politician | Spouse | 5,725,430 | 5,898,205 |
| | LL Von Zeuner | Director | Department of Health | Brother | | |
| Moreki Distributors | MD Moreki | Director | Palm Springs Magistrates Courts | Spouse | 4,439,775 | 10,809,397 |
| Royal Haskoning DHV | JD van Eeden | Member | Councillor Langeberg | Brother | 4,147,731 | 16,101,754 |
| | | | Department of Water Affairs | Nephew | | |
| iKapa Reticulation and Flow CC | SFA Davids | Director | Western Cape Education Department - Teacher | Spouse | 2,518,219 | 1,569,713 |
| Minolta SA:George | KR Mthimunye | Non-executive director | Mintek | | 1,997,473 | 1,898,741 |
| ISHS | CM Willemse | Director | Teacher | Parent | 1,339,416 | 1,056,837 |
| Delacom | VV Zwane | Director | Social Worker | Spouse | 1,299,040 | - |
| Trentyre | MP Mona | Member | SA Forestry Company | | 1,266,357 | 84,122 |
| | A Sing | Non-executive director | DBSA | | | |
| Raubenheims Incorporated | WM Luttig | Director | Teacher | Spouse | 1,115,135 | 1,915,599 |
| DWMN Contractors | D Williams | Owner | Official at George Municipality | | - | 13,100 |
| Conlog | L Moodley | Commercial director | Provincial Health Department of KZN | Spouse | 904,366 | 840,533 |
| | L Gaxeni | Quality Manager | Eskom KZN: Deductor Manager | Spouse | | |
| Adenco Construction | V Machimana | Director | Department of Health | Parent | 687,847 | 360,267 |
| | DCC Jackson | Director | Teacher | Parent | | |
| SMS ICT Choice (Pty) Ltd | SS Maqula | Director | Eastern Cape Department of Human Settlements (Director) | Spouse | 390,467 | 339,976 |
| Elster Kent Metering | NY Nkabinde | Director | Competition Commissioner | | 351,507 | 129,082 |

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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 | | |
|--|----------------|------------------------|---|------------------|---------|-----------|
| Servelec (Pty) Ltd | W Louw | Proposals Manager | SARS Port Elizabeth - Debtors Clerk | Spouse | 318,606 | 2,852,044 |
| 2 Brothers Enterprise | J Booysen | Director | Official at George Municipality | Sister in law | 309,500 | 49,367 |
| Total Client Service | V Zitumane | Member | EC Parks & Tourism | | 258,638 | 241,652 |
| | BKD Mafu | Non-executive director | EC Liquor Board | | | |
| Bearing Warehouse | FC Zeelie | Member | Department of Agriculture | Spouse | 232,569 | 195,920 |
| Wolfe Pack Race | K Langeveldt | Director | Councillor at George Municipality | Spouse | 207,543 | 131,699 |
| | | | Councillor at George Municipality | Brother | | |
| PNB Civils | P Barnardo | Director | Was employed at Mossel Bay Municipality | | 205,991 | - |
| DNF Construction | DF Noemdoe | Owner | Official at George Municipality | Sister | 203,397 | - |
| Gibb (Pty) Ltd | Various | Various | Various | Various | 199,500 | - |
| Tuiniqua Consulting Engineers | E Huistra | Member | Department of Education | Spouse | 160,338 | 243,143 |
| Zuksem projects 01 (Pty) Ltd | BM Bokwe | Owner | Official at George Municipality | Business Partner | 133,990 | - |
| Montidox CC | N Beja | Director | Department of Health | Spouse | 129,978 | 336,030 |
| INCA Portfolio Managers | M Mokoene | Non-executive director | Gautrain Management Agency | | 93,720 | 75,240 |
| Seebosrand Catering | ME Classen | Owner | Official at George Municipality | Daughter | 79,304 | 99,777 |
| Avela General Service and Construction | N Nongogo | Owner | Department of Health: Ambulance Assistant | Son | 46,203 | 54,953 |
| | P Nongogo | Owner | Department of Health: Admin Clerk | Daughter | | |
| CMS Consulting Service | CAJ Vancoillie | | WC Provincial Government: Chief Town & Regional Planner | Son | 43,958 | - |
| Omnisolar | JE Albert | Member | Not Indicated | Spouse | 14,884 | 11,041 |
| A Louw t/a Goossen, Clough & Louw | A Louw | Director | Western Cape Education Department | Spouse | 14,854 | 91,666 |
| Jaji Bee Relocation and Honey Farming | QJ Jaji | Owner | Official at George Municipality | Daughter | 13,800 | 29,600 |
| Nikwe Enterprise (Pty) Ltd | M Olivier | Owner | Admin Officer Housing | Wife | 2,800 | - |

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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 | | |
|-----------------------------|----------------|------------------|-----------------------------------|--------------|-------------------|-------------------|
| Old Mutual Investments | S Cronje | | Councillor at George Municipality | Son | Investments | |
| MVD Consulting Engineers | CV Swart | Director | Teacher | Spouse | - | 2,485,464 |
| Noble Enterprise | J Noble | Director | Councillor at George Municipality | Spouse | - | 172,963 |
| NB Trading and Garage Doors | JJ Frans | Owner | Official at George Municipality | Spouse | - | 131,589 |
| Leap Quantity Survey | AN Grobler | Director | Department of Justice | Spouse | - | 70,538 |
| Huriqua (Pty) Ltd | C Lamberts | Director | Deputy Director WC Agriculture | | - | 22,170 |
| | | | | | 61,698,847 | 83,033,312 |

53. Utilisation of Long-term liabilities reconciliation

| | | |
|------------------------------|-------------|-------------|
| Long-term liabilities raised | 329,842,195 | 348,827,630 |
|------------------------------|-------------|-------------|

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.

54. Municipal Land Transport Fund

Included in the Accumulated surplus is the Municipal Land Transport Fund for the George Integrated Public Transport Network as required by the National Land Transport Act, (Act No. 5 of 2009). Refer to accounting policy 1.24 for more information on the fund.

The transactions for the year were:

| | | |
|-------------------|-------------------|-------------------|
| Opening balance | 10,054,101 | 351 |
| National grants | 124,764,718 | 72,998,000 |
| Provincial grants | 95,545,129 | 91,134,776 |
| Fare revenue | 39,419,283 | 37,301,627 |
| Other income | 1,883,825 | 1,171,947 |
| Interest received | 348,600 | 2,609,325 |
| Less: Expenses | (252,381,748) | (195,161,925) |
| | 19,633,908 | 10,054,101 |

55. Budget differences

55.1 Investment revenue

The variance of 20% between the actual and budget amounts received relates to the bank interest received being more than anticipated.

55.2 Debt impairment

The difference between the final adjustments budget and the actual amounts is 54%. The differences consist of an increase in the provision of consumer debtors handed over for collection.

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55. Budget differences (continued)

55.3 Finance charges

The difference between the final adjustments budget and the actual amounts is 16%. The differences consist the interest on the provisions for the rehabilitation of the landfill site and GIPTN compensation provision. Refer to note 18 for detail.

55.4 Transfers and grants

The difference between the final adjustments budget and the actual amounts is 94%. There was R1,000,000 budgeted in this category and was spent but was accounted for as part of contracted services.

55.5 Transfers recognised - capital

The variance of 19% between the actual amount spent and the amount budgeted is due to the under spending on the Nelson Mandela Boulevard capital project.

55.6 Capital - Finance and Administration

The difference between the final adjustments budget and the actual amounts is 19% and consist of the fire detection system and extension of the reception area at Community Services which was not completed and rolled over to the 2019 financial year.

55.7 Capital - Community Services

The difference between the final adjustments budget and the actual amounts is 36% and consist of vehicles that was not purchased during the financial year. The budget for the Super Sucker was less than the tender amount and the department decided to cancel the process.

55.8 Capital - Public safety

The difference between the final adjustments budget and the actual amounts is 33% and consist of a saving on the procurement of a bakkie at Fire Services which is funded by a Provincial Grant. A request for roll over to the 2019 financial year was submitted.

55.9 Capital - Planning and development

The difference between the final adjustments budget and the actual amounts is 11% and consist of the savings on smaller projects.

55.10 Capital - Road transport

The difference between the final adjustments budget and the actual amounts is 15% and consist out of work that was done on proclaimed roads (Courtney Street) and this expenditure was moved to the operational expenditure as this asset is not an asset of the Municipality.



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|-----------------|------|------|
|-----------------|------|------|

55. Budget differences (continued)

55.11 Capital - Electricity

The difference between the final adjustments budget and the actual amounts is 28%. There was delays in the awarding of the tender for the Thembaletu / Glenwood 66kv overhead line projector funded from INEP. A request to roll over the grant to the 2019 financial year was submitted.

55.12 Capital - Water

The difference between the final adjustments budget and the actual amounts is 30% and consist mainly out of underspending on the raising of the Garden Route Damwall project. A letter of appointment was sent to a successfully contractor in January but the contractor withdrew his tender. The project will be rolled over to the 2019 financial year.

55.13 Capital - Waste Water Management

The difference between the final adjustments budget and the actual amounts is 22% and consist mainly out of the delay in the upgrading of the Outeniqua waste water treatment works which will be rolled over to the 2019 financial year.

55.14 Capital - Waste management

The difference between the final adjustments budget and the actual amounts is 35% and consist mainly out of the building and compost plan which could not be completed because the estimated cost was more than the budget. Extension of the transfer station project could also not be completed because the PPPFA conditions needed to be reworked.

55.15 Capital - Other

The difference between the final adjustments budget and the actual amounts is 49% and consist of work done on the website which was transferred to the operating budget.

55.16 Capital expenditure: Executive and council

The difference between the final adjustments budget and the actual amounts is 94%. The municipality budgeted to buy a building but instead a three year rental agreement was entered into to lease additional office space in the old ABSA building.

55.17 Other own revenue

The difference between the final adjustments budget and the actual amounts is 14% and consist mainly out of traffic fines. The actual amounts received from traffic fines was budgeted for and not the traffic fines issued.

56. Events after the reporting date

On Friday 26 October 2018 a veld fire occurred in the George municipal area and the fire continued for a few days. To date the financial impact of the fire is unknown



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

LM 12 Dec 2018

GEORGE LOCAL MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
Appendix to the Financial Statements

Property, plant and equipment - detailed analysis

| 2018 | Cost | | | | Work in progress | | | | | | Accumulated depreciation | | | | | | | | Carrying Value |
|-------------------------------|---------------|-------------|-------------------------|-----------|------------------|---------------|---------------|-------------|-------------|-------------------------|--------------------------|-------------|---------------|---------------|-----------------------------------|-----------|-------------|-----------------|----------------|
| Type | B/Fwd.Cost | Additions | Completed Constructions | Disposals | Transfer | Transfers | C/Fwd.Cost | B/Fwd.WIP | Additions | Completed Constructions | Transfer | C/Fwd.WIP | B/Fwd.Deprec. | Additions | Impairments / Impairment reversal | Disposals | Transfers | C/Fwd.Deprec. | |
| INFRASTRUCTURE | | | | | | | | | | | | | | | | | | | |
| ACCESS CONTROL ELECTRICITY | 23,152 | 185,185 | - | - | - | 208,337 | 416,673 | - | - | - | - | - | (9,286) | (17,010) | - | - | - | (26,296) | 390,377 |
| ACCESS CONTROL WATER | 28,000 | - | - | - | - | 28,000 | 56,000 | - | - | - | - | - | (15) | (5,600) | - | - | - | (5,615) | 50,385 |
| BRIDGES, SUBWAYS & CULVERTS | 22,775,387 | 9,192,339 | - | - | - | 31,967,725 | 63,935,450 | - | - | - | - | - | (6,555,618) | (1,012,757) | - | - | - | (7,568,375) | 56,367,075 |
| BUS TERMINALS | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| BUS STOP | 26,609,775 | 5,521,868 | 1,415,864 | - | - | 33,547,507 | 67,095,014 | 3,299,323 | 7,724,485 | (1,415,864) | - | 9,607,944 | (1,966,893) | (1,331,440) | - | - | - | (3,298,333) | 73,404,625 |
| CAR PARKS | 3,936,284 | 199,192 | - | - | - | 4,135,476 | 8,270,952 | - | - | - | - | - | (1,757,304) | (181,194) | - | - | - | (1,938,498) | 6,332,455 |
| FENCING ELECTRICITY | 14,654,432 | - | - | - | 668,632 | 15,323,064 | 30,646,128 | - | - | - | - | - | (2,186,024) | (4,449,219) | - | - | - | (6,635,243) | 24,010,884 |
| FENCING WASTE WATER | 4,422,426 | - | - | - | - | 4,422,426 | 8,844,851 | - | - | - | - | - | (3,283,880) | (344,905) | - | - | - | (3,628,785) | 5,216,066 |
| FENCING WATER | 3,197,666 | - | - | - | - | 3,197,666 | 6,395,333 | - | - | - | - | - | (2,201,093) | (112,659) | - | - | - | (2,313,752) | 4,081,581 |
| FOOTWAYS | 26,463,664 | - | - | - | - | 26,463,664 | 52,927,328 | - | - | - | - | - | (4,009,196) | (1,398,787) | - | - | - | (5,407,983) | 47,519,346 |
| KERBING | 893,326 | - | - | - | - | 893,326 | 1,786,653 | - | - | - | - | - | (233,498) | (44,664) | - | - | - | (278,161) | 1,508,492 |
| LANDFILL SITE | 10,327,047 | - | - | - | - | 10,327,047 | 20,654,094 | - | - | - | - | - | (5,341,727) | (2,065,368) | - | - | - | (7,407,095) | 13,246,999 |
| LOAD CONTROL EQUIPMENT | 14,593,980 | 573,697 | - | - | - | 15,167,677 | 30,335,354 | - | - | - | - | - | (4,202,805) | (610,243) | - | - | - | (4,813,048) | 25,522,305 |
| MAINS ELECTRICITY | 6,605,422 | - | - | - | - | 6,605,422 | 13,210,844 | - | - | - | - | - | (3,483,644) | (345,192) | - | - | - | (3,828,836) | 9,382,008 |
| MAINS WATER | 12,577,517 | - | - | - | - | 12,577,517 | 25,155,034 | - | - | - | - | - | (4,930,827) | (538,348) | - | - | - | (5,469,176) | 19,685,858 |
| METERS ELECTRICITY | 460,793 | 78,883 | - | - | - | 539,676 | 1,079,351 | - | - | - | - | - | (160,737) | (23,568) | - | - | - | (184,304) | 895,047 |
| METERS WATER | 7,801,848 | 339,108 | - | - | - | 8,140,957 | 16,281,913 | - | - | - | - | - | (4,315,654) | (429,119) | - | - | - | (4,744,774) | 11,537,140 |
| MOTORWAYS | 308,314 | - | - | - | - | 308,314 | 616,629 | - | - | - | - | - | (206,217) | (20,554) | - | - | - | (226,771) | 389,857 |
| OUTFALL SEWERS | 727,862 | 768,512 | - | - | - | 1,496,374 | 2,992,748 | 3,000,000 | 2,821,938 | - | - | 5,821,938 | (270,405) | (36,498) | - | - | - | (306,902) | 8,507,784 |
| PAVING | 29,159,308 | 1,131,224 | (40,118) | - | 2,498,207 | 32,748,621 | 65,497,241 | - | 40,118 | - | - | 40,118 | (9,730,635) | (1,517,768) | - | - | - | (11,248,403) | 54,288,956 |
| PIPELINES | 73,141,367 | - | - | - | - | 73,141,367 | 146,282,733 | - | - | - | - | - | (22,762,385) | (3,656,241) | - | - | - | (26,418,626) | 119,864,107 |
| POWER STATIONS | 527,809 | - | - | - | - | 527,809 | 1,055,617 | - | - | - | - | - | (514,380) | (3,868) | - | - | - | (518,248) | 537,369 |
| PUMP STATIONS | 99,913,501 | 235,850 | - | - | - | 100,149,351 | 200,298,701 | 5,852,022 | 1,889,962 | - | - | 7,741,984 | (36,895,128) | (4,961,455) | - | - | - | (41,856,583) | 166,184,102 |
| PURIFICATION WORKS | 59,029,457 | 188,300 | (28,289,279) | - | 35,430,404 | 66,358,882 | 132,717,764 | 34,032,854 | 28,289,279 | - | - | 62,322,133 | (14,422,720) | (3,700,367) | - | - | - | (18,123,088) | 176,916,809 |
| OTHER ROADS | 565,202,510 | 4,432,767 | (80,177,220) | - | 103,324,148 | 592,782,205 | 1,185,564,411 | 39,301,771 | 80,177,220 | - | - | 119,478,992 | (324,275,928) | (44,497,828) | - | - | 22 | (368,773,734) | 936,269,669 |
| SECURITY SYSTEMS ROADS | 5,054,592 | - | - | - | - | 5,054,592 | 10,109,184 | - | - | - | - | - | (2,770) | (1,010,898) | - | - | - | (1,013,667) | 9,095,517 |
| SECURITY SYSTEMS WASTE WATER | 211,041 | 477,744 | - | - | - | 688,785 | 1,377,569 | - | - | - | - | - | (132,102) | (23,429) | - | - | - | (155,532) | 1,222,037 |
| SECURITY SYSTEMS WATER | 33,051 | - | - | - | - | 33,051 | 66,102 | - | - | - | - | - | (31,435) | (321) | - | - | - | (31,756) | 34,346 |
| SECURITY LIGHTING ELECTRICITY | 929,687 | - | - | - | - | 929,687 | 1,859,373 | - | - | - | - | - | (62,318) | (61,978) | - | - | - | (124,296) | 1,735,077 |
| SECURITY SYSTEMS ELECTRICITY | 1,457,935 | 69,957 | - | - | - | 1,527,892 | 3,055,785 | - | - | - | - | - | (920,260) | (70,503) | - | - | - | (990,763) | 2,065,021 |
| SEWERS | 249,952,636 | (2,708,296) | (4,733,555) | - | 4,733,555 | 247,244,340 | 494,488,680 | 54,136,688 | 4,733,555 | (4,164,111) | - | 54,706,131 | (101,082,332) | (11,006,257) | - | - | - | (112,088,589) | 437,106,222 |
| SLUDGE MACHINES | 4,791,182 | - | - | - | - | 4,791,182 | 9,582,365 | - | - | - | - | - | (2,666,747) | (208,930) | - | - | - | (2,875,677) | 6,706,687 |
| SEWERAGE PUMPS | 19,373,501 | - | - | - | - | 19,373,501 | 38,747,003 | - | - | - | - | - | (8,771,264) | (9,901,231) | - | - | - | (18,672,495) | 20,114,508 |
| STREET LIGHTING | 29,787,586 | 5,797,809 | (2,496,778) | - | 3,172,064 | 36,260,682 | 72,521,363 | 357,103 | 2,496,778 | - | - | 2,853,881 | (11,813,766) | (1,200,274) | - | - | - | (13,014,040) | 62,361,204 |
| SUPPLY/RETICULATION ELECTR | 250,810,532 | 372,949 | (13,972,996) | - | 14,270,655 | 251,481,140 | 502,962,280 | 4,112,116 | 13,972,996 | (8,924) | - | 18,076,188 | (102,060,374) | (11,148,286) | - | - | - | (113,208,661) | 407,829,808 |
| SUPPLY/RETICULATION GAS | 2,439,947 | - | - | - | - | 2,439,947 | 4,879,894 | - | - | - | - | - | (1,109,666) | (121,995) | - | - | - | (1,231,661) | 3,648,233 |
| SUPPLY/RETICULATION WATER | 278,395,638 | 2,653,937 | - | - | - | 281,049,575 | 562,099,151 | 3,698,291 | 4,396,576 | - | - | 8,094,867 | (124,497,788) | (12,917,161) | - | - | - | (137,414,949) | 432,779,069 |
| STORMWATER DRAINS | 115,942,407 | 114,989 | - | - | - | 116,057,396 | 232,114,791 | 39,434 | 3,500 | - | - | 42,934 | (46,977,400) | (6,896,571) | - | - | - | (53,873,972) | 178,283,754 |
| SWITCHGEAR EQUIPMENT | 28,754,060 | 2,590,124 | - | - | - | 31,344,184 | 62,688,368 | 3,003,833 | 217,295 | - | - | 3,221,128 | (10,824,598) | (1,326,288) | - | - | - | (12,150,886) | 53,758,610 |
| RESERVOIRS & TANKS | 25,549,881 | 56,537 | (19,191,330) | - | 19,191,330 | 25,606,419 | 51,212,837 | 22,858,279 | 19,191,330 | - | - | 42,049,610 | (12,784,708) | (1,041,261) | - | - | (22) | (13,825,991) | 79,436,456 |
| TAXIWAYS | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| TIP SITE GEORGE | 3,945,374 | 2,498,890 | - | - | - | 6,444,264 | 12,888,528 | - | - | - | - | - | (3,440,243) | (484,329) | 1,621,859 | - | - | (2,302,713) | 10,585,814 |
| TIP SITES | 9,887,592 | - | - | - | - | 9,887,592 | 19,775,185 | 522,467 | 8,348 | - | - | 530,815 | (3,677,466) | (332,888) | - | - | - | (4,010,355) | 16,295,645 |
| TRANSFORMER KIOSKS | 110,383,793 | - | - | - | - | 110,383,793 | 220,767,587 | 812,564 | 1,926,472 | - | - | 2,739,036 | (30,106,210) | (3,690,503) | - | - | - | (33,796,713) | 189,709,910 |
| TRAFFIC ISLANDS | 357,019 | - | - | - | - | 357,019 | 714,037 | - | - | - | - | - | (106,029) | (35,034) | - | - | - | (141,063) | 572,974 |
| TRAFFIC LIGHTS | 20,583,602 | 10,017,560 | 1,687,119 | - | - | 32,288,281 | 64,576,562 | 1,687,119 | 1,657,779 | (1,687,119) | - | 1,657,779 | (6,836,524) | (1,059,101) | - | - | - | (7,895,626) | 58,338,716 |
| STREET NAMES & TRAFFIC SIGNS | 860,794 | - | - | - | - | 860,794 | 1,721,589 | - | - | - | - | - | (550,912) | (50,278) | - | - | - | (601,190) | 1,120,399 |
| | 2,142,882,697 | 44,789,126 | (145,798,293) | - | 183,288,994 | 2,225,162,525 | 4,450,325,050 | 176,713,864 | 169,547,631 | (7,276,017) | - | 338,985,478 | (922,170,911) | (125,120,906) | 1,621,859 | - | - | (1,045,669,959) | 3,743,640,569 |
| COMMUNITY | | | | | | | | | | | | | | | | | | | |
| ACCESS CONTROL COMMUNITY | - | 260,533 | - | - | - | 260,533 | 521,067 | - | - | - | - | - | - | (243,001) | - | - | (775,576) | (1,018,578) | (497,511) |
| ANIMAL POUND | 103,613 | - | - | - | - | 103,613 | 207,227 | - | - | - | - | - | (96,360) | (2,179) | - | - | - | (98,539) | 108,688 |
| BEACH DEVELOPMENTS | 2,676,711 | - | - | - | - | 2,676,711 | 5,353,423 | - | - | - | - | - | (1,127,915) | (89,222) | - | - | - | (1,217,137) | 4,136,285 |
| BOWLING GREENS | 106,488 | - | - | - | - | 106,488 | 212,976 | - | - | - | - | - | (73,569) | (2,535) | - | - | - | (76,104) | 136,872 |
| BUS TERMINALS | 3,122,906 | - | - | - | - | 3,122,906 | 6,245,811 | 2,358,299 | 435,473 | - | - | 2,793,772 | (1,516,517) | (155,789) | - | - | - | (1,672,306) | 7,367,277 |
| CARAVAN PARKS | 893,940 | - | - | - | - | 893,940 | 1,787,879 | - | - | - | - | - | (297,310) | (29,797) | - | - | - | (327,107) | 1,460,772 |
| CARE CENTRES | 9,226,803 | 148,305 | 693,025 | - | - | 10,068,133 | 20,136,266 | 693,025 | - | (693,025) | - | - | (2,657,876) | (309,484) | - | - | - | (2,967,360) | 17,168,906 |
| CEMETERIES | 67,861 | - | - | - | 1,360,072 | 1,427,933 | 2,855,865 | 259,955 | - | - | - | 259,955 | (38,422) | (2,262) | - | - | - | (40,684) | 3,075,136 |
| COMMUNITY CENTRES | 22,784,916 | 357,803 | 207,693 | - | - | 23,350,412 | 46,700,824 | 217,487 | 64,594 | (207,693) | - | 74,388 | (7,052,072) | (759,944) | - | - | - | (7,812,016) | 38,963,195 |
| FENCING COMMUNITY | - | 185,430 | - | - | - | 185,430 | 370,860 | - | - | - | - | - | - | (481,620) | - | - | (5,906,754) | (6,388,374) | (6,017,514) |
| FIRE STATIONS | 1,762,589 | - | - | - | - | 1,762,589 | 3,525,178 | - | - | - | - | - | (628,877) | (52,861) | - | - | - | (681,738) | 2,843,440 |
| FLOODLIGHTING | 6,925,268 | 383,390 | - | - | - | 7,308,658 | 14,617,316 | - | 1,538,954 | - | - | 1,538,954 | (3,737,842) | (362,047) | - | - | - | (4,099,889) | 12,056,381 |
| CLINICS/HOSPITALS | 3,023,763 | - | - | - | - | 3,023,763 | 6,047,526 | - | - | - | - | - | (1,703,066) | (90,324) | - | - | - | (1,793,390) | 4,254,136 |
| HOSTELS | 170,349 | - | - | - | - | 170,349 | 340,697 | - | - | - | - | - | (131,613) | (4,876) | - | - | - | (136,489) | 204,208 |
| HOUSING SCHEMES | 37,696,235 | - | - | - | - | 37,696,235 | 75,392,470 | - | - | - | - | - | (13,489,980) | (1,221,711) | - | - | - | (14,711,691) | 60,680,779 |
| INFORMAL HOUSING | 621,383 | - | - | - | - | 621,383 | 1,242,766 | - | - | - | - | - | (151,729) | (31,069) | - | - | - | (182,798) | |

Property, plant and equipment - detailed analysis

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GEORGE LOCAL MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017
Appendix to the Financial Statements

Property, plant and equipment - detailed analysis

| 2017 | Cost | | | | | | Work in progress | | | | Accumulated depreciation | | | | | Carrying Value |
|--------------------------------|---------------|-------------|-------------------------|-----------|-------------|---------------|------------------|------------|-------------------------|-------------|--------------------------|--------------|-------------|-----------|---------------|----------------|
| Type | B/Fwd.Cost | Additions | Completed Constructions | Disposals | Transfer | C/Fwd.Cost | B/Fwd.WIP | Additions | Completed Constructions | C/Fwd.WIP | B/Fwd.Deprec. | Additions | Impairments | Disposals | C/Fwd.Deprec. | |
| INFRASTRUCTURE | | | | | | | | | | | | | | | | |
| Access control | 23,152 | - | 121,128 | - | -121,128 | 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 | 186,940 | -21,985 | 481,692 | 14,654,432 | 186,940 | - | -186,940 | - | -379,125 | -1,828,747 | - | 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 | 92,946 | - | 2,365,143 | 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 | 8,795,845 | - | -1,654,720 | 59,029,457 | 26,001,771 | 16,826,928 | -8,795,845 | 34,032,854 | -11,208,684 | -3,214,036 | - | - | -14,422,720 | 78,639,590 |
| Other roads | 520,704,345 | 21,351,237 | -4,580,924 | - | 27,727,852 | 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 | 929,687 | - | - | - | - | 929,687 | - | - | - | - | -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 | 15,668,808 | - | -15,668,808 | 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 | 333,410 | -1,862 | 341,876 | 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 | 1,460,060 | - | -1,162,401 | 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 | 956,470 | - | -956,470 | 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 | 5,500,463 | - | - | - | 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 | 30,446,084 | -131,141 | 13,185,535 | 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 |
| COMMUNITY | | | | | | | | | | | | | | | | |
| 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 |
| 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 | 881,256 | - | 478,816 | 22,784,916 | 1,093,446 | 5,297 | -881,256 | 217,487 | -6,307,505 | -744,568 | - | - | -7,052,072 | 15,950,330 |
| 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 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 |
| Organ and case | 1,792 | - | - | - | - | 1,792 | - | - | - | - | -1,568 | -15 | - | - | -1,583 | 209 |
| Outdoor sports facilities | 52,689,953 | 696,350 | 5,233,915 | - | -2,626,338 | 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 | - | 1,222,185 | - | -1,222,185 | 3,803,557 | 1,271,024 | - | -1,222,185 | 48,839 | -1,243,713 | -126,429 | - | - | -1,370,142 | 2,482,254 |
| Security lighting buildings | 11,320 | 63,940 | - | - | - | 75,260 | - | - | - | - | -759 | -882 | - | - | -1,640 | 73,620 |
| Stadiums | 3,598,841 | - | - | - | - | 3,598,841 | - | - | | | | | | | | |

GEORGE LOCAL MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017
Appendix to the Financial Statements

Property, plant and equipment - detailed analysis

| 2017 | Cost | | | | | | Work in progress | | | | Accumulated depreciation | | | | | Carrying Value |
|--|---------------|-------------|-------------------------|------------|-------------|---------------|------------------|------------|-------------------------|-------------|--------------------------|--------------|-------------|-----------|----------------|----------------|
| Type | B/Fwd.Cost | Additions | Completed Constructions | Disposals | Transfer | C/Fwd.Cost | B/Fwd.WIP | Additions | Completed Constructions | C/Fwd.WIP | B/Fwd.Deprec. | Additions | Impairments | Disposals | C/Fwd.Deprec. | |
| 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 equipment | 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 | - | - | - | - | -253,865 | -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 | 21,830 | -46,921 | 496,599 | 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 |
| Tipper | 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 | 2,153,304 | -3,122,075 | 1,140,599 | 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 |
| Access control buildings | 1,058,922 | 476,287 | - | - | - | 1,535,209 | - | - | - | - | -634,608 | -140,968 | - | - | -775,576 | 759,633 |
| Buildings | 1,528,989 | - | - | - | - | 1,528,989 | - | 44,360 | - | 44,360 | -467,190 | -71,955 | - | - | -539,145 | 1,034,204 |
| Fencing buildings | 6,861,608 | 628,816 | - | - | - | 7,490,424 | - | - | - | - | -5,575,594 | -331,160 | - | - | -5,906,754 | 1,583,671 |
| 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 |
| Office Buildings | 4,927,405 | - | - | - | - | 4,927,405 | - | - | - | - | -1,893,118 | -163,578 | - | - | -2,056,696 | 2,870,709 |
| Security systems buildings | 9,483,207 | 45,702 | - | - | - | 9,528,909 | - | - | - | - | -3,779,252 | -1,706,753 | - | - | -5,486,004 | 4,042,904 |
| Town planning | 7,445,752 | - | - | - | - | 7,445,752 | - | - | - | - | -7,070,470 | -94,035 | - | - | -7,164,505 | 281,247 |
| Other structures | 23,420 | 42,800 | - | - | - | 66,220 | - | - | - | - | -601 | -2,354 | - | - | -2,954 | 63,266 |
| Workshop | 985,492 | - | - | - | - | 985,492 | - | - | - | - | -635,080 | -28,089 | - | - | -663,169 | 322,323 |
| | 98,740,397 | 1,829,320 | 657,877 | - | - | 101,227,594 | 657,877 | 11,448,050 | -657,877 | 11,448,050 | -45,219,932 | -4,559,008 | - | - | -49,778,939 | 62,896,704 |
| 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 | - | 10,956,427 | - | -10,956,427 | 179,437,265 | 10,956,427 | - | -10,956,427 | - | -13,845,827 | -11,216,493 | - | - | -25,062,320 | 154,374,945 |
| | 206,260,523 | - | 10,956,427 | - | -10,956,427 | 206,260,523 | 10,956,427 | - | -10,956,427 | - | -16,936,472 | -14,573,736 | - | - | -31,510,208 | 174,750,315 |
| | 452,274,095 | 26,833,820 | 13,767,607 | -3,122,075 | -9,815,828 | 479,937,619 | 13,767,607 | 13,716,356 | -13,767,607 | 13,716,356 | -141,021,386 | -30,158,482 | - | 2,742,804 | -168,437,063 | 325,216,912 |
| LAND | | | | | | | | | | | | | | | | |
| 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 |
| | 923,728,683 | - | - | -223,100 | - | 923,505,583 | - | - | - | - | - | - | - | - | - | 923,505,583 |
| | | | | | | | | | | | | | | | | |
| TOTAL OF PROPERTY, PLANT AND EQUIPMENT | 3,538,436,252 | 129,829,070 | 51,762,831 | -3,476,316 | -0 | 3,716,551,837 | 166,689,368 | 82,765,251 | -51,762,831 | 197,691,788 | -996,259,731 | -154,825,371 | -2,151,528 | 2,861,803 | -1,150,374,828 | 2,763,868,797 |

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

APPENDIX: GEORGE INTEGRATED PUBLIC TRANSPORT NETWORK

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

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

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

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

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

Establishment of a Municipal Land Transport Fund (MLTF)

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

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

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

STATEMENT OF FINANCIAL PERFORMANCE

| | MLTF | NON-MLTF | Total |
|---------------------------------|------------------|-------------------|-------------------|
| Revenue | | | |
| Fare revenue | 39,419,283 | - | 39,419,283 |
| Government Grants and subsidies | 220,309,847 | 102,140,405 | 322,450,252 |
| Other income | 1,883,825 | - | 1,883,825 |
| Interest received | 348,600 | - | 348,600 |
| Total revenue | 261,961,555 | 102,140,405 | 364,101,960 |
| Expenditure | | | |
| Employee related cost | 1,621,207 | 1,142,702 | 2,763,909 |
| Depreciation | - | 33,144,759 | 33,144,759 |
| Finance cost | 893,895 | 5,420,977 | 6,314,872 |
| Contracted services | 229,314,611 | 1,839,333 | 231,153,944 |
| Inventory / Other materials | 157,956 | - | 157,956 |
| General expenses | 20,394,079 | - | 20,394,079 |
| Total expenditure | 252,381,748 | 41,547,771 | 293,929,519 |
| Surplus for the year | 9,579,807 | 60,592,634 | 70,172,441 |

George Local Municipality

Annual Financial Statements for the year ended 30 June 2018

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 | (36,278,702) | 143,158,563 |
| Sprinter / Mini bus (35 buses) | 26,823,258 | (9,805,096) | 17,018,162 |
| | 206,260,523 | (46,083,798) | 160,176,725 |

Receivables from exchange and non-exchange transactions

| | | |
|--------------------|--------|--------------|
| GIPTN Fare Revenue | Note 3 | 2018 319,590 |
|--------------------|--------|--------------|

Prepayments

| | | |
|--|---|-----------|
| Mercedes-Benz South Africa Ltd - maintenance contracts for buses | 5 | 8,566,934 |
|--|---|-----------|

Cash and cash equivalents

| | | |
|---------------------------|---|------------|
| Cash and cash equivalents | 8 | 85,327,656 |
|---------------------------|---|------------|

Liabilities

Provisions

| | | |
|------------------------------|----|--------------|
| Compensation liability GIPTN | 18 | (67,482,867) |
|------------------------------|----|--------------|

Unspent conditional grants

| | | |
|----------------------------------|----|--------------|
| National: Public Transport Grant | 19 | (11,709,152) |
|----------------------------------|----|--------------|

Trade and other payables from exchange transactions

| | | |
|---|--|---------------------|
| GIPTN Compensation Accrual | | (6,412,249) |
| George Link (Pty) Ltd | | (25,133,741) |
| Department of Transport | | (21,903,380) |
| George Link (Pty) Ltd retentions (including interest) | | (9,390,627) |
| | | (62,839,997) |