



AUDITOR-GENERAL
SOUTH AFRICA

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LM 24 January 2022



**GEORGE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**



George Local Municipality

Annual Financial Statements for the year ended 30 June 2021

GENERAL INFORMATION

Nature of business and principal activities

George Municipality (the municipality) is a category B, medium capacity, local government institution in George, Western Cape. The addresses of its registered office and principal place of business are disclosed hereunder and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Constitution.

Reporting entity's mandate:

The reporting entity (hereafter 'the Entity') is a medium-capacity, category B local authority established in terms of section 151 of the Constitution of the Republic of South Africa (Act 108 of 1996).

The principal activities of the Entity are to:

- * provide democratic and accountable government to the local communities;
- * ensure sustainable service delivery to communities;
- * promote social and economic development;
- * promote a safe and healthy environment; and
- * encourage the involvement of communities and community organisations in the matters of local government.

The Entity's operations are governed by the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003), Municipal Structures Act (Act 117 of 1998), Municipal Systems Act (Act 32 of 2000) and various other acts and regulations.

Mayoral committee

Executive Mayor
Deputy Executive Mayor
Speaker
Chief Whip
Councillors
Ward

L van Wyk
C Clarke
G Pretorius
M Barnardt

1	J Säfers
2	DL Cronje
3	E Brown
4	M Barnardt
5	P Louw
6	HH Ingo
7	S Rooiland
8	B Petrus (Appointed 12 November 2020)
9	S Dlikilile
10	B Mooi
11	CI Lesele
12	B Plata
13	LK Langa
14	M Roelfse (Appointed 12 November 2020)
15	NF Mdaka
16	CH Noble
17	B Adams (Appointed 12 November 2020)



George Local Municipality
Annual Financial Statements for the year ended 30 June 2021

GENERAL INFORMATION

18	D Gultig
19	S Snyman
20	R Windwaai
21	NR James
22	G Pretorius
23	GJ Stander
24	MP Daniels
25	JD Esau
26	J Von Brandis
27	R Hector (Appointed 12 November 2020)

Proportionally elected councillors

JP Buys
CM Clarke
J du Toit
D Farrell
RG Figland
T Fortuin
J Fry
V Gericke
N Jantjies-Gushman
B Johnson (Appointed 11 February 2021)
IC Kritzinger
H Loff
N Mbetse
K Mkondo
V Kama
J Ncamazana
P Nosana
M Nyakati (Resigned 15 January 2021)
I Stemela
E Stroebel
T Teyisi
G van Niekerk
PJ van der Hoven
D Wessels
CT Williams



George Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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	Dr. M Gratz (Acting)
Chief Finance Officer (CFO)	R du Plessis
Website	www.george.gov.za
E-mail	post@george.gov.za



George Local Municipality
Annual Financial Statements for the year ended 30 June 2021

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)



George Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Approval of the Financial Statements

Section 60 of the MFMA states that the municipal manager is the accounting officer, thus as the accounting officer of the municipality I hereby certify that -

Financial Management and administration

The top management of the municipality have assisted me with the management and co-ordination regarding the financial administration of the municipality. An appropriate system of delegation has been developed in order to both maximise administrative and operational efficiency, as well as provide adequate checks and balances in the municipality's financial administration. Each senior manager of the municipality has taken all reasonable steps within their respective areas of responsibility to ensure –

- o that the system of financial management and internal control established for the municipality is carried out diligently;
- o that the financial and other resources of the municipality are utilized effectively, efficiently, economically and transparently;
- o that any unauthorised, irregular or fruitless and wasteful expenditure and any other losses are prevented;
- o that all revenue due to the municipality is collected;
- o that the assets and liabilities of the municipality are managed effectively and that assets are safeguarded and maintained to the extent necessary;
- o that all information required by the accounting officer for compliance with the provisions of this Act is timeously submitted to the accounting officer; and
- o that the provisions of this Act, to the extent applicable to that senior manager or official, including any delegations in terms of section 79, are complied with.

The salaries, allowances and benefits of Councillors as disclosed in the notes of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act, and the Minister of Provincial and Local Government's determination in accordance with this Act.

Preparation of AFS and submission for audit purposes

I am responsible for the preparation of these Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act which I have signed on behalf of the municipality.

Issues raised by the Auditor-General in audit reports

All issues raised by the Auditor-General regarding the prior year Annual Financial Statements have been addressed.





George Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Officer's Approval of the Financial Statements

B-BBEE Disclosure

In terms of Section 13G, read with regulation 12 of the B-BBEE Regulations, all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports. Please refer to note 60.

Accounting Officer

31 August 2021



**George Local Municipality**

Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020
Assets			
Current Assets			
Inventories	2	117,295,814	121,890,703
Receivables from exchange transactions	3	137,415,906	116,168,890
Receivables from non-exchange transactions	4	53,130,276	46,232,256
Prepayments	6	6,071,931	7,828,802
VAT receivable	7	4,014,563	4,166,291
Construction contracts and receivables/(payables)	8	19,602,383	8,828,958
Loans and receivables	9	150,052	166,338
Principle agent arrangement: amounts due from principle	10	10,953,663	8,003,564
Cash and cash equivalents	11	669,620,711	799,505,640
		1,018,255,299	1,112,791,442
Non-Current Assets			
Property, plant and equipment	12	3,005,894,013	2,973,052,938
Intangible assets	13	1,375,897	1,698,354
Heritage assets	14	4,236,000	4,236,000
Investment property	15	144,234,844	144,398,878
Loans and receivables	9	77,873	254,531
		3,155,818,627	3,123,640,701
Total Assets		4,174,073,926	4,236,432,143
Liabilities			
Current Liabilities			
Principle agent arrangement: advance received from principle	10	3,488,676	3,820,712
Loans and borrowings	16	39,234,875	40,750,681
Finance lease obligation	17	386,080	468,317
Payables from exchange transactions	18	233,950,816	237,646,357
Consumer deposits	19	32,253,145	29,651,932
Employee benefit obligation	20	90,373,117	76,473,935
Provisions	21	13,438,081	17,443,962
Unspent conditional grants and receipts	22	35,623,001	175,594,321
		448,747,791	581,850,217
Non-Current Liabilities			
Loans and borrowings	16	241,537,273	280,772,147
Finance lease obligation	17	170,869	556,949
Payables from exchange transactions	18	5,750,185	6,426,632
Employee benefit obligation	20	200,552,973	180,339,939
Provisions	21	103,342,658	92,483,200
		551,353,958	560,578,867
Total Liabilities		1,000,101,749	1,142,429,084
Net Assets		3,173,972,177	3,094,003,059
Net Assets			
Housing development fund	23	48,321,098	57,767,299
Accumulated surplus		3,125,651,079	3,036,235,760
Total Net Assets		3,173,972,177	3,094,003,059

**George Local Municipality**
Annual Financial Statements for the year ended 30 June 2021**Statement of Financial Performance**

Figures in Rand	Note(s)	2021	2020
Revenue			
Revenue from exchange transactions			
Service charges - Electricity	24	720,737,013	674,896,622
Service charges - Water	24	145,529,651	137,666,170
Service charges - Sewerage and sanitation charges	24	122,717,179	110,678,138
Service charges - Refuse removal	24	101,623,339	92,266,008
Rental of facilities and equipment		2,875,166	2,871,434
Income from agency services		15,263,141	12,270,160
Sale of erven		5,955,466	4,295,015
GIPTN Fare Revenue	26	39,534,679	41,133,084
Other income	27	45,259,708	28,497,337
Interest received - Outstanding Debtors	28	4,336,560	3,000,390
Gain on disposal of assets and liabilities	41	659,716	-
Interest received - External Investments	28	28,807,143	45,170,443
Total revenue from exchange transactions		1,233,298,761	1,152,744,801
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	322,755,131	302,109,389
Transfer revenue			
Government grants & subsidies - Operating	30	614,973,041	466,263,041
Government grants & subsidies - Capital	30	82,923,096	63,171,912
Construction contract revenue	8	10,788,722	19,983,773
Fines, penalties and forfeits	31	39,015,650	76,282,875
In-kind donations and assistance	32	-	4,123,645
Total revenue from non-exchange transactions		1,070,455,640	931,934,635
Total revenue		2,303,754,401	2,084,679,436
Expenditure			
Employee related costs	33	585,295,261	529,660,078
Remuneration of Councillors	34	21,852,687	22,516,340
Depreciation and amortisation	35	158,414,715	158,186,241
Impairment loss	36	95,112,254	125,303,664
Finance costs	37	40,399,012	43,771,580
Bulk purchases	38	519,222,256	485,199,056
Contracted services	39	453,368,168	418,293,331
Grants and subsidies paid	40	160,383,422	83,377,884
Cost of housing sold		5,640,570	3,512,096
Loss on disposal of assets	41	-	1,476,153
Inventories losses/write-downs	42	116,090	-
Other materials / Inventory	43	60,876,442	59,353,971
General Expenses	44	123,104,405	89,719,962
Total expenditure		2,223,785,282	2,020,370,356
Surplus for the year		79,969,119	64,309,080



George Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	61,588,902	2,999,055,693	3,060,644,595
Adjustments:			
Prior year adjustments - Refer to Note 48.2	-	(30,950,618)	(30,950,618)
Balance at 01 July 2019 as restated	61,588,902	2,968,105,075	3,029,693,977
Changes in net assets:			
Surplus for the year	-	64,309,080	64,309,080
Transfer to / (from) the Housing Development Fund	(3,821,603)	3,821,603	-
Total changes	(3,821,603)	68,130,683	64,309,080
Opening balance as previously reported	57,767,299	3,114,873,141	3,172,640,440
Adjustments			
Prior year adjustments - Refer to Note 48	-	(78,637,382)	(78,637,382)
Balance at 01 July 2020 as restated	57,767,299	3,036,235,759	3,094,003,058
Changes in net assets:			
Surplus for the year	-	79,969,119	79,969,119
Transfer to / (from) the Housing Development Fund	(9,446,201)	9,446,201	-
Total changes	(9,446,201)	89,415,320	79,969,119
Balance at 30 June 2021	48,321,098	3,125,651,079	3,173,972,177
Note	23		

**George Local Municipality**
Annual Financial Statements for the year ended 30 June 2021**Cash Flow Statement**

Figures in Rand	Note(s)	2021	2020
Cash flows from operating activities			
Receipts			
Taxation		317,006,625	300,796,585
Sale of goods and services		1,058,430,226	1,015,450,334
Grants		557,594,007	675,702,960
Construction contracts		54,901	4,761,061
Interest income		28,807,143	45,170,443
Other receipts		64,267,713	37,430,077
		<u>2,026,160,615</u>	<u>2,079,311,460</u>
Payments			
Employee costs		(573,035,732)	(548,487,580)
Suppliers		(1,318,480,980)	(1,128,667,825)
Finance costs		(40,308,910)	(43,515,758)
		<u>(1,931,825,622)</u>	<u>(1,720,671,163)</u>
Net cash flows from operating activities	45	<u>94,334,993</u>	<u>358,640,297</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(184,132,403)	(151,607,932)
Proceeds on disposal of property, plant and equipment	12	1,115,553	1,240,221
Proceeds on disposal of investment property	15	2,463	-
Purchase of intangible assets	13	(21,662)	(286,890)
Proceeds from loans and receivables		125,227	282,891
		<u>(182,910,822)</u>	<u>(150,371,710)</u>
Net cash flows from investing activities		<u>(182,910,822)</u>	<u>(150,371,710)</u>
Cash flows from financing activities			
Proceeds from loans and borrowings	16	-	69,865,389
Repayment of loans and borrowings	16	(40,750,681)	(38,563,503)
Repayment of finance lease liabilities	17	(558,420)	(2,668,569)
		<u>(41,309,101)</u>	<u>28,633,317</u>
Net cash flows from financing activities		<u>(41,309,101)</u>	<u>28,633,317</u>
Net increase/(decrease) in cash and cash equivalents		<u>(129,884,930)</u>	<u>236,901,904</u>
Cash and cash equivalents at the beginning of the year		<u>799,505,640</u>	<u>562,603,736</u>
Cash and cash equivalents at the end of the year	11	<u>669,620,710</u>	<u>799,505,640</u>



George Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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	311,989,000	10,000,000	321,989,000	322,755,131	766,131	Difference is less than 10%
Service charges	1,120,706,831	(5,468,000)	1,115,238,831	1,090,607,182	(24,631,649)	Difference is less than 10%
Investment revenue	52,955,764	6,014,346	58,970,110	28,807,143	(30,162,967)	64.1
Transfers recognised - operational	634,699,962	39,440,035	674,139,997	614,973,041	(59,166,956)	Difference is less than 10%
Other own revenue	228,429,154	(42,820,161)	185,608,993	163,688,808	(21,920,185)	64.2
Total Revenue (excluding capital transfers and contributions)	2,348,780,711	7,166,220	2,355,946,931	2,220,831,305	(135,115,626)	
Expenditure by type						
Employee costs	634,505,777	(28,001,652)	606,504,125	585,295,261	(21,208,864)	Difference is less than 10%
Remuneration of Councillors	25,139,943	-	25,139,943	21,852,687	(3,287,256)	64.3
Debt impairment	74,955,520	-	74,955,520	95,112,253	20,156,733	64.4
Depreciation and asset impairment	168,268,784	-	168,268,784	158,414,715	(9,854,069)	Difference is less than 10%
Finance charges	36,178,596	(2,000,000)	34,178,596	40,399,012	6,220,416	64.5
Materials and bulk purchases	597,667,830	(10,716,622)	586,951,208	585,855,358	(1,095,850)	Difference is less than 10%
Transfer and grants	60,860,389	11,291,801	72,152,190	160,383,422	88,231,232	64.6
Other expenditure	782,112,243	(31,641,317)	750,470,926	576,472,574	(173,998,352)	64.7
Total expenditure	2,379,689,082	(61,067,790)	2,318,621,292	2,223,785,282	(94,836,010)	
Surplus / (Deficit)	(30,908,371)	68,234,010	37,325,639	(2,953,977)	(40,279,616)	
Transfers recognised - capital	73,914,037	26,722,199	100,636,236	82,923,096	(17,713,140)	64.8
Surplus after capital transfers and contributions	43,005,666	94,956,209	137,961,875	79,969,119	(57,992,756)	
Surplus for the year	43,005,666	94,956,209	137,961,875	79,969,119	(57,992,756)	



George Local Municipality

Annual Financial Statements for the year ended 30 June 2021

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						
Capital expenditure by vote						
Executive and Council	977,500	95,000	1,072,500	1,061,027	(11,473)	Difference is less than 10%
Finance and administration	6,811,500	3,673,817	10,485,317	5,723,935	(4,761,382)	64.9
Internal audit	122,000	(47,000)	75,000	33,065	(41,935)	Difference is less than R1m
Community and social services	10,456,500	(3,515,800)	6,940,700	3,832,727	(3,107,973)	64.10
Sport and recreation	19,811,023	(13,851,556)	5,959,467	3,311,740	(2,647,727)	64.11
Public safety	13,132,000	956,510	14,088,510	12,658,040	(1,430,470)	64.12
Housing	2,106,000	618,946	2,724,946	2,367,095	(357,851)	Difference is less than R1m
Health	145,000	(36,600)	108,400	108,022	(378)	Difference is less than 10%
Planning and development	1,484,000	(500,500)	983,500	419,139	(564,361)	64.13
Road transport	46,704,022	43,695,587	90,399,609	64,100,619	(26,298,990)	64.14
Environmental protection	670,000	12,200	682,200	464,532	(217,668)	Difference is less than R1m
Energy sources	72,930,530	(17,700,538)	55,229,992	29,190,389	(26,039,603)	64.15
Water management	108,976,018	(94,137,568)	14,838,450	7,740,360	(7,098,090)	64.16
Waste water management	96,823,620	(26,982,285)	69,841,335	55,321,929	(14,519,406)	64.17
Waste management	5,417,500	2,200,500	7,618,000	4,546,053	(3,071,947)	64.18
Other	1,408,000	(141,000)	1,267,000	302,266	(964,734)	Difference is less than R1m
	387,975,213	(105,660,287)	282,314,926	191,180,938	(91,133,988)	
Sources of Capital Funds						
Borrowing	244,441,063	(181,942,128)	62,498,935	37,417,208	(25,081,727)	
Transfers recognised - capital	67,623,806	27,060,388	94,684,194	76,950,584	(17,733,610)	
Internally generated funds	75,910,344	49,221,453	125,131,797	76,813,146	(48,318,651)	
	387,975,213	(105,660,287)	282,314,926	191,180,938	(91,133,988)	
Capitalisation consist of the following:						
Property, plant and equipment additions	-	-	-	191,159,276	-	12
Intangible assets	-	-	-	21,662	-	13
	-	-	-	191,180,938	-	



George Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

Figures in Rand	Note(s)	2021	2020
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George Municipality is a local government institution in George, Western Cape. The addresses of its registered office and principal place of business are disclosed under General Information. Refer to page 3.

The accounting policies for the municipality are:

1. Presentation of Annual Financial Statements

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

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

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

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

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

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

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard	Description	Effective Date (Year starting on)
Guideline	Guideline on Accounting for Landfill Sites	1 April 2020
GRAP 18	Segment Reporting	1 April 2020
GRAP 34	Separate Financial Statements	1 April 2020
GRAP 35	Consolidated Financial Statements	1 April 2020
GRAP 36	Investments in Associates and Joint Ventures	1 April 2020
GRAP 37	Joint Arrangements	1 April 2020
GRAP 38	Disclosure of Interest in Other Entities	1 April 2020
GRAP 110	Living and Non-living Resources	1 April 2020
IGRAP20	Accounting for adjustments to revenue	1 April 2020



George Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

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

Standard	Description	Effective Date (Year starting on)
Guideline	Guideline on the Application of Materiality to Financial Statements The impact of this Guideline is currently being assessed.	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.

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.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is calculated based on the cost price of each component.



Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

Impairment of Property, plant and equipment, Intangible assets, Heritage assets and Inventory

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

Revenue Recognition

Accounting Policy 1.25 on Revenue from Non-Exchange Transactions and on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. 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. The accounting policy stated above also includes the policies for the measurement of unbilled services estimation. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

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 21 and 47.

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 20.



Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

Water inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 1.14 for more detail.

Recognition and Derecognition of Land

In some instances the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow (IGRAP 18 par. 41):

- Land controlled by the municipality as a result of a past event and from which future economic benefit or service potential is expected to flow to the entity are recognised by the municipality. Control is evidenced by the municipality's ability to use, or direct others to use, the land and also by the right to direct access to the land and to restrict or deny access of others to the land.

In some instances the municipality is the legal owner, or the custodian of land appointed in terms of legislation, but concludes that it does not control such land. Key judgements made and assumptions applied to conclude that it does not control such land, are as follow (IGRAP 18 par. 41):

- Land not controlled by the municipality as a result of a past event and from which future economic benefit or service potential will not flow to the municipality. The municipality does not have the ability to use or direct others to use the land. The municipality does not have rights to direct access to the land and to restrict or deny access of others to the land. There are various housing scheme land where the municipality is still the legal owner per the deeds office, but where control and substantive rights were not transferred. These land are not recognised by the municipality.

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.



Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

Leased assets

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

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

Subsequent costs

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

Depreciation

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

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.



George Local Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

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.

Property, plant and equipment are reviewed for any indication of impairment. If any such indication exists, the accounting policy as disclosed under 1.17 or 1.18 (which ever is relevant) is applied. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

Items of municipality 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.



George Local Municipality
Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.6 Investment property (continued)

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The 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 - 60
Land	Indefinite

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.



Accounting Policies

1.7 Heritage assets (continued)

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.

1.8 Intangible assets

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

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

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

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

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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



Accounting Policies

1.8 Intangible assets (continued)

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. (2020: 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.

1.9 Prepayments

Prepayments are the payments for goods or services to be received in the future and is recognised as a current asset. Prepayments are transferred to the Statement of Financial Performance upon the receipt of the goods or services paid for. Prepayments are accounted for at cost.

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset in one municipality and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.



Accounting Policies

1.10 Financial instruments (continued)

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

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

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



Accounting Policies

1.10 Financial instruments (continued)

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.

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.



Accounting Policies

1.10 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

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

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

Financial liabilities

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

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

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

Presentation

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

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

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

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

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



Accounting Policies

1.11 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.

1.12 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

Initial recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.



Accounting Policies

1.12 Statutory receivables (continued)

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

1.13 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 instalments 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.



Accounting Policies

1.13 Leases (continued)

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

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

1.14 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.



Accounting Policies

1.14 Inventories (continued)

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.

1.15 Construction contracts and receivables/(payables)

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses. Revenue is recognised in terms of the stage of completion on completed houses built.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.



Accounting Policies

1.16 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction,
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit,
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

1.17 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.



Accounting Policies

1.17 Impairment of cash-generating assets (continued)

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

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

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

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

Identification

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

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

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

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

1.17 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.

1.18 Impairment of non-cash-generating assets

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

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

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

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

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



Accounting Policies

1.18 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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Accounting Policies

1.18 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.

1.19 Service concession arrangements: Entity as grantor

Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator; or
- is provided by the grantor which:
 - is an existing asset of the grantor; or
 - is an upgrade to an existing asset of the grantor.



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Accounting Policies

1.19 Service concession arrangements: Entity as grantor (continued)

Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if the entity controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the asset at the end of the term of the arrangement. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

Other liabilities, contingent liabilities and contingent assets

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions. Refer to 1.25 for the accounting policy of GIPTN fare revenue.

1.20 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.



Accounting Policies

1.20 Employee benefits (continued)

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.

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 20 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.



Accounting Policies

1.20 Employee benefits (continued)

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.

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.



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Accounting Policies

1.20 Employee benefits (continued)

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

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

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

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

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.



Accounting Policies

1.20 Employee benefits (continued)

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

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

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

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

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

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.



Accounting Policies

1.21 Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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.

1.22 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.



Accounting Policies

1.23 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.

1.24 Grant-in-aid

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

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

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

1.25 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.



Accounting Policies

1.25 Revenue (continued)

Pre-paid electricity

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

Interest earned and rentals received

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

Tariff Charges

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

Agency commission

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

Housing rental and installments

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

Sale of goods

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

GIPTN Fare Revenue

Bus tickets are sold as single journey tickets or multi journey tickets. Single journey tickets buy the ticket holder a one hour passage on any of the buses from the time the ticket is cancelled by the bus driver. Multi journey tickets range from two to forty hourly passages. Tickets are recognised as fare revenue when the passenger boards the buses and unused tickets on year end is recognised as a liability.

Revenue from non-exchange transactions

Rates and taxes

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

Fines

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

Donations and Contributions

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



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Accounting Policies

1.25 Revenue (continued)

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

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

Unconditional grant

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

Conditional grants and receipts

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

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.

Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.26 Borrowing costs

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

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



Accounting Policies

1.27 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 of 15% 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.

1.28 Housing Development Fund

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

1.29 Municipal Land Transport Fund

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

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

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

The Municipal Land Transport Fund is treated as a ring fenced cost centre within the municipality. Refer to note 55 for more detail.

1.30 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. The amounts disclosed in note 46 is inclusive of VAT.

1.31 Events after reporting date

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



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Accounting Policies

1.32 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.

1.33 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 2020/07/01 to 30/06/2021.

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 and amounts greater than R1,000,000. Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements - refer to Note 64.

1.34 Unauthorised expenditure

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



Accounting Policies

1.35 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.

1.36 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.

1.37 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.38 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected 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 48 of the financial statements for details of corrections of errors recorded during the period under review.



Accounting Policies

1.39 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Identification

Segments are identified by the way in which information is reported to management for purposes of assessing performance as well as allocating resources to the various activities undertaken. The classifications of activities identified in monthly management accounts and / or budget documentation usually reflect the segments reported to management.

It is prudent to note the following:

- activities performed by administrative units and functional departments which do not on its own give rise to future economic benefits or service potential, are not regarded as segments.
- post-employment benefit plans are expressly excluded from the scope of the standard of GRAP on segment reporting (i.e. GRAP 18), and thus is not regarded as a segment.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.



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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
2. Inventories		
Consumable stores - at cost	10,522,995	7,307,485
GIPTN Smart Cards for electronic fare revenue system	178,410	624,226
Maintenance materials, chemicals and water reserve - at cost	5,906,482	8,641,913
Purified water	1,233,808	1,347,280
Property Developments - at cost	141,633	141,633
Unsold Properties Held for Resale - at net realisable value	99,312,486	103,828,166
	117,295,814	121,890,703

The cost of inventories recognised as an expense in the Statement of Financial Performance for stock issues was R22,290,950 (2020: R21,380,944) and R116,090 (2020: RNil) in respect of inventory written down to net realisable value. Refer to note 42 for details of items written down to net realisable value.

3. Trade receivables from exchange transactions

Service debtors	125,176,439	107,099,952
Other exchange receivables	12,239,467	9,068,938
- Prepaid electricity	10,668,993	8,105,913
- Rental debtors	987,470	722,220
- GIPTN fare revenue	583,004	240,805
	137,415,906	116,168,890

Service debtors consist of the following:

Gross balances

Electricity	85,602,940	72,179,491
Water	148,334,625	126,486,941
Sewerage	48,125,605	34,839,685
Refuse	43,531,143	30,686,651
Housing loans instalments	603,555	525,823
Housing rental	343,429	256,084
Other	14,124,816	13,063,117
	340,666,113	278,037,792

Less: Allowance for impairment

Electricity	13,067,330	10,762,874
Water	121,562,373	104,315,849
Sewerage	35,308,471	23,447,995
Refuse	31,812,246	20,102,629
Housing loans instalments	573,357	501,561
Housing rental	288,868	233,407
Other	12,877,029	11,573,525
	215,489,674	170,937,840

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Figures in Rand	2021	2020
3. Trade receivables from exchange transactions (continued)		
Net balance		
Electricity	72,535,610	61,416,617
Water	26,772,252	22,171,092
Sewerage	12,817,134	11,391,690
Refuse	11,718,897	10,584,022
Housing loans instalments	30,198	24,262
Housing rental	54,561	22,677
Other	1,247,787	1,489,592
	125,176,439	107,099,952
The ageing of trade receivables from exchange transactions consists of the following:		
Electricity		
Current (0-30 days)	65,289,335	52,642,389
31 - 60 days	4,885,410	6,151,689
61 - 90 days	2,538,756	3,485,164
91 - 120 days	1,729,075	1,713,077
121 - 365 days	11,160,364	8,187,172
Less: Allowance for impairment	(13,067,330)	(10,762,874)
	72,535,610	61,416,617
Water		
Current (0-30 days)	26,111,299	22,425,978
31 - 60 days	5,963,946	5,147,127
61 - 90 days	5,092,435	3,784,375
91 - 120 days	4,565,986	3,726,404
121 - 365 days	106,600,959	91,403,057
Less: Allowance for impairment	(121,562,373)	(104,315,849)
	26,772,252	22,171,092
Sewerage		
Current (0-30 days)	11,785,080	10,152,069
31 - 60 days	2,969,681	3,021,477
61 - 90 days	2,279,289	2,090,166
91 - 120 days	1,915,537	1,599,497
121 - 365 days	29,176,018	17,976,476
Less: Allowance for impairment	(35,308,471)	(23,447,995)
	12,817,134	11,391,690
Refuse		
Current (0-30 days)	10,744,207	9,365,221
31 - 60 days	2,823,018	2,795,475
61 - 90 days	2,118,463	1,992,290
91 - 120 days	1,783,383	1,533,839
121 - 365 days	26,062,072	14,999,826
Less: Allowance for impairment	(31,812,246)	(20,102,629)
	11,718,897	10,584,022

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Figures in Rand	2021	2020
3. Trade receivables from exchange transactions (continued)		
Housing loans instalments		
Current (0-30 days)	22,306	822
31 - 60 days	9,500	12,392
61 - 90 days	9,500	11,078
91 - 120 days	9,483	10,299
121 - 365 days	552,766	491,232
Less: Allowance for impairment	(573,357)	(501,561)
	30,198	24,262
Housing rental		
Current (0-30 days)	48,705	39,909
31 - 60 days	16,094	17,150
61 - 90 days	12,279	14,320
91 - 120 days	11,811	10,830
121 - 365 days	254,540	173,875
Less: Allowance for impairment	(288,868)	(233,407)
	54,561	22,677
Other consumer debtors		
Current (0-30 days)	1,025,386	1,291,593
31 - 60 days	434,992	40,947
61 - 90 days	482,260	517,284
91 - 120 days	267,047	415,773
121 - 365 days	11,915,131	10,797,520
Less: Allowance for impairment	(12,877,029)	(11,573,525)
	1,247,787	1,489,592
Summary of debtors by customer classification		
Residential		
Current (0-30 days)	43,406,256	45,974,129
31 - 60 days	11,035,527	11,554,792
61 - 90 days	9,200,153	8,164,015
91 - 120 days	8,013,288	7,373,256
121 - 365 days	171,271,521	135,969,789
Less: Allowance for impairment	(198,983,656)	(160,942,167)
	43,943,089	48,093,814
Industrial / commercial		
Current (0-30 days)	67,005,269	45,867,636
31 - 60 days	4,805,334	3,982,136
61 - 90 days	2,097,459	2,540,181
91 - 120 days	1,256,110	1,381,189
121 - 365 days	12,628,343	7,491,702
Less: Allowance for impairment	(16,258,315)	(9,995,674)
	71,534,200	51,267,170



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Notes to the Annual Financial Statements

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Figures in Rand	2021	2020
3. Trade receivables from exchange transactions (continued)		
National and provincial government		
Current (0-30 days)	4,614,792	4,076,218
31 - 60 days	1,261,779	1,649,327
61 - 90 days	1,235,369	1,190,480
91 - 120 days	1,012,924	255,274
121 - 365 days	1,821,987	567,668
Less: Allowance for impairment	(247,702)	-
	9,699,149	7,738,967
Total		
Current (0 -30 days)	115,026,317	95,917,983
31 - 60 days	17,102,640	17,186,255
61 - 90 days	12,532,981	11,894,676
91 - 120 days	10,282,322	9,009,719
121 - 365 days	185,721,853	144,029,159
	340,666,113	278,037,792
Less: Allowance for impairment	(215,489,674)	(170,937,840)
	125,176,439	107,099,952

Reconciliation of allowance for impairment for receivables from exchange transactions

2021	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
Electricity	10,762,874	2,558,427	(253,971)	13,067,330
Water	104,315,849	34,524,223	(17,277,700)	121,562,372
Sewerage	23,447,995	13,829,493	(1,969,018)	35,308,470
Refuse	20,102,629	13,390,822	(1,681,204)	31,812,247
Housing loan instalments	501,561	84,038	(12,242)	573,357
Housing rentals	233,407	68,274	(12,813)	288,868
Other consumer debtors	11,573,525	1,493,645	(190,140)	12,877,030
	170,937,840	65,948,922	(21,397,088)	215,489,674
2020	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
Electricity	7,483,126	4,373,823	(1,094,075)	10,762,874
Water	85,210,770	28,361,132	(9,256,053)	104,315,849
Sewerage	18,338,308	7,922,956	(2,813,269)	23,447,995
Refuse	15,085,642	7,581,572	(2,564,585)	20,102,629
Housing loan instalments	443,807	66,632	(8,878)	501,561
Housing rentals	169,172	112,588	(48,353)	233,407
Other consumer debtors	9,969,858	1,896,532	(292,865)	11,573,525
	136,700,683	50,315,235	(16,078,078)	170,937,840



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Figures in Rand	2021	2020
3. Trade receivables from exchange transactions (continued)		
Total debtors past due but not impaired	2021	2020
31 - 60 days	9,621,218	11,928,658
61 - 90 days	5,342,531	6,528,220
91 - 120 days	3,484,785	3,624,288
121 - 365 days	11,076,599	5,221,768
	29,525,133	27,302,934
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. Payment rates of customers after year end was also taken into account as the COVID-19 pandemic had an impact on the payment of outstanding accounts by customers. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables from exchange transactions.		
4. Receivables from non-exchange transactions		
Taxation receivables		
Net Rates	31,712,074	26,259,810
Gross rates	62,295,948	51,153,519
Allowance for impairment on rates	(30,583,874)	(24,893,709)
Transfer receivables		
Net Fines	8,256,639	6,271,995
Fines	97,033,221	141,931,510
Allowance for impairment on fines	(88,776,582)	(135,659,515)
Conditional government grants and subsidies receivable (Refer note 22)	4,620,173	4,289,363
Other receivables	8,541,390	9,411,088
Sundry receivables	8,407,612	9,332,203
Allowance for impairment on sundry receivables	(792,583)	(792,583)
Non-cash portion of Housing Development Fund	759,983	707,300
Operating lease receivables	166,378	164,168
	53,130,276	46,232,256
The ageing of taxation receivables from non-exchange transactions		
Rates		
Current (0 - 30 days)	27,611,947	20,118,914
31 - 60 days	4,704,800	6,501,811
61 - 90 days	3,001,513	3,235,641
91 - 120 days	2,106,798	2,444,332
121 - 365 days	24,870,890	18,852,821
Less: Allowance for impairment	(30,583,874)	(24,893,709)
	31,712,074	26,259,810

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4. Receivables from non-exchange transactions (continued)		
Summary of Rates by customer classification		
Residential consumers		
Current (0 - 30 days)	17,554,380	16,909,158
31 - 60 days	3,444,277	4,805,364
61 - 90 days	2,108,699	2,517,908
91 - 120 days	1,595,579	1,879,221
121 - 365 days	21,238,324	16,268,382
Less: Allowance for impairment	(25,421,469)	(22,108,236)
	20,519,790	20,271,797
Industrial / commercial		
Current (0 - 30 days)	9,753,084	2,968,754
31 - 60 days	961,514	1,507,564
61 - 90 days	615,337	576,647
91 - 120 days	277,431	525,397
121 - 365 days	3,015,273	2,108,624
Less: Allowance for impairment	(5,162,405)	(2,785,473)
	9,460,234	4,901,513
National and provincial government and other		
Current (0 - 30 days)	304,483	241,002
31 - 60 days	299,008	188,883
61 - 90 days	277,477	141,086
91 - 120 days	233,788	39,714
121 - 365 days	617,292	475,815
Less: Allowance for impairment	-	-
	1,732,048	1,086,500
Total of rates by customer classification	31,712,072	26,259,810
Fines		
The ageing of fines is as follows:		
Current (0 - 30 days)	5,041,500	116,400
31 - 60 days	3,459,500	526,950
61 - 90 days	4,203,550	580,200
91 - 120 days	4,725,950	3,144,150
121 - 365 days	79,602,721	137,563,810
	97,033,221	141,931,510
Less: Allowance for impairment	(88,776,582)	(135,659,515)
	8,256,639	6,271,995

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4. Receivables from non-exchange transactions (continued)**Reconciliation of provision for impairment of receivables from non-exchange transactions**

2021	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	24,893,709	6,788,949	(1,098,785)	30,583,873
Transfer receivables (Fines)	135,659,515	30,538,300	(77,421,233)	88,776,582
Other receivables	792,583	-	-	792,583
	161,345,807	37,327,249	(78,520,018)	120,153,038
2020	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	16,661,851	8,820,648	(588,790)	24,893,709
Transfer receivables (Fines)	137,660,364	72,503,702	(74,504,551)	135,659,515
Other receivables	792,583	-	-	792,583
	155,114,798	81,324,350	(75,093,341)	161,345,807

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. Payment rates of customers after year end was also taken into account as the COVID-19 pandemic had an impact on the payment of outstanding accounts by customers. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

Rates debtors past due but not impaired

	2021	2020
31 - 60 days	2,646,720	4,209,202
61 - 90 days	1,279,478	1,638,203
91 - 120 days	714,016	890,374
121 - 365 days	1,483,320	2,522,271
	6,123,534	9,260,050

Fines debtors past due but not impaired

	2021	2020
31 - 60 days	463,523	48,161
61 - 90 days	563,944	50,240
91 - 120 days	635,839	271,996
121 - 365 days	5,917,842	5,891,270
	7,581,148	6,261,667

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.

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4. Receivables from non-exchange transactions (continued)

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

Operating lease asset

Opening balance	164,167	118,302
Straight lining adjustment in the Statement of Financial Performance	2,212	45,865
	166,379	164,167

Operating leases - as lessor (income)**Minimum lease payments receivable**

- within one year	835,364	954,938
- in second to fifth year inclusive	1,890,771	2,510,784
	2,726,135	3,465,722

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.

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5. Statutory receivables		
The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements has been applied, for the initial recognition:		
Taxes - Rates	31,712,074	26,259,810
Fines	8,256,639	6,271,995
VAT	4,014,563	4,166,291
	43,983,276	36,698,096

Statutory receivables general information**Transaction(s) arising from statute**

Rates - Municipal Property Rates Act (MPR Act) section 2 states that a metropolitan or local municipality may levy a rate on property in its area.

Fines - Fines are issued in terms of the National Road Traffic Regulations of 2000 and the National Road Traffic Act 93 of 1996.

VAT - VAT is received and paid as required per the Value Added Tax Act No 89 of 1991 (VAT Act).

Determination of transaction amount

Rates - Rates amounts are determined in terms of section 11 of the MPR Act and the approved rates policy of the municipality.

Fines - All fines are governed by the specific regulation which is applicable to the offence.

VAT - VAT is applied to all relevant goods or services as stated in the Vat Act and the amount thereof is determined in terms of the Vat Act.

Interest or other charges levied/charged

Rates - Interest is charged on past due balances at the prime interest rate.

Fines - No interest or other charges are charged on outstanding fines.

VAT - VAT is submitted and paid on a monthly basis thus no interest is charged on outstanding VAT amounts.

No discount rate is applied on the above mentioned statutory receivables to estimate future cash flows.

Statutory receivables impaired and past due not impaired

Rates - Payment percentage of receivables is used to assess whether the receivable is impaired. Refer to note 4 for more detail on the impairment provision and ageing of statutory receivables past due not impaired.

Fines - Payment percentage of fines is used to assess whether fines are impaired. Refer to note 4 for more detail on the impairment provision and ageing of statutory receivables past due not impaired.

VAT - VAT receivable from SARS is not impaired as the South African Revenue Services has sufficient funds to pay any outstanding amounts. VAT on output provision is assessed with the debtors impairment provision and included therein. Refer to note 3 for more detail on the impairment provision.



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Figures in Rand	2021	2020
6. Prepayments		
Prepayments consist of the following:		
SALGA	6,071,931	5,958,216
Mercedes-Benz South Africa Ltd for maintenance of buses	-	1,870,586
	6,071,931	7,828,802
Current assets	6,071,931	7,828,802

SALGA

SALGA membership fees for the 2020/2021 financial year were paid in May 2020 and the municipality received a 5% discount for early settlement.

Mercedes-Benz South Africa Ltd

The municipality entered into a five-year maintenance plan for the GIPTN buses which is paid in annual instalments. In the prior year, a portion of the maintenance payment fell within the 2020/2021 year and was treated as prepayments.

The warranties were paid on a monthly basis during the current year. Refer to note 40 for more detail on warranties paid.

7. VAT receivable / (payable)

VAT receivable from SARS	6,382,696	1,852,233
VAT input provision	10,826,941	13,801,779
VAT output provision	(13,195,074)	(11,487,721)
	4,014,563	4,166,291

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.

For statutory receivable information regarding VAT refer to Note 5.



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8. Construction contracts and receivables/(payables)

Contracts in progress at statement of financial position date

Construction contracts and receivables/(payables)

Contracts in progress at Statement of Financial Position date

Construction contracts and receivables/(payables)	19,602,383	8,828,958
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Contract revenue is fixed based on the arrangement with the Provincial Department of Housing. Revenue is recognised in terms of the stage of completion on completed houses built as per the engineer completion certificates.

The following projects were included in the balances reported above:

30 June 2021	Golden Valley	Thembaletu 700 Units	Thembaletu 42 & 58	Completed construction projects	Total
Opening balance from/(due to) customers	(4,383,714)	7,906,878	2,337,791	2,968,003	8,828,958
Advances received	(36,900)	-	(18,000)	-	(54,900)
Revenue recognised	3,521,896	7,266,826	-	-	10,788,722
Other	-	-	-	39,603	39,603
	(898,718)	15,173,704	2,319,791	3,007,606	19,602,383
Completion %	23%	96%	54%	100%	
Total approved funding	17,106,352	90,835,330	13,026,205	-	120,967,887
Total funding received	(4,797,960)	(71,638,919)	(4,714,360)	-	(81,151,239)
Total remaining funding to be received in future	12,308,392	19,196,411	8,311,845	-	39,816,648
Accumulated revenue	(3,899,242)	(86,812,623)	(7,034,151)	-	(97,746,016)
Accumulated expenditure	6,694,823	97,915,906	6,225,647	-	110,836,376
	2,795,581	11,103,283	(808,504)	-	13,090,360
30 June 2020	Golden Valley	Thembaletu 700 Units	Thembaletu 42 & 58	Completed construction projects	Total
Opening balance from/(due to) customers	377,346	(12,076,895)	2,337,791	2,949,110	(6,412,648)
Advances received	(4,761,060)	-	-	-	(4,761,060)
Revenue recognised	-	19,983,773	-	-	19,983,773
Other	-	-	-	18,893	18,893
	(4,383,714)	7,906,878	2,337,791	2,968,003	8,828,958
Completion %	2%	88%	54%	100%	
Total approved funding	17,106,352	90,835,330	13,026,205	-	120,967,887
Total funding received	(4,761,060)	(71,638,919)	(4,696,360)	-	(81,096,339)



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Figures in Rand				2021	2020
8. Construction contracts and receivables/(payables) (continued)					
Total remaining funding to be received in future	12,345,292	19,196,411	8,329,845	-	39,871,548
	Golden Valley	Thembaletu 700 Units	Thembaletu 42 & 58	Completed Constructions	Total
Accumulated revenue	(377,346)	(79,545,796)	(7,034,151)	-	(86,957,293)
Accumulated expenditure	4,746,524	91,357,441	6,064,150	-	102,168,115
	4,369,178	11,811,645	(970,001)	-	15,210,822
Retention amounts of construction contracts				(1,737,481)	(350,575)

9. Loans and receivables

As at 30 June 2021	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	223,624	(74,518)	149,106	(76,468)	72,638
Sale of erven loans	71,340	-	71,340	(71,340)	-
Actaris meter debt	7,479	-	7,479	(2,244)	5,235
	302,443	(74,518)	227,925	(150,052)	77,873
As at 30 June 2020	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current
Housing scheme loans	326,978	(33,797)	293,181	(78,094)	215,087
Sale of erven loans	71,340	-	71,340	(71,340)	-
Actaris meter debt	56,348	-	56,348	(16,904)	39,444
	454,666	(33,797)	420,869	(166,338)	254,531

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 agreements entered into. The interest rates applicable to the loans vary between 11.0% and 14.5%

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Notes to the Annual Financial Statements**Figures in Rand****2021****2020****9. 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

2021	Balance at beginning of year	Impairment losses	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	33,797	40,721	-	74,518
2020	Balance at beginning of the year	Impairment losses	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	19,396	32,523	(18,122)	33,797

10. Principle agent arrangements

The municipality entered into the following arrangements with the Provincial Housing Department to act as agent on their behalf:

- **Thembaletu Bungalow Housing Project:** This project is for the rehabilitation of services and construction of 200 houses in Thembaletu via the Developer Driven Individual Subsidy Programme (DDISP).
- **Title Deed Restoration Grant:** This project was launched to eradicate the backlog of title deed registrations of houses allocated to beneficiaries pre-2014. This includes the professional fees associated with the process as well as beneficiary verification.

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10. Principle agent arrangements (continued)

Transactions on these projects consists out of the following:

2021	Opening balance	Receipts from Department	Expenses on behalf of principal	Receivable / (Advances received) from Department
Thembaletu Bungalow Housing Project	8,003,564	-	2,950,099	10,953,663
Title Deed Restoration Grant	(3,820,712)	-	332,036	(3,488,676)
	4,182,852	-	3,282,135	7,464,987
2020	Opening balance	Receipts from Department	Expenses on behalf of principal	Receivable / (Advances received) from Department
Thembaletu Bungalow Housing Project	2,799,502	-	5,204,062	8,003,564
Title Deed Restoration Grant	(4,050,366)	-	229,654	(3,820,712)
	(1,250,864)	-	5,433,716	4,182,852

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	24,920	23,420
Bank balances	469,595,791	652,482,220
Short-term deposits	200,000,000	147,000,000
	669,620,711	799,505,640

Cash and cash equivalents pledged as collateral

Cash and cash equivalents to an amount of R 4,295,000 have been pledged as guarantee in favour of Eskom.

The balance of unspent conditional grants as per note 22 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 23. 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 2021	30 June 2020
ABSA BANK - Cheque Account - 102 222 0981	5,882,220	652,482,220
First National Bank - Cheque Account - 628 696 23150	463,713,571	-
Nedbank Fixed Deposit	200,000,000	147,000,000
Cash on hand	24,920	23,420
Total	669,620,711	799,505,640

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11. Cash and cash equivalents (continued)

The bank balances at year end were:

	Bank balances	
	30 June 2021	30 June 2020
ABSA BANK - Cheque Account - 102 222 0981	5,883,820	648,460,007
First National Bank - Cheque Account - 628 696 23150	459,345,778	-
ABSA - George Charitable Relief Fund -914 955 4208	1,000	5,781
Nedbank Fixed Deposit	200,000,000	147,000,000
	665,230,598	795,465,788

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

Ba2	<u>665,230,598</u>	<u>795,465,788</u>
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12. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	928,354,243	-	928,354,243	926,823,770	-	926,823,770
Infrastructure	2,970,721,406	(1,368,992,507)	1,601,728,899	2,821,776,680	(1,256,278,234)	1,565,498,446
Community	221,853,586	(91,107,710)	130,745,876	212,436,877	(82,205,262)	130,231,615
Other	331,110,853	(167,710,956)	163,399,897	307,646,297	(148,960,276)	158,686,021
Other - Buildings	111,818,069	(49,417,453)	62,400,616	104,807,622	(45,765,911)	59,041,711
Service concession assets - GIPTN Buses	206,260,523	(86,996,041)	119,264,482	206,260,523	(73,489,148)	132,771,375
Total	4,770,118,680	(1,764,224,667)	3,005,894,013	4,579,751,769	(1,606,698,831)	2,973,052,938

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	926,823,770	1,860,144	(329,671)	-	-	928,354,243
Infrastructure	1,565,498,446	148,577,489	-	375,958	(112,722,994)	1,601,728,899
Community	130,231,615	9,237,320	(8,106)	499,606	(9,214,559)	130,745,876
Other	158,686,021	24,284,279	(47,134)	(711,944)	(18,811,325)	163,399,897
Other - Buildings	59,041,711	7,200,044	(24,265)	(163,620)	(3,653,254)	62,400,616
Service concession assets - GIPTN Buses	132,771,375	-	-	-	(13,506,893)	119,264,482
	2,973,052,938	191,159,276	(409,176)	-	(157,909,025)	3,005,894,013



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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Transfers from Investment Property	Depreciation	Total
Land	920,770,151	1,528,644	(1,210,025)	-	5,735,000	-	926,823,770
Infrastructure	1,572,224,210	105,069,260	(23,962)	321,661	-	(112,092,723)	1,565,498,446
Community	118,860,546	20,505,134	-	-	-	(9,134,065)	130,231,615
Other	154,750,250	23,685,277	(200,090)	(365,868)	-	(19,183,548)	158,686,021
Other - Buildings	57,003,779	4,943,262	-	44,207	217,480	(3,167,017)	59,041,711
Service concession assets - GIPTN Buses	146,492,934	-	-	-	-	(13,721,559)	132,771,375
	2,970,101,870	155,731,577	(1,434,077)	-	5,952,480	(157,298,912)	2,973,052,938

Pledged as security

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

Assets subject to finance leases (Net carrying amount)

	2021	2020
Vehicles	<u>1,481,796</u>	<u>1,612,522</u>

Service concession assets

GIPTN Buses used as public transport assets are classified as service concession assets. The buses are the property of the municipality and do not form part of the financial lease assets. Refer to note 56 for details of service concession arrangements.

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12. Property, plant and equipment (continued)**Property, plant and equipment in the process of being constructed or developed**

Infrastructure	490,379,886	427,046,684
Community	18,014,654	13,298,187
Other property, plant and equipment	11,735,133	12,153,988
Ancillary fleet equipment and security	13,358,670	8,520,751
	533,488,343	461,019,610

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

Reason for delay

Construction delays	56,615,310	91,831,205
Covid-19 related constraints	23,358,157	16,503,269
Funding	1,734,973	2,270,536
	81,708,440	110,605,010

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	113,834,631	106,807,713
Employee related costs	24,829,545	29,691,791
Material	15,820,933	22,586,475
	154,485,109	159,085,979

Changes in useful life

The municipality reviews the useful lives of the assets in the asset register regularly and makes adjustments as needed. The effect of the adjustments on the useful life of the assets had the following effect on the depreciation of the assets compared to the prior year:

Infrastructure	(4,718,524)	-
Community	(703,172)	-
Other	(2,799,501)	-
Other - Buildings	(23,937)	-
	(8,245,134)	-



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12. Property, plant and equipment (continued)

Land appointed in terms of legislation which entity controls without legal ownership or custodianship (IGRAP 18 par 40)

In some instances, the municipality is not the legal owner or the custodian of land appointed in terms of legislation, but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land are disclosed in note 1.4. The land of the municipality is under the control of the municipality due to a vesting substantive right over the land. Land mainly represents public open spaces and roads vesting to the municipality.

Carrying value of land which the entity controls without legal ownership or custodianship included in property, plant and equipment	6,049,250	6,049,250
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13. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,122,624	(2,746,727)	1,375,897	4,100,962	(2,402,608)	1,698,354

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	1,698,354	21,662	(344,119)	1,375,897

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	2,136,778	286,890	(725,314)	1,698,354

Changes in useful life

The municipality reviews the useful lives of the assets in the asset register regularly and makes adjustments as needed. The effect of the adjustments on the useful life of the assets had the following effect on the depreciation of the assets compared to the prior year:

Computer software	(474,133)	-
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Annual Financial Statements for the year ended 30 June 2021**Notes to the Annual Financial Statements****14. Heritage assets**

	2021			2020		
	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 - 2021

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

Reconciliation of heritage assets - 2020

	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 (2020: RNil).



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15. Investment property

	2021			2020		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	142,570,866	-	142,570,866	142,573,329	-	142,573,329
Buildings	4,981,973	(3,317,995)	1,663,978	4,989,494	(3,163,945)	1,825,549
Total	147,552,839	(3,317,995)	144,234,844	147,562,823	(3,163,945)	144,398,878

Reconciliation of investment property - 2021

	Opening balance	Disposals	Depreciation	Total
Land	142,573,329	(2,463)	-	142,570,866
Buildings	1,825,549	-	(161,571)	1,663,978
	144,398,878	(2,463)	(161,571)	144,234,844

Reconciliation of investment property - 2020

	Opening balance	Disposals	Transfers to Property, plant and equipment	Depreciation	Total
Land	149,777,700	(1,469,371)	(5,735,000)	-	142,573,329
Buildings	2,205,044	-	(217,480)	(162,015)	1,825,549
	151,982,744	(1,469,371)	(5,952,480)	(162,015)	144,398,878

Investment property was not pledged as security for financial liabilities.

Other disclosure

Included in the surplus for the year are the following:

Total rental income from investment property	1,178,228	1,139,996
Repairs and maintenance of investment property	126,342	243,172
	<u>1,304,570</u>	<u>1,383,168</u>

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

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16. Loans and borrowings		
At amortised cost		
Annuity loans	280,772,148	321,522,828
Non-current liabilities		
Annuity loans	241,537,273	280,772,147
Current liabilities		
Annuity loans	39,234,875	40,750,681
Annuity loans		
Annuity loans are repaid over periods varying from 1 year to 10 years (2020: 1 year to 10 years) and at interest rates varying from 6.75% to 12,665% (2020: 6.75% to 12,665%) per annum. Annuity loans are not secured.		
17. Finance lease obligation		
Minimum lease payments due		
- within one year	428,247	558,419
- in second to fifth year inclusive	180,451	608,698
	608,698	1,167,117
less: future finance charges	(51,749)	(141,851)
Present value of minimum lease payments	556,949	1,025,266
Present value of minimum lease payments due		
- within one year	386,080	468,317
- in second to fifth year inclusive	170,869	556,949
	556,949	1,025,266
Non-current liabilities	170,869	556,949
Current liabilities	386,080	468,317
	556,949	1,025,266

The municipality entered into hire purchase agreements for vehicle acquisitions. The average lease term is 5 years and the average effective borrowing rate is 9.8433% (2020: 8.93%). 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 12 for more detail.

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18. Payables from exchange transactions		
Current liabilities		
Trade payables	120,918,083	133,519,390
Compensation Commissioner	1,792,860	9,275,343
GIPTN compensation liability	2,427,775	2,191,205
Other payables	39,744,316	28,505,660
Payments received in advance	23,931,277	18,660,869
Retentions	23,612,042	27,206,572
Sundry Deposits	10,662,332	9,855,905
Unidentified deposits	10,862,131	8,431,413
	233,950,816	237,646,357
Non-current liabilities		
GIPTN compensation liability	5,750,185	6,426,632
Total	239,701,001	244,072,989

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 21 for more detail.

Balance at beginning of the year	8,617,837	8,240,835
Transferred from Provisions	1,489,927	5,150,880
Change in liability due to inflation and discounting rates	470,869	(877,891)
Paid during the year	(2,400,673)	(3,895,987)
	8,177,960	8,617,837
Non-current liabilities	5,750,185	6,426,632
Current liabilities	2,427,775	2,191,205
	8,177,960	8,617,837

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19. Consumer deposits		
Electricity and water	32,253,145	29,651,932
Guarantees held in lieu of electricity and water deposits	21,914,862	21,954,527
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.		
20. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Non-current liabilities		
Post-Retirement Medical Aid benefits liability	174,743,000	154,872,000
Ex-gratia pension benefits liability	1,406,973	1,465,939
Long service awards	24,403,000	24,002,000
	200,552,973	180,339,939
Current liabilities		
Post-Retirement Medical Aid benefits liability	7,856,000	6,592,000
Ex-gratia pension benefits liability	184,896	188,796
Long service awards	3,257,000	3,584,000
Staff leave	64,538,310	52,459,673
Staff annual bonus	14,536,911	13,649,466
	90,373,117	76,473,935
Total liabilities		
Post-Retirement Medical Aid benefits liability	182,599,000	161,464,000
Ex-gratia pension benefits liability	1,591,869	1,654,735
Long service awards	27,660,000	27,586,000
Staff leave	64,538,310	52,459,673
Staff annual bonus	14,536,911	13,649,466
	290,926,090	256,813,874

The prior period balances were restated for prior year errors. Refer to notes 48.2 for more detail.

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.

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Notes to the Annual Financial Statements**Figures in Rand****2021****2020****20. Employee benefit obligations (continued)**

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2021. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

In-service (Employees) members	599	587
In-service (Employees) non-members	637	706
Continuation members (Retirees, widow and orphans)	139	139
	1,375	1,432
In-service members	88,573,000	74,102,000
Continuation members	94,026,000	87,362,000
	182,599,000	161,464,000

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 2022 is estimated to be R6,250,000 (2021: R5,204,000) whereas the interest cost for the same year is estimated to be R18,002,000 (2021: R16,234,000).

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

i) Rate of interest		
Discount rate	10.07 %	10.30 %
Health care cost inflation rate	6.76 %	6.37 %
Net effective discount rate	3.10 %	3.69 %
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 10.07% per annum has been used. The corresponding index-linked yield at this term is 4.09%. 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 30 June 2021.

ii) Mortality rates

Pre-retirement: SA 85 - 90 mortality table.

Post-retirement: PA (90 - 1) table with a 1% mortality improvement p.a. from 2010.

iii) Normal retirement age

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



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Figures in Rand	2021	2020
20. Employee benefit obligations (continued)		
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	182,599,000	161,464,000
Fair value plan assets	-	-
	182,599,000	161,464,000
Amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	5,204,000	6,411,577
Interest cost	16,234,000	15,957,334
Recognised actuarial losses / (gains)	7,598,000	(27,357,758)
Total included in employee related cost - refer to note 33	29,036,000	(4,988,847)
The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	161,464,000	173,628,019
- Current service cost	5,204,000	6,411,577
- Interest cost	16,234,000	15,957,334
- Actuarial losses (gains)	7,598,000	(27,357,758)
- Benefits paid	(7,901,000)	(7,175,172)
Balance at the end of the year	182,599,000	161,464,000

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 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Accrued liability	123.587	129.578	173.628	161.464	182.599
Fair value of plan asset	-	-	-	-	-
Surplus / (Deficit)	(123.587)	(129.578)	(173.628)	(161.464)	(182.599)

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 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Liabilities: (Gain) / Loss	(1.791)	2.128	2.694	5.402	(6.705)
Assets: Gain / (Loss)	-	-	-	-	-
	(1.791)	2.128	2.694	5.402	(6.705)

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20. 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	3,572,000	4,206,900
Effect on the defined benefit obligation	27,613,000	23,018,000

Decrease

Effect on the current service cost and interest cost	(2,886,000)	(3,332,800)
Effect on the defined benefit obligation	(22,516,000)	(18,924,000)

The prior year is restated. Refer to note 48 for more detail.

Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2021, 1 employee and 11 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.

Current-service cost for the year ending 30 June 2022 is estimated to be Rnil (2021: Rnil) whereas the interest cost for the same year is estimated to be R98,458 (2021: R94,015).

Pensioners	11	12
Eligible employees	1	1
	12	13

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

i) Rate of interest		
Discount rate	6.56 %	6.02 %
Pension increase rate	1.86 %	0.98 %
Net effective discount rate	4.61 %	5.00 %

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 6.56% per annum has been used. The corresponding index-linked yield at this term is 2.26%. 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 30 June 2021.

Expected retirement age	62	62
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ii) Mortality rates

Pre-retirement: SA 85 - 90 mortality table.

Post-retirement: PA (90 - 1) table with a 1% mortality improvement p.a. from 2010.

iii) Normal retirement age



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20. Employee benefit obligations (continued)

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

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

Present value of fund obligations	1,591,869	1,654,735
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The amounts recognised in the Statement of Financial Performance are as follows:

Interest cost	94,015	121,370
Recognised actuarial losses / (gains)	31,915	25,699
Total included in employee related cost - refer to note 33	125,930	147,069

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

Balance at the beginning of the year	1,654,735	1,759,264
- Interest cost	94,015	121,370
- Actuarial losses (gains)	31,915	25,699
- Benefits paid	(188,796)	(251,598)
	1,591,869	1,654,735

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

Liability History	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Accrued liability	2,295,611	1,664,818	1,759,264	1,654,735	1,591,869
Fair value of plan assets	-	-	-	-	-
Surplus / (Deficit)	(2,295,611)	(1,664,818)	(1,759,264)	(1,654,735)	(1,591,869)

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 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Liabilities: (Gain) / Loss	95,982	(526,983)	83,875	(6,061)	1,172
Assets: Gain / (Loss)	-	-	-	-	-
	95,982	(526,983)	83,875	(6,061)	1,172

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20. Employee benefit obligations (continued)

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

Increase

Effect on interest cost	6,164	7,900
Effect on defined benefit obligation	91,513	102,394

Decrease

Effect on interest cost	(5,612)	(7,193)
Effect on defined benefit obligation	(83,401)	(93,222)

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 2021.

At year end, 1,236 (2020: 1,293) employees were eligible for Long-service Awards. The future service cost for the ensuing year is estimated to be R2,194,000 (2021: R2,168,000), whereas the interest cost for the ensuing year is estimated to be R2,461,000 (2021: R1,921,000).

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

i) Rate of interest		
Discount rate	9.44 %	7.44 %
Benefit inflation rate	5.84 %	4.03 %
Net effective discount rate	3.40 %	3.28 %
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 9.44% 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 9.44% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted indexed yield is 3.91%. 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 30 June 2021.



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20. Employee benefit obligations (continued)

ii) Mortality rates:

Pre-retirement: SA 85 - 90 mortality table

Withdrawal from service: Detailed sample rates used

iii) Normal retirement age

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

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

Present value of projected fund obligations	27,660,000	27,586,000
Fair value of plan assets	-	-
	27,660,000	27,586,000

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	1,737,000	1,989,607
Interest cost	1,921,000	2,039,762
Total included in employee related cost - refer to note 33	3,658,000	4,029,369

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

Balance at the beginning of the year	27,586,000	26,142,726
- Net current service cost and actuarial losses (gains) included in the long service awards expense	1,737,000	1,989,607
- Interest cost	1,921,000	2,039,762
- Benefits paid	(3,584,000)	(2,586,095)
	27,660,000	27,586,000

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

Liability History	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Accrued Liability	21,334,639	23,370,699	26,142,726	27,586,000	27,660,000
Fair value of plan assets	-	-	-	-	-
Surplus / (Deficit)	(21,334,639)	(23,370,699)	(26,142,726)	(27,586,000)	(27,660,000)

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 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Liabilities: (Gain) / Loss	729,329	1,486,754	1,418,184	1,196,866	37,000
Assets: Gain / (Loss)	-	-	-	-	-
	729,329	1,486,754	1,418,184	1,196,866	37,000



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20. 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	335,000	355,500
Effect on the defined benefit obligation	1,841,000	1,840,000

Decrease

Effect on the current service cost and interest cost	(296,000)	(315,400)
Effect on the defined benefit obligation	(1,662,000)	(1,656,000)

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 R54,056,742 for employees and R617,567 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 2020 showed that the funding level is 100%.

SALA Pension Fund

The contribution rate paid by the members 8.60% and Council 22.78% 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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2021

2020

20. 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 report their progress to The Registrar of Pension Funds on a continuous basis. On year end, the fund was still under curatorship.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (12%) 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 contain 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% are sufficient to fund the benefits accruing from the fund in the future.

Staff leave

The movement on the leave provision consists of the following:

Opening balance	52,459,673	39,346,186
Payments	(3,001,045)	(2,274,346)
Additional provision	15,079,682	15,387,833
	64,538,310	52,459,673

Staff annual bonus

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

Opening balance	13,649,466	12,248,842
Payments	(13,649,466)	(12,248,842)
Additional bonus accrual recognised during the year	14,536,911	13,649,466
	14,536,911	13,649,466



George Local Municipality

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21. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Additions / (Reversal)	Utilised during the year	Change in discount factor	Transfer to payables from exchange transactions	Total
Rehabilitation of landfill site	56,163,418	2,190,002	(119,477)	4,324,448	-	62,558,391
Compensation Liability GIPTN	53,763,744	3,781,823	(1,758,172)	(75,120)	(1,489,927)	54,222,348
	109,927,162	5,971,825	(1,877,649)	4,249,328	(1,489,927)	116,780,739

Reconciliation of provisions - 2020

	Opening Balance	Additions / (Reversal)	Utilised during the year	Change in discount factor	Transfer to payables from exchange transactions	Total
Rehabilitation of landfill site	57,663,131	(5,276,411)	(447,965)	4,224,663	-	56,163,418
Compensation Liability GIPTN	64,553,797	(495,915)	(6,393,930)	1,250,672	(5,150,880)	53,763,744
	122,216,928	(5,772,326)	(6,841,895)	5,475,335	(5,150,880)	109,927,162

Current liabilities consist of

	2021	2020
Rehabilitation of landfill site	11,381,778	15,244,307
Compensation Liability GIPTN	2,056,303	2,199,655
	13,438,081	17,443,962
Non-current liabilities	103,342,658	92,483,200
Current liabilities	13,438,081	17,443,962
	116,780,739	109,927,162

Rehabilitation of landfill site

The provision is made in terms of the municipality's licensing stipulations on the landfill waste sites. The landfill sites have reached full capacity and the municipality obtained closure licences during the 2015 financial year for both the George and Uniondale landfill sites. The closure licences requires that the rehabilitation commence within five years after of the date of issue of the licence and the rehabilitation should be completed within three to five years after the rehabilitation commencement date. Mandatory 30 year monitoring cost after closure of the landfill sites were also included in the provision.

During the year Delta Built Environment Consultants (Pty) Ltd visited the George landfill site and Zutari (Pty) Ltd visited the Uniondale landfill site to assist the municipality with their rehabilitation plans so that the municipality can keep to the deadlines as stipulated in the closure licences.

The cost as at 30 June 2021 has been escalated annually with the Construction Input Price Index rate until the estimated time of closure and discounted to present value using South African Government Bond rates of between 5.2 % and 7.695% depending on the estimated time of closure.

**George Local Municipality**

Annual Financial Statements for the year ended 30 June 2021

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

	Opening balance	Additions / Reversal	Utilised during the year	Unwinding of discount	Total
George	47,125,564	1,364,667	-	3,616,377	52,106,608
Uniondale	9,037,854	(1,158,100)	(119,477)	708,071	8,468,348
	56,163,418	206,567	(119,477)	4,324,448	60,574,956

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 (2020: 229) licences were subject to the buy-in option, while 278 (2020: 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 18.

The undiscounted provision for compensation before any pay outs over the five years covered by the compensation agreement is R63,416,331 (2020: R62,497,219). A discount rate of 5.25% (2020: 6.363%) (an average of the 2 and 5 year Government Bond rates in the prior year and the 2 year Government Bond rate in the current year) was used to discount the provision.

The municipality expects to pay the buy-out options between February 2022 and February 2023 as the next phases are rolled out and the buy-in options within 5 years from the roll out dates.



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Figures in Rand	2021	2020
22. Conditional government grants and subsidies		
Unspent conditional government grants and subsidies	35,623,001	175,594,321
National Government Grants	16,736,987	141,050,864
Provincial Government Grants	11,181,987	26,839,430
Other	7,704,027	7,704,027
Less: Conditional government grants and subsidies receivable - Note 4	(4,620,173)	(4,289,363)
National Government Grants	(262,147)	(262,147)
Provincial Government Grants	(1,784,628)	(1,453,818)
Other	(2,573,398)	(2,573,398)
	31,002,828	171,304,958

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 30):

Unconditional Grants		
Grants	186,527,670	149,978,000
Conditional Grants		
Grants and Donations	510,629,268	378,418,295
Subsidies	739,199	1,038,658
Total Government Grants and Subsidies	697,896,137	529,434,953
Operating	614,973,041	466,263,041
Capital	82,923,096	63,171,912
	697,896,137	529,434,953

Details of the different grants are set out below.

Unconditional Grants

22.1 Equitable share

Grants received	186,527,670	149,978,000
Conditions met - Operating	(186,527,670)	(149,978,000)
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

22.2 National: Finance Management Grant (FMG)

Opening balance	763,540	-
Grants received	(1,550,000)	1,550,000
Conditions met - Operating	1,550,000	(786,460)
Repayment of grant	(763,540)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	763,540

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22. Conditional government grants and subsidies (continued)

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

22.3 National: Municipal Disaster Relief Grant

Opening balance	-	-
Grants received	-	506,000
Conditions met - operating	-	(506,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Municipal Disaster Relief Grant provides funding for responding to and providing relief for unforeseeable and unavoidable disasters.

22.4 National: Infrastructure Skills Development

Opening balance	821,102	962,924
Grants received	6,126,000	7,500,000
Conditions met - Operating	(6,126,000)	(6,059,382)
Conditions met - Capital	-	(619,516)
Repayment of grant	(821,102)	(962,924)
Conditions still to be met/(Grant expenditure to be recovered)	-	821,102

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.

22.5 National: Energy Efficiency and Demand Side Management Grant

Opening balance	2,658,097	174,164
Grants received	4,500,000	7,000,000
Conditions met - Operating	(17,115)	-
Conditions met - Capital	(4,361,858)	(4,341,903)
Repayment of grant	(2,658,097)	(174,164)
Conditions still to be met/(Grant expenditure to be recovered)	121,027	2,658,097

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.

22.6 National: Municipal Infrastructure Grant (MIG)

Opening balance	31,522,932	2,210,967
Grants received	36,366,000	40,104,000
Conditions met - Operating	-	(1,604,160)
Conditions met - Capital	(36,264,981)	(6,976,908)
Repayment of grant	(31,522,932)	(2,210,967)
Conditions still to be met/(Grant expenditure to be recovered)	101,019	31,522,932

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.



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Figures in Rand	2021	2020
22. Conditional government grants and subsidies (continued)		
22.7 National: Municipal Infrastructure Grant (MIG) - Special Sport Allocation		
Opening balance	-	7,986,713
Repayment of grant	-	(7,986,713)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
22.8 National: Regional Bulk Infrastructure Grant (RBIG)		
Opening balance	-	6,717,840
Grants received	-	-
Conditions met - Capital	-	(6,717,840)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
The grant was allocated to the municipality to construct bulk infrastructure for water and waste water. This grant was used specifically for raising the dam wall of the Garden Route dam.		
22.9 National: Integrated National Electrification Grant		
Opening balance	794,335	1,300,791
Grants received	6,000,000	10,044,000
Conditions met - Capital	(6,706,369)	(9,249,665)
Repayment of grant	-	(1,300,791)
Conditions still to be met/(Grant expenditure to be recovered)	87,966	794,335
The National Electrification Grant was used to upgrade the sub-station and electrification network.		
22.10 National: Expanded Public Works Program Grant (EPWP)		
Opening balance	812,037	-
Grants received	4,109,000	5,111,000
Conditions met - Operating	(4,921,037)	(4,298,963)
Conditions still to be met/(Grant expenditure to be recovered)	-	812,037
The Expanded Public Works Program Grant was used to increase labour employment through infrastructure programs that increase job creation and skills development.		
22.11 National: Lawaikamp 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 Lawaikamp Sports Grounds.		

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22. Conditional government grants and subsidies (continued)		
22.12 National: Public Transport Grant		
Opening balance	103,678,821	884,437
Grants received	152,069,000	327,753,000
Conditions met - Operating	(202,916,408)	(192,304,158)
Conditions met - Capital	(36,404,440)	(31,770,021)
Repayment of grant	-	(884,437)
Conditions still to be met/(Grant expenditure to be recovered)	16,426,973	103,678,821
<p>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.</p> <p>Grant received in the prior year for upgrading of Thembaletu Bridge amounting to R82,127,000. The grant was paid over to SANRAL during the current year.</p>		
22.13 Provincial: Local Government Support Grant - COVID-19		
Opening balance	-	-
Grants received	-	1,000,000
Conditions met - Operating	-	(1,000,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
<p>This grant was utilised for the supply of food parcels during the national lockdown period.</p>		
22.14 Provincial: Western Cape Financial Management Support Grant		
Opening balance	165,662	-
Grants received	500,000	755,000
Conditions met - Operating	(665,662)	(589,338)
Conditions still to be met/(Grant expenditure to be recovered)	-	165,662
<p>The Financial Management Support Grant is given by the Western Cape Provincial Treasury to provide financial assistance to municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.</p>		
22.15 Provincial: Western Cape Financial Management Capacity Building Grant		
Opening balance	380,000	-
Grants received	300,000	380,000
Repayment of grant	(380,000)	-
Conditions still to be met/(Grant expenditure to be recovered)	300,000	380,000
<p>This grant is given to develop financial human capacity within municipal areas to enable a sustainable local financial skills pipeline that is responsive to municipalities' requirements to enable sound and sustainable financial management and good financial governance.</p>		
22.16 Provincial: Integrated Public Transport Network Grant		
Opening balance	3,693,631	(151,380)
Grants received	187,240,000	172,747,000
Conditions met - Operating	(191,164,441)	(168,901,989)



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22. Conditional government grants and subsidies (continued)		
Conditions still to be met/(Grant expenditure to be recovered)	(230,810)	3,693,631
<p>The Integrated Public Transport Network Operations grant is given to the municipality to implement a public transport service as contemplated in the George Integrated Public Transport Network (GIPTN). This grant will fund the shortfall in operational cost and provide for the additional operational support to underwrite the consequences of significantly impaired operating conditions and magnified transformation obligations. This grant will also enhance infrastructure for public transport services provided by the municipality</p>		
22.17 Provincial: Fire Services Capacity Building Grant		
Opening balance	11,422	11,422
Grants received	732,000	-
Conditions met - Operating	(729,394)	-
Repayment of grant	(11,422)	-
Conditions still to be met/(Grant expenditure to be recovered)	2,606	11,422
<p>This grant is given to the municipality to provide financial assistance to ensure functional emergency communication, mobilisation systems and fire services.</p>		
22.18 Provincial: Integrated Transport Planning Grant		
Opening balance	1,193,494	1,193,494
Grants received	600,000	600,000
Conditions met - Operating	(1,157,235)	-
Repayment of grant	(600,000)	(600,000)
Conditions still to be met/(Grant expenditure to be recovered)	36,259	1,193,494
<p>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).</p>		
22.19 Provincial: Human Settlements Operating Grants		
Opening balance	8,065,502	(797,270)
Grants received	475,000	10,000,000
Conditions met - Operating	(675,280)	(1,137,228)
Conditions still to be met/(Grant expenditure to be recovered)	7,865,222	8,065,502
<p>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.</p>		

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Figures in Rand	2021	2020
22. Conditional government grants and subsidies (continued)		
22.20 Provincial: Human Settlements Capital Grant		
Opening balance	12,761,849	14,945,371
Grants received	-	1,117,335
Conditions met - Capital	-	(3,300,848)
Repayment of grant	(10,000,000)	-
Conditions still to be met/(Grant expenditure to be recovered)	2,761,849	12,761,858
<p>This grant is given to provide funding for the creation of sustainable human settlements. The outcome of this grant is to provide basic infrastructure that contributes to the establishment of sustainable human settlements.</p>		
22.21 Provincial: Sport / Recreational Facilities		
Opening balance	-	228,000
Repayment of grant	-	(228,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
<p>This grant is given by Provincial Treasury to initiate and support socially cohesive sport and recreation structures and/or activities.</p>		
22.22 Provincial: Proclaimed Roads		
Opening balance	-	-
Grants received	2,956,000	10,086,965
Conditions met - Operating	(2,956,000)	(10,086,965)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
<p>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).</p>		
22.23 Provincial: Thembaletu & Pacaltsdorp sport fields (YDVS)		
Opening balance	(1,453,818)	(1,453,818)
Grants received	-	-
Conditions still to be met/(Grant expenditure to be recovered)	(1,453,818)	(1,453,818)
<p>This grant was utilised to upgrade the Thembaletu and Pacaltsdorp sport fields.</p>		



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Figures in Rand	2021	2020
22. Conditional government grants and subsidies (continued)		
22.24 Provincial: Provide resources for the Cycle Infrastructure Project Grant		
Opening balance	100,000	-
Grants received	-	100,000
Conditions met - Operating	(200,000)	-
Conditions still to be met/(Grant expenditure to be recovered)	(100,000)	100,000
This grant was given by Provincial Treasury to the Municipality to further develop and enhance cycle infrastructure in the municipal area.		
22.25 Provincial: Library Services		
Grants received	10,283,000	9,993,000
Conditions met - Operating	(10,283,000)	(9,797,790)
Conditions met - Capital	-	(195,210)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
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.		
22.26 Provincial: Community Development Workers' Operational Grant		
Opening balance	200,568	37,505
Grants received	94,000	186,000
Conditions met - Operating	(45,727)	(22,937)
Repayment of grant	(37,505)	-
Conditions still to be met/(Grant expenditure to be recovered)	211,336	200,568
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.		
22.27 Provincial: Thembaletu Thusong Service Centre		
Opening balance	-	-
Grants received	150,000	200,000
Conditions met - Operating	(145,293)	(200,000)
Conditions still to be met/(Grant expenditure to be recovered)	(4,707)	-
This grant is given to provide financial assistance to Municipalities, ensuring the financial sustainability of the Thusong Service Centres.		

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Figures in Rand	2021	2020
22. Conditional government grants and subsidies (continued)		
22.28 Provincial: Local Government Graduate Internship Grant		
Opening balance	17,292	15,305
Grants received	-	80,000
Conditions met - Operating	(17,292)	(78,013)
Conditions still to be met/(Grant expenditure to be recovered)	-	17,292
<p>The Local Government Graduate Internship Grant is given to the municipality to provide financial assistance to the municipality in support of capacity building for the future by means of a graduate internship program.</p>		
22.29 Provincial: Municipal Service Delivery and Capacity Building Grant		
Opening balance	250,000	250,000
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Repayment of grant	(250,000)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	250,000
<p>The Municipal Service Delivery and Capacity Building Grant is given to the municipality to strengthen and improve municipal service delivery and capacity building to enable municipalities to manage their own affairs, to exercise their own powers and to perform their functions as prescribed by local government legislation.</p>		
22.30 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
<p>The Eden District Municipality grant was given for electrification of certain areas.</p>		
22.31 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)
<p>This grant was given to reimburse municipalities for flood damage incurred by the municipality.</p>		



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Figures in Rand	2021	2020
22. Conditional government grants and subsidies (continued)		
22.32 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.		
22.33 Other: LG Seta		
Opening balance	-	-
Grants received	739,199	1,038,658
Conditions met - Operating	(739,199)	(1,038,658)
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	171,304,958	39,384,945
Grants received	601,316,869	675,702,958
Conditions met - Operating	(610,836,753)	(466,263,041)
Conditions met - Capital	(83,737,647)	(63,171,908)
Repayment of grant funding received	(47,044,599)	(14,347,996)
Conditions still to be met/(Grant expenditure to be recovered)	31,002,828	171,304,958
23. Housing development fund		
Unappropriated surplus / (deficit)	(5,062,145)	4,384,056
Loans extinguished by Government on 1 April 1998	53,383,243	53,383,243
	48,321,098	57,767,299
The housing development fund is represented by the following assets and liabilities		
Housing selling scheme loans	149,106	293,181
Inventory	141,633	141,633
Trade and other receivables from exchange transactions	946,984	781,906
Trade and other receivables from non-exchange transactions	759,983	707,300
Bank and cash	47,083,375	56,550,579
Trade and other payables from exchange transactions	(759,983)	(707,300)
Total Housing Development Fund Assets and Liabilities	48,321,098	57,767,299

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24. Service charges		
Electricity	720,737,013	674,896,622
Water	145,529,651	137,666,170
Sewerage and sanitation charges	122,717,179	110,678,138
Refuse removal	101,623,339	92,266,008
	1,090,607,182	1,015,506,938

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.

25. Income from agency services

Provincial drivers licenses	1,672,719	1,671,599
Provincial vehicle registrations	13,590,422	10,598,561
	15,263,141	12,270,160

Refer to note 57 regarding the principle-agent agreement.

26. GIPTN Fare Revenue

GIPTN Fare Revenue	39,534,679	41,133,084
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Fare revenue is recognised in accordance with accounting policy 1.25.

The GIPTN is part of a service concession arrangement. Refer to note 56 for more detail.

27. Other income

Building plan fees and related income	6,585,902	5,057,430
Camping fees	808,210	401,487
Cemetery fees	1,692,645	1,234,138
Collection charges	3,209,430	4,278,667
Development charges	25,449,182	12,715,365
Insurance claims received	1,111,660	1,857,470
Land usage application fees	152,460	433,558
Rates clearance certificates for property transfers	1,006,482	665,470
Sundry income	5,243,737	1,853,752
	45,259,708	28,497,337

The amounts disclosed above for Other Income are in respect of services rendered, other than described in notes 24 and 29 which are billed to or paid for by the users of the services as required according to approved tariffs.

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28. Interest received		
Outstanding debtors		
Trade receivables	4,307,673	2,942,531
Land sales	28,887	57,859
	4,336,560	3,000,390
External Investments		
Bank accounts	16,368,475	31,474,786
Short term investments	12,438,668	13,695,657
	28,807,143	45,170,443
	33,143,703	48,170,833
29. Property rates		
Rates received		
Agriculture	5,429,664	4,507,212
Commercial	79,247,484	74,503,132
Formal and informal settlements	16,037,540	15,462,865
Municipal	18,381,934	16,850,954
Public service infrastructure	158,374	92,308
Public benefit organisations	328,443	304,229
Residential	208,901,637	191,012,063
State-owned	17,523,047	16,489,790
Vacant land	15,599,349	18,821,458
Less: Income forgone	(30,926,502)	(28,645,744)
Less: Impermissible rates	(7,925,839)	(7,288,878)
	322,755,131	302,109,389
Valuations		
Agriculture	2,933,244,000	2,624,085,000
Churches & parks	363,992,000	351,738,000
Commercial	7,518,986,000	7,535,179,000
Formal and informal settlements	2,190,220,000	2,271,600,000
Industrial	1,826,618,000	1,771,874,000
Municipal (non-taxable valuations)	1,485,718,000	1,364,538,000
Public service infrastructure	89,567,000	92,280,000
Public benefit organisations	183,242,000	182,189,000
Residential	29,434,886,000	28,313,451,000
State-owned	1,751,027,000	1,786,727,000
Vacant land	1,622,085,000	1,853,334,000
	49,399,585,000	48,146,995,000



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29. Property rates (continued)

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

Uniform rates of 0.7179 (2020: 0,6773) cents in the Rand on total valuations were applied to determine assessment rates. Business tariffs are levied at 1.0129 (2020: 0,9556) for Commercial, Industrial, Business and Mining erven, and this was applicable for all Areas.

Rebates of 20% - 40% (2020: 20% - 40%) were applied to pensioners based on the annual income of the ratepayer.

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

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30. Government grants and subsidies		
Operating grants		
Equitable share	186,527,670	149,978,000
National: Public Transport Grant	202,916,408	110,177,158
National: Expanded Public Works Program Grant	5,121,037	4,298,963
National: Financial Management Grant (FMG)	1,550,000	786,460
National: Infrastructure Skills Development	6,093,021	6,059,382
National: Municipal Disaster Relief Grant	-	506,000
National: Municipal Infrastructure Grant (MIG)	1,594,040	1,604,160
Other: LG Seta	739,199	1,038,658
Provincial: Library Services Grant	10,283,000	9,797,790
Provincial: Community Development Workers Grant	45,727	22,937
Provincial: Human Settlements Operating Grant	3,997,016	1,137,228
Provincial: Integrated Public Transport Network Grant	192,321,676	168,901,989
Provincial: Local Government Graduate Internship Grant	17,292	78,013
Provincial: Local Government Support Grant - COVID-19	-	1,000,000
Provincial: Proclaimed Roads	2,956,000	10,086,965
Provincial: Thusong Centre Grant	145,293	200,000
Provincial: Western Cape Financial Management Support Grant	665,662	589,338
	614,973,041	466,263,041
Capital grants		
National: Infrastructure Skills Development	6,534	619,516
National: Electricity Demand Side Management Grant	4,405,418	4,341,903
National: Municipal Infrastructure Grant (MIG)	34,670,941	6,976,908
National: Regional Bulk Infrastructure Grant (RBIG)	-	6,717,840
National: Integrated National Electrification Grant	6,706,369	9,249,665
National: Public Transport Grant	36,404,440	31,770,021
Provincial: Human Settlements Capital Grant	-	3,300,849
Provincial: Library Services Grant	-	195,210
Provincial: Fire Services Capacity Building Grant	729,394	-
	82,923,096	63,171,912
	697,896,137	529,434,953
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Civil Engineering Services	170,500,244	135,623,587
Community Services	65,999,547	57,580,097
Corporate Services	1,229,401	1,603,059
Electro- Technical Services	43,477,008	40,173,390
Financial Services	5,761,861	3,376,499
Human Settlements	10,786,976	3,685,528
Office of the Municipal Manager	402,226	591,400
Planning and Development	2,241,044	2,682,842
Protection Services	397,497,830	284,118,551
	697,896,137	529,434,953

The prior year is restated. Refer to note 48 for more detail.

**Notes to the Annual Financial Statements**

Figures in Rand	2021	2020
31. Fines, penalties and forfeits		
Property rates penalties	1,792,478	945,313
GIPTN Bus operator penalties	7,607	8,597
Other fines	946,855	263,891
Traffic fines	36,268,710	75,065,074
	39,015,650	76,282,875

The contract for the camera traffic fines lapsed in May 2020 and a new contract started during February 2021. Camera traffic fines were not issued during June 2020 and July 2020.

32. In-kind donations and assistance

The following assets have been donated to the municipality and form part of the asset additions for the year:

Property, plant and equipment

Erf 13043 George	-	1,208,645
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Investment property

Nikiwe Creche - erf 2206, Tyolora	-	2,915,000
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-	4,123,645
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33. Employee related costs

Basic	386,866,497	369,276,660
Housing benefits and allowances	2,315,607	2,219,764
Long-service awards	1,802,573	1,667,528
Medical aid - company contributions	22,400,329	21,336,983
Other payroll levies	7,818,024	5,811,952
Overtime payments	40,691,271	42,012,830
Employee benefit obligations	31,280,587	(2,694,120)
- Current service cost	5,401,657	6,519,473
- Interest cost	18,249,015	18,118,466
- Actuarial (gains) / losses recognised	7,629,915	(27,332,059)
Travel, motor car, accommodation, subsistence and other allowances	34,991,919	35,607,579
UIF	3,071,712	3,055,709
Pension	54,056,742	51,365,193
	585,295,261	529,660,078

The prior year figures have been restated. Refer to note 48.2 for more detail.

The organisational structure of the municipality was reviewed and Council adopted the new structure in August 2017. The remuneration disclosed below in the current year is for eight directorates (2020: eight directorates).

Included in the balances above are the following:

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Figures in Rand	2021	2020
33. Employee related costs (continued)		
Remuneration of Municipal Manager		
Annual remuneration	1,498,780	1,671,775
Settlement agreement	1,415,478	-
Travel allowance (Acting Municipal Manager)	60,000	-
Acting expenses	37,727	-
Contributions to UIF, Bargaining Council, Medical and Pension Funds	16,231	50,522
Performance bonus	-	186,843
	3,028,216	1,909,140
Remuneration of Director Financial Services		
Annual remuneration	-	30,885
Car allowance	-	1,290
Contributions to UIF, Medical and Pension Funds	-	6,209
Acting expense	81,886	37,317
	81,886	75,701
Remuneration of Director Corporate Services		
Annual remuneration	1,016,496	1,027,670
Car allowance	144,000	144,000
Performance bonus	128,471	-
Contributions to UIF, Medical and Pension Funds	269,207	258,026
Acting expense	3,553	-
	1,561,727	1,429,696
Remuneration of Director Planning & Development		
Annual Remuneration	150,284	-
Contributions to UIF, Medical and Pension Funds	29,680	-
Acting expense	32,648	38,743
	212,612	38,743
Remuneration of Director Human Settlements & Land Affairs		
Annual remuneration	1,373,551	1,373,551
Contributions to UIF, Medical and Pension Funds	56,145	56,145
Acting expense	8,691	8,334
Performance bonus	-	194,401
	1,438,387	1,632,431
Remuneration of Director Civil Engineering Services		
Annual remuneration	1,137,830	1,241,269
Settlement agreement	600,694	-
Contributions to UIF, Medical and Pension Funds	2,057	2,237
Acting expense	14,926	973
Performance bonus	-	132,821
	1,755,507	1,377,300



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Figures in Rand	2021	2020
33. Employee related costs (continued)		
Remuneration of Director Community Services		
Annual remuneration	1,152,909	1,147,245
Settlement agreement	594,775	-
Car allowance	25,333	60,000
Contributions to UIF, Medical and Pension Funds	142,021	222,451
Acting expense	3,358	78,029
Performance bonus	-	124,972
	1,918,396	1,632,697
Remuneration of Director Protection Services		
Annual remuneration	1,044,965	1,056,491
Car allowance	96,000	96,000
Contributions to UIF, Medical and Pension Funds	288,738	277,205
Acting expense	1,672	9,803
Performance bonus	199,844	124,972
	1,631,219	1,564,471
34. Remuneration of Councillors		
Basic Salaries		
Executive Mayor	670,387	405,784
Deputy Executive Mayor	466,355	458,398
Speaker	607,816	600,457
Chief Whip	502,790	496,703
Mayoral Committee Members	4,738,078	5,358,274
Councillors	7,297,476	7,239,044
Allowances and contributions		
Car allowance	4,683,851	4,838,203
Cell phone allowance	2,063,299	2,102,842
Contributions to medical aid	205,068	257,211
Contributions to pension fund	617,567	759,424
	21,852,687	22,516,340

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.

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34. Remuneration of Councillors (continued)		
Remuneration for the Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip are:		
Executive Mayor		
Basic Salary - MG Naik (Mayor until 19/2/2020)	-	334,334
Basic Salary - LD van Wyk (Mayor as from 22/5/2020)	670,387	71,450
Car allowance - MG Naik (Mayor until 19/2/2020)	-	142,554
Car allowance - LD van Wyk (Mayor as from 22/5/2020)	223,463	24,629
Cell phone allowance - MG Naik (Mayor until 19/2/2020)	-	26,028
Cell phone allowance - LD van Wyk (Mayor as from 22/5/2020)	40,800	3,400
Contributions to medical aid and pension fund - MG Naik (Mayor until 19/2/2020)	-	90,038
	934,650	692,433
Deputy Executive Mayor		
Basic Salary	466,355	458,398
Car allowance	178,770	178,677
Cell phone allowance	40,800	40,800
Contributions to medical aid and pension fund	69,953	69,440
	755,878	747,315
Speaker		
Basic Salary	607,816	600,457
Car allowance	107,262	105,820
Cell phone allowance	40,800	40,800
	755,878	747,077
Chief Whip		
Basic Salary	502,790	496,703
Car allowance	167,597	165,344
Cell phone allowance	40,800	40,800
	711,187	702,847
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:		
B Adams (Councillor as from 12/11/2020)	205,409	-
M Barnardt	711,187	702,847
M Barnardt (Councillor as from 22/5/2020 - 26/5/2020)	-	3,507
EL Brown	323,670	323,670
N Bungane	711,187	-
EC Bussack (Mayco Member until 21/5/2020)	-	459,352
JP Buys	323,670	323,670
CM Clarke	755,878	747,315
CM Clarke (Councillor as from 22/5/2020 - 26/5/2020)	-	3,173



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34. Remuneration of Councillors (continued)		
BM Cornelius (Councillor until 21/8/2019)	-	54,324
BM Cornelius (Mayco Member as from 22/8/2019 - 21/2/2020)	-	348,603
DL Cronje (Mayco Member until 21/5/2020)	-	635,682
DL Cronje (Councillor as from 22/5/2020)	323,670	33,805
MP Daniels (Councillor until 7/05/2021)	275,903	323,670
S Dlikilile	323,670	320,388
M Draghoender	79,880	323,670
J Du Toit (Chairperson of the (MPAC) as from 30/5/2019)	691,521	723,743
JD Esau	323,670	323,670
DV Farrel (Councillor as from 15/6/2020)	323,670	16,601
RS Figland	711,187	703,180
RS Figland (Councillor as from 22/5/2020 - 26/5/2020)	-	3,173
T Fortuin (Councillor as from 3/6/2020)	323,670	24,649
J Fry	323,670	323,670
V Gericke	323,670	323,670
D Gultig	323,670	323,670
GN Gushman	323,670	323,670
W Harris (Councillor until 1/6/2020)	-	297,859
RJ Hector (Councillor as from 12/11/2020)	205,409	-
HH Ingo	323,670	323,670
NR James	323,670	323,670
B Johnson (Councillor as from 11 February 2021)	123,728	-
VA Kama (Councillor as from 31/7/2019)	323,670	297,849
IC Kritzinger (Mayco Member until 21/5/2020)	-	635,919
IC Kritzinger (Councillor as from 22/5/2020)	323,670	33,703
LK Langa	323,670	323,670
C Lesele	323,670	323,670
HJ Loff	323,670	323,670
P Louw	323,670	323,670
N Mbete (Mayco Member as from 1/7/2020)	-	702,847
N Mbete (Councillor as from 22/5/2020 - 26/5/2020)	-	3,507
NF Mdaka	323,670	323,670
KJ Mkondo	323,670	323,670
B Mooi	323,670	323,670
V Muller (Councillor until 26 May 2020)	-	293,267
MG Naik (Mayor until 19/2/2020)	-	592,953
J Ncamazana	323,670	323,670
CH Noble	711,187	702,847
CH Noble (Councillor as from 22/5/2020 - 26/5/2020)	-	3,507
P Nosana	323,670	323,670
MM Nyakati (Mayco Member until 21/5/2020)	-	635,682
MM Nyakati (Councillor as from 22/5/2020 - 15/1/2021)	175,343	33,805
B Petrus (Councillor as from 12/11/2020)	205,409	-
L Pienaar (Councillor as from 30/4/2020 - 10/6/2020)	-	37,868
B Plata	323,670	323,670
G Pretorius	755,878	747,077
G Pretorius (Councillor as from 22/5/2020 - 26/5/2020)	-	3,467
MA Roelfse (Councillor as from 12/11/2020)	205,409	-
S Rooiland	323,670	323,670
J Safers	323,670	323,670
S Snyman	711,187	703,141
S Snyman (Councillor as from 22/5/2020 - 26/5/2020)	-	2,807
GJ Stander (Councillor until 26/5/2020)	711,187	293,216
GJ Stander (Mayco Member until 27/5/2020)	-	67,483



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34. Remuneration of Councillors (continued)		
I Stemela (Councillor until 26/5/2020)	711,187	293,178
I Stemela (Mayco Member as from 27/5/2020)	-	67,576
E Stroebel	323,670	323,670
T Teyisi	323,670	323,670
PJ van der Hoven	323,670	323,670
G van Niekerk (Councillor until 27/01/2021)	215,780	323,670
G van Niekerk (Chairman of the section 79 GIPTN Committee)	264,367	-
LD van Wyk (Councillor until 21/5/2020)	-	289,845
LD van Wyk (Mayor as from 22/5/2020)	934,650	99,479
J von Brandis	711,187	701,367
J von Brandis (Councillor as from 22/5/2020 - 26/5/2020)	-	3,507
D Wessels (Councillor until 21/5/2020)	-	295,430
D Wessels (Mayco Member as from 22/5/2020)	711,187	65,323
AD Willemse (Mayco Member until 19/2/2020)	-	453,827
AD Willemse (Councillor as from 20/2/2020 - 26/2/2020)	-	4,135
CT Williams	323,670	323,670
R Windwaai (Councillor from 17/7/2019)	323,670	310,767
	21,852,687	22,516,340
35. Depreciation and amortisation		
Property, plant and equipment	157,909,025	157,298,912
Intangible assets	344,119	725,314
Investment property	161,571	162,015
	158,414,715	158,186,241
36. Impairment of assets		
Impairments		
Trade receivables from exchange transactions	57,717,288	43,913,018
Trade and other receivables from non-exchange transactions	37,327,249	81,358,123
Loans and receivables	67,717	32,523
	95,112,254	125,303,664
37. Finance costs		
Loans and borrowings	32,505,743	34,776,514
Finance leases	90,102	255,822
Provision for rehabilitation of landfill site	4,324,448	4,224,663
Provision for Compensation Liability GIPTN (provision and accrual)	3,478,719	4,514,581
	40,399,012	43,771,580
Refer to note 21 for detail on the discounting of the provisions for the rehabilitation of the landfill site and the GIPTN Compensation Liability.		
38. Bulk purchases		
Electricity - Eskom	516,669,782	482,921,168
Water	2,552,474	2,277,888
	519,222,256	485,199,056

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Figures in Rand	2021	2020
38. Bulk purchases (continued)		
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.		
39. Contracted services		
Consultants and professional services		
<i>Business and Advisory</i>		
Accounting and Auditing	1,307,422	542,069
Air Pollution	-	8,587
Audit Committee	197,666	229,225
Board Member	-	17,845
Communications	-	2,499,183
Human Resources	1,574,721	2,089,231
Project Management	415,825	1,239,806
Quality Control	583,698	317,750
Valuer and Assessors	380,228	869,366
<i>Infrastructure and Planning</i>		
Engineering	6,607,336	5,206,639
Town Planner	90,374	258,080
Other	44,134	80,171
<i>Other</i>		
Laboratory Services	80,383	12,125
Legal Cost	12,376,398	8,510,726
Contractors		
Artist and Performers	160,000	1,475,207
Audio-visual Services	(3,593)	223,781
Building	15,672,873	17,823,844
Catering Services	1,684,647	1,978,940
Electrical	5,692,016	1,963,292
Employee Wellness	1,554,633	2,314,948
Event Promoters	11,223,396	12,835,930
Fire Protection	76,806	82,421
First Aid	657,275	1,063,913
Haulage	3,013,096	4,504,388
Inspection Fees	802,148	1,371,569
Maintenance of Buildings and Facilities	14,340,465	12,561,309
Maintenance of Equipment	7,827,370	6,374,246
Maintenance of Unspecified Assets	81,991,939	82,341,164
Management of Informal Settlements	11,394,754	4,947,386
Prepaid Electricity Vendors	18,761,889	17,815,538
Safeguard and Security	1,181,948	1,072,773
Traffic and Street Lights	246,159	48,014
Other	28,706	164,123
Outsourced Services		
<i>Business and Advisory</i>		
Accounting and Auditing	199,428	14,405
Business and Financial Management	1,024,848	951,944

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Figures in Rand	2021	2020
39. Contracted services (continued)		
Communications	707,186	3,259,324
Human Resources	313,503	819,321
Organisational	85,135	217,571
<i>Other</i>		
Administrative and Support Staff	1,275,969	1,486,084
Alien Vegetation Control	762,479	-
Animal Care	2,780,000	2,600,000
Clearing and Grass Cutting Services	3,588,591	3,134,764
Illegal Dumping	2,529,578	905,356
Internal Auditors	4,944,529	3,637,134
Legal Cost	710,762	680,154
Meter Management	2,216,874	1,715,626
Refuse Removal	7,687,065	6,976,314
Printing Services	1,088,903	1,105,678
Security Services	22,725,896	18,869,330
Sewerage Services	262,260	77,901
Traffic Fines Management	1,264,488	2,906,610
Transport Services	199,153,716	175,923,251
Other	82,246	168,975
	453,368,168	418,293,331
40. Grants and subsidies paid		
Other subsidies		
Provincial Department of Transport	78,256,422	83,377,884
SANRAL	82,127,000	-
	160,383,422	83,377,884
<p>The municipality receives a grant from the National Department of Transport to fund expenditure of the GIPTN bus service. A portion of this grant is paid over to the Provincial Department of Transport for expenditure they procure on behalf of the municipality in terms of section 17(2) of the Division of Revenue Act (2019). The municipality also paid an amount to SANRAL from this grant.</p>		
41. (Profit) /loss on disposal of assets		
Property, plant and equipment	(706,377)	193,856
Investment property	-	1,469,371
Inventory	46,661	(187,074)
	(659,716)	1,476,153
42. Inventories losses/write downs		
Net realisable value adjustments:		
GIPTN Smart Cards for electronic fare revenue system	116,090	-

Refer to note 2 for details of inventories held by the municipality.

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Figures in Rand	2021	2020
43. Other materials / Inventory		
Fuel	12,268,984	12,966,044
Chemicals	24,084,923	17,825,228
Other	24,522,535	28,562,699
	60,876,442	59,353,971
44. General expenses		
Advertising, publicity and marketing	2,122,858	1,902,171
Auditors remuneration	6,001,850	5,343,589
Bank charges	2,065,999	2,327,049
Bargaining Council	6,232,444	5,227,867
Commission Third Party Vendors	4,049,849	2,338,066
Contribution / (Reversal) to the rehabilitation of the landfill sites provision	2,190,003	(5,276,411)
External computer services	13,998,910	9,480,258
Insurance	12,082,336	9,797,303
Internet charges	5,823,214	3,260,073
Learnerships and interns	633,008	1,135,412
Lease rentals on operating leases	6,251,769	5,578,371
Other general expenses	4,571,610	7,263,055
Postage, courier and delivery services	123,653	104,264
Printing and publications	2,392,217	2,876,484
Refuse	8,826,611	7,848,252
Skills Development Levy	4,670,115	4,424,229
Telephone and fax	2,313,327	2,432,194
Travel - local	15,898,171	15,642,176
Travel - overseas	-	78,554
Uniforms	4,247,271	3,680,389
Vehicle Tracking	2,143,912	1,596,619
Warranties paid	18,489,437	-
Workmen's Compensation Fund	(2,024,159)	2,659,998
	123,104,405	89,719,962

The prior year figure of external computer services was reclassified as internet charges was moved to the internet charges expense line item.

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Figures in Rand	2021	2020
45. Net cash flows from operating activities		
Surplus for the year	79,969,119	64,309,080
Adjustments for:		
Depreciation and amortisation	158,414,715	158,186,241
Loss on sale of assets and liabilities	(659,716)	1,476,153
Donated asset receipts included in other income	-	(4,123,645)
Net realisable value adjustment of inventory	116,090	-
Finance costs - Finance leases	90,102	255,822
Impairment of assets	95,112,253	125,303,665
Movements in bonus provision	887,445	1,400,624
Movements in provisions	8,731,227	(5,447,871)
Provisions utilised during the year	(1,877,649)	(6,841,895)
Movement in Employee benefit asset and liabilities - Medical Aid, Pension and Long Service Awards	32,819,930	(812,409)
Movement in Employee benefit asset and liabilities - Staff leave	12,078,637	13,113,487
Payments on behalf of principal	(3,282,134)	(5,433,714)
Benefits paid in terms of employee benefits obligations	(11,673,796)	(10,012,865)
Construction contracts receipts	54,901	4,761,061
Construction contracts	(39,603)	(18,895)
Unspent conditional grants received	557,594,007	675,702,960
Repayments of unspent conditional grants	-	(14,347,996)
Payments from unspent conditional grants	(615,769,138)	(529,434,953)
Payments from unspent conditional grants - SANRAL	(82,127,000)	-
Construction contracts revenue	(10,788,722)	(19,983,773)
Changes in working capital:		
(Increase) / Decrease in Inventories	4,432,138	4,862,828
Other receivables from non-exchange transactions	(43,894,459)	(83,804,534)
(Increase) / Decrease in Prepayments	1,756,871	16,147,448
(Increase) / Decrease in Receivables from exchange transactions	(78,964,305)	(47,028,287)
Increase / (Decrease) in Trade and other payables from exchange transactions	(11,398,861)	18,266,412
(Increase) / Decrease in VAT	151,728	90,063
Increase / (Decrease) in Consumer deposits	2,601,213	2,055,290
	94,334,993	358,640,297

**George Local Municipality**

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Notes to the Annual Financial Statements

Figures in Rand	2021	2020
46. Commitments		
Authorised capital expenditure		
Approved and contracted		
• Infrastructure	101,786,215	53,551,093
• Community	1,722,576	1,573,909
• Other	5,702,200	1,278,771
	109,210,991	56,403,773
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	1,578,603	1,621,539
- in second to fifth year inclusive	2,088,809	3,575,698
	3,667,412	5,197,237

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.

**George Local Municipality**

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Figures in Rand	2021	2020
47. Contingencies		
Compensation for damages		
Magnolia Ridge Properties 77 (Pty) Ltd	750,000	750,000
T Klaasen	100,000	150,000
Acme Tool Hire	1,963,794	528,438
Coastal Armature Winders and Supplies	75,000	225,000
R Wesso	-	150,000
Plaaslike Besorgde Inwoners	-	500,000
N Landu	650,000	-
Western Purification Chemical & Plant CC	-	1,000,000
Construction of Nelson Mandela Boulevard	1,000,000	-
	4,538,794	3,303,438

Magnolia Ridge Properties 77 (Pty) Ltd: Claimant brought a review application against the George Municipality regarding a decision made to claimant's application for and uses of erven 25538 and 25541 which was refused. The company appealed against the decision and the appeal was dismissed by the Appeal Authority after which the company lodged a revised application which was heard in the High Court of South Africa but the High Court referred the matter back to the Appeals Authority for consideration. There was an oral hearing on 1 April 2019 at the offices of the municipality and at this hearing, written and oral submissions were made. After the hearing, the Appeals Authority met with independent technical advisors for assistance and advice. The Appeals Authority dismissed the appeal in May 2019. The municipality paid R503,399 for legal costs in this matter. Magnolia Ridge Properties 77 (Pty) Ltd indicated that they intend to take the decision under review. To date the municipality did not receive any further communication from them on this matter.

Magnolia Ridge Properties 77 (Pty) Ltd also lodged an further application to change the zoning of erf 25541 in March 2019 for setting aside the decision of the Appeals Authority against the refusal of the company's request for rectification of a reported error on the municipality's zoning scheme map. The company requested an order that the entire extent of the property be rezoned and a cost order was also requested against the municipality. The municipality indicated that they would oppose this matter and filed the necessary documentation in June 2019. The appeal of the claimant was dismissed, but the claimant subsequently brought a review application in the High Court for the setting aside of the decision of the Appeal Authority.

On 20 April 2021 the Applicant served a Rule 28(1) Notice to amend their Notice of Motion requesting further relief to review and set aside the decision of the Municipality. The Municipality made objection to the proposed amendment. The Applicant thereafter served a Notice of Application for Leave to Amend and Joinder Application on 25 May 2021. The Municipality does not intend to oppose the Joinder Application, however instructions were received to oppose the Application for Leave to Amend and the Municipality's answering papers will be filed within the time limits allowed.

The matter is currently pending a court date and the cost exposure for the municipality will be approximately R750,000 if the company is successful.

T Klaasen: Alleged unfair dismissal referred to the Bargaining Council. Awaiting date for arbitration in Bargaining Council. Possible legal cost payable by the municipality could be R100,000.

Construction of Nelson Mandela Boulevard: An application was brought against the Construction company who abandoned the construction site for completion of the works as well as against the Engineer for damages. Possible legal cost payable by the municipality could be R1,000,000. The matter is still in progress.

Acme Tool Hire: A summons amounting to R1,963,794 was issued against the municipality for lost equipment. This matter was referred to Goussard Attorneys. The attorneys filed documentation against the summons after which the company has to resubmit their claim against that municipality and the attorneys responded on the new documentation submitted. Extensive consultations were held with the various role players in this matter. Possible legal cost payable by the municipality could be R200,000. The matter is still in progress.

**George Local Municipality**

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements**Figures in Rand****2021****2020****47. Contingencies (continued)**

Coastal Armature Winders and Supplies: The applicant took the municipality to court for the setting aside of a tender award. The court awarded a partial cost order against the municipality. The costs have not been claimed by the opposing side and must still be taxed. Possible legal cost payable by the municipality could be R75,000.

R Wesso: Alleged unfair labour practice referred to the Bargaining Council, potentially leading to a Labour Court dispute. Matter finalised during the year.

Plaaslike Bersorgde Inwoners: Opposing an application for the election of the current mayor of council to be set aside. Matter was heard on 7 August 2020. The matter was handed to the Insurers for further attention.

N Landu: Acting on behalf of a minor, S Landu, he instituted a claim for damages of R2,300,000 against the municipality as a result of an incident when the minor's hand was injured when the rear loading mechanism of one of the municipality's refuse compactors allegedly closed on the minor's left hand. The attorneys had conducted investigations regarding the merits and noted that the court is likely to find a negligent act by the insured. They recommended mandate to enter into settlement of apportionment equalling to R520,000 ,if not accepted go up to an amount of R650,000, without instructing further experts and incurring more costs proceeding the matter to trial. The matter is still in progress.

Western Purification Chemical & Plant CC: Dispute about the cancellation of a tender agreement. First phase of dispute resolution in terms of FIDIC. The opposing party did not claim for damages for unlawful termination of contract. Matter finalised during the year.



Notes to the Annual Financial Statements

48. Prior period errors and reclassifications

STATEMENT OF FINANCIAL POSITION	2020 previously reported	Reclassification	Prior year error	2020 restated
Assets				
Current Assets				
Inventories	121,890,703	-	-	121,890,703
Trade receivables from exchange transactions	116,168,890	-	-	116,168,890
Trade and other receivables from non-exchange transactions	46,232,256	-	-	46,232,256
Prepayments	7,828,802	-	-	7,828,802
VAT receivable	4,166,291	-	-	4,166,291
Construction contracts and receivables/(payables)	8,828,958	-	-	8,828,958
Loans and receivables	166,338	-	-	166,338
Principle agent arrangement: amounts due	8,003,564	-	-	8,003,564
Cash and cash equivalents	799,505,640	-	-	799,505,640
	1,112,791,442	-	-	1,112,791,442
Non-current Assets				
Property, plant and equipment	2,973,052,938	-	-	2,973,052,938
Intangible assets	1,698,354	-	-	1,698,354
Heritage assets	4,236,000	-	-	4,236,000
Investment property	144,398,878	-	-	144,398,878
Loans and receivables	254,531	-	-	254,531
	3,123,640,701	-	-	3,123,640,701
Total Assets	4,236,432,143	-	-	4,236,432,143
Liabilities				
Current Liabilities				
Principle agent arrangement: advance received from principle	3,820,712	-	-	3,820,712
Loans and borrowings	40,750,681	-	-	40,750,681
Finance lease obligation	468,317	-	-	468,317
Payables from exchange transactions	237,646,357	-	-	237,646,357
Consumer deposits	29,651,932	-	-	29,651,932
Employee benefits	76,473,935	-	-	76,473,935
Provisions	17,443,962	-	-	17,443,962
Unspent conditional grants and receipts - 48.1	93,467,321	-	82,127,000	175,594,321
	499,723,217	-	82,127,000	581,850,217
Non-Current Liabilities				
Loans and borrowings	280,772,147	-	-	280,772,147
Finance lease obligation	556,949	-	-	556,949
Employee benefits - 48.2	152,878,939	-	27,461,000	180,339,939
Provisions	92,483,200	-	-	92,483,200
Trade and other payables from exchange transactions	6,426,632	-	-	6,426,632
	533,117,867	-	27,461,000	560,578,867



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Notes to the Annual Financial Statements

48. Prior period errors and reclassifications (continued)

	2020 previously reported	Reclassifi- cation	Prior year error	2020 restated
Total Liabilities	1,032,841,084	-	109,588,000	1,142,429,084
Total Net Assets	3,203,591,059	-	(109,588,000)	3,094,003,059
Net Assets				
Housing development fund	57,767,299	-	-	57,767,299
Accumulated surplus	3,145,823,760	-	(109,588,000)	3,036,235,760
	3,203,591,059	-	(109,588,000)	3,094,003,059

STATEMENT OF FINANCIAL PERFORMANCE

	2020 previously reported	Reclassifi- cation	Prior year error	2020 restated
Revenue from exchange transactions	1,152,744,801	-	-	1,152,744,801
Service charges - Electricity	674,896,622	-	-	674,896,622
Service charges - Water	137,666,170	-	-	137,666,170
Service charges - Sewerage and sanitation charges	110,678,138	-	-	110,678,138
Service charges - Refuse removal	92,266,008	-	-	92,266,008
Rental of facilities and equipment	2,871,434	-	-	2,871,434
Income from agency services	12,270,160	-	-	12,270,160
Sale of erven	4,295,015	-	-	4,295,015
GIPTN Fare Revenue	41,133,084	-	-	41,133,084
Other income	28,497,337	-	-	28,497,337
Interest received - Outstanding Debtors	3,000,390	-	-	3,000,390
Interest received - External Investments	45,170,443	-	-	45,170,443
Revenue from non-exchange transactions	1,014,061,635	-	(82,127,000)	931,934,635
Property rates	302,109,389	-	-	302,109,389
Government grants and subsidies - Operating	548,390,041	-	(82,127,000)	466,263,041
Government grants and subsidies - Capital	63,171,912	-	-	63,171,912
Construction contract revenue	19,983,773	-	-	19,983,773
Fines, penalties and forfeits	76,282,875	-	-	76,282,875
In-kind donations and assistance	4,123,645	-	-	4,123,645
	2,166,806,436	-	(82,127,000)	2,084,679,436

**George Local Municipality**

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements**48. Prior period errors and reclassifications (continued)**

	2020 previously reported	Reclassifi- cation	Prior year error	2020 restated
Expenditure				
Employee related cost - 48.2	533,149,696	-	(3,489,618)	529,660,078
Remuneration of councillors	22,516,340	-	-	22,516,340
Depreciation and amortisation	158,186,241	-	-	158,186,241
Impairment losses - 48.1	125,303,664	-	-	125,303,664
Finance cost	43,771,580	-	-	43,771,580
Bulk purchases	485,199,056	-	-	485,199,056
Contracted services	418,293,331	-	-	418,293,331
Grants and subsidies paid	83,377,884	-	-	83,377,884
Cost of housing sold	3,512,096	-	-	3,512,096
Loss on disposal of assets	1,476,153	-	-	1,476,153
Other materials / Inventory	59,353,971	-	-	59,353,971
General Expenses	89,719,962	-	-	89,719,962
	2,023,859,974	-	(3,489,618)	2,020,370,356
Surplus / (Deficit) for the year	142,946,462	-	(78,637,382)	64,309,080

CASH FLOW STATEMENT	2020 previously reported	Reclassifi- cation	Prior year error	2020 restated
Net cash from operating activities	358,640,298	-	-	358,640,298
Net cash from investing activities	(150,371,711)	-	-	(150,371,711)
Net cash from financing activities	28,633,317	-	-	28,633,317
Total cash movement for the year	236,901,904	-	-	236,901,904
Cash and cash equivalents at the beginning of the year	562,603,736	-	-	562,603,736
	799,505,640	-	-	799,505,640

48.1 Prior period error: Government grants and subsidies received incorrectly recognised

In the prior year, the municipality provided for a payment to SANRAL made in the 2021 financial year. The provision for the payment was written back in the prior year, but the government grants and subsidies received was not written back.

The effect of this correction is as follows:

(Increase) / Decrease in Government grants and subsidies - Operating	82,127,000
(Increase) / Decrease in Unspent conditional grants and receipts	(82,127,000)
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2020	82,127,000

**George Local Municipality**
Annual Financial Statements for the year ended 30 June 2021**Notes to the Annual Financial Statements****48. Prior period errors and reclassifications (continued)****48.2 Prior period error: Post retirement employment benefit revised due to the removal of the maximum subsidy**

Increase in the employee benefit obligation due to the removal of the maximum subsidy applied to the post-employment medical aid subsidies.

The effect of this correction is as follows:

(Increase) / Decrease in Employee benefit obligation	(27,461,000)
Increase / (Decrease) in Employee related costs	(3,489,618)
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2019	30,950,618
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2020	27,461,000

49. Financial instruments disclosure**Categories of financial instruments****Financial assets****Loans and receivables**

Housing Scheme Loans	149,106	293,181
Sale of Erven Loans	71,340	71,340
Actaris Meter Debt	7,479	56,348

Trade and other receivables from exchange transactions

Service debtors	125,176,439	107,099,952
Other debtors	12,239,467	9,068,938

Other receivables from non-exchange transactions

Other debtors	7,615,029	8,539,620
Construction contracts and receivables/(payables)	19,602,383	8,828,958
Principle agent arrangement: amounts due from principle	10,953,663	8,003,564

Cash and cash equivalents

Cash and cash equivalents	669,620,711	799,505,640
	845,435,617	941,467,541

Financial liabilities**Loans and borrowings**

Annuity loans	280,772,148	321,522,828
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Finance lease obligations

Finance lease obligation	556,949	1,025,266
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Consumer deposits

Electricity and water deposits	32,253,145	29,651,932
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Trade and other payables

Trade payables	204,907,593	216,980,707
Principle agent arrangement: advance received from principle	3,488,676	3,820,712

	521,978,511	573,001,445
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George Local Municipality

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

50. 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.

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 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	66,929,765	67,707,167	164,305,784	98,267,345
Finance lease obligations	428,247	180,451	-	-
Consumer deposits	32,253,145	-	-	-
Trade and other payables	202,646,086	4,612,112	1,138,073	-

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	73,256,424	67,707,167	185,805,648	144,474,647
Finance lease obligations	558,419	428,247	180,451	-
Consumer deposits	29,651,932	-	-	-
Trade and other payables	214,374,787	4,026,021	2,400,611	-

**George Local Municipality**

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Notes to the Annual Financial Statements**Figures in Rand****2021****2020****50. Risk management (continued)****Interest rate risk**

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

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

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

This risk is managed on an ongoing basis.

Credit risk

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

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

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

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 receivables 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. Cash and cash equivalents were pledged as guarantee in favour of Eskom. Refer to note 11 for more detail. 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:

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Figures in Rand	2021	2020
50. Risk management (continued)		
Financial instruments	2021	2020
Loans and receivables	227,925	420,869
Trade and other receivables from exchange transactions	137,415,906	116,168,890
Other receivables from non-exchange transactions	38,171,074	25,372,142
Cash and cash equivalents	669,620,711	799,505,640
	845,435,616	941,467,541

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

Consumer deposits and guarantees held in lieu of service accounts are disclosed in note 19.

Price risk

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

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



George Local Municipality

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Notes to the Annual Financial Statements

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Figures in Rand	2021	2020
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51. Unauthorised expenditure

Unauthorised expenditure for the current year is disclosed in terms of Municipal Vote as per the MFMA definition of Vote.

Budget Comparison by Municipal Vote in total	2021 (Actual)	2021 (Budget)	2021 (Variance)	2021 (Unauthorised)
Civil Engineering Services	499,978,447	529,707,707	(29,729,260)	-
Community Services	184,576,894	193,369,527	(8,792,633)	-
Corporate Services	69,967,322	74,360,754	(4,393,432)	-
Electro-Technical services	697,499,687	744,378,575	(46,878,888)	-
Financial Services	94,526,127	105,399,040	(10,872,913)	-
Human Settlements	51,538,702	185,953,235	(134,414,533)	-
Office of the Municipal Manager	142,333,160	153,029,133	(10,695,973)	-
Planning and Development	44,122,932	46,597,681	(2,474,749)	-
Protection Services	630,422,953	568,140,566	62,282,387	62,282,387
	2,414,966,224	2,600,936,218	(185,969,994)	62,282,387

Budget Comparison by Municipal Vote - Operating Expenditure	2021 (Actual)	2021 (Budget)	2021 (Variance)	2021 (Unauthorised)
Civil Engineering Services	373,010,850	353,100,329	19,910,521	19,910,521
Community Services	175,044,495	175,879,460	(834,965)	-
Corporate Services	68,550,671	72,174,654	(3,623,983)	-
Electro-Technical services	668,309,297	689,148,583	(20,839,286)	-
Financial Services	94,255,580	104,291,040	(10,035,461)	-
Human Settlements	47,849,326	181,586,235	(133,736,909)	-
Office of the Municipal Manager	138,335,523	147,396,402	(9,060,879)	-
Planning and Development	43,401,531	44,239,681	(838,150)	-
Protection Services	615,028,015	550,804,908	64,223,107	64,223,107
	2,223,785,288	2,318,621,292	(94,836,005)	84,133,628

Budget Comparison by Municipal Vote - Capital Expenditure	2021 (Actual)	2021 (Budget)	2021 (Variance)	2021 (Unauthorised)
Civil Engineering Services	126,967,597	176,607,378	(49,639,781)	-
Community Services	9,532,399	17,490,067	(7,957,668)	-
Corporate Services	1,416,651	2,186,100	(769,449)	-
Electro-Technical services	29,190,389	55,229,992	(26,039,603)	-
Financial Services	270,547	1,108,000	(837,453)	-
Human Settlements	3,689,376	4,367,000	(677,624)	-
Office of the Municipal Manager	3,997,637	5,632,731	(1,635,094)	-
Planning and Development	721,401	2,358,000	(1,636,599)	-
Protection Services	15,394,941	17,335,658	(1,940,717)	-
	191,180,938	282,314,926	(91,133,988)	-

Civil Engineering Services: The biggest contributor to the unauthorised expenditure at Civil Engineering Services relates to the debt impairment on service debts which is a non-cash item. The impact of COVID-19 in which the collection rate decreased and outstanding debt increased resulted in the contribution to the provision exceeding the budgeted amount.

Protection Services: The unauthorised expenditure relates to the accounting treatment in recognition of R82 million that was paid to SANRAL relating to the Widening of the N2/Themabelthu bridge.



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Figures in Rand	2021	2020		
51. Unauthorised expenditure (continued)				
Budget Comparison by Municipal Vote in total	2020 (Actual)	2020 (Budget)	2020 (Variance)	2020 (Unauthorised)
Civil Engineering Services	450,833,525	555,437,193	(104,603,668)	-
Community Services	168,417,408	191,726,704	(23,309,296)	-
Corporate Services	68,164,803	73,851,922	(5,687,119)	-
Electro-Technical services	659,845,378	699,329,605	(39,484,227)	-
Financial Services	109,516,201	121,038,648	(11,522,447)	-
Human Settlements	51,669,920	268,368,316	(216,698,396)	-
Office of the Municipal Manager	85,060,851	127,726,270	(42,665,419)	-
Planning and Development	44,244,389	46,583,427	(2,339,038)	-
Protection Services	624,252,959	633,843,107	(9,590,148)	-
	2,262,005,434	2,717,905,192	(455,899,758)	-
Budget Comparison by Municipal Vote - Operating Expenditure	2020 (Actual)	2020 (Budget)	2020 (Variance)	2020 (Unauthorised)
Civil Engineering Services	351,168,594	361,611,044	(10,442,450)	-
Community Services	159,888,783	168,692,145	(8,803,362)	-
Corporate Services	66,467,578	70,784,667	(4,317,089)	-
Electro-Technical services	631,380,866	654,138,112	(22,757,246)	-
Financial Services	108,591,434	119,207,148	(10,615,714)	-
Human Settlements	47,765,136	265,344,266	(217,579,130)	-
Office of the Municipal Manager	84,363,521	125,153,770	(40,790,249)	-
Planning and Development	41,693,445	43,739,927	(2,046,482)	-
Protection Services	614,667,610	617,183,548	(2,515,938)	-
	2,105,986,967	2,425,854,627	(319,867,660)	-
Budget Comparison by Municipal Vote - Capital Expenditure	2020 (Actual)	2020 (Budget)	2020 (Variance)	2020 (Unauthorised)
Civil Engineering Services	99,664,931	193,826,149	(94,161,218)	-
Community Services	8,528,625	23,034,559	(14,505,934)	-
Corporate Services	1,697,225	3,067,255	(1,370,030)	-
Electro-Technical services	28,464,512	45,191,493	(16,726,981)	-
Financial Services	924,767	1,831,500	(906,733)	-
Human Settlements	3,904,784	3,024,050	880,734	880,734
Office of the Municipal Manager	697,330	2,572,500	(1,875,170)	-
Planning and Development	2,550,944	2,843,500	(292,556)	-
Protection Services	9,585,349	16,659,559	(7,074,210)	-
	156,018,467	292,050,565	(136,032,098)	880,734

Council approved the unauthorised expenditure amounting to R880,734 on 25 August 2021.

**George Local Municipality**

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51. Unauthorised expenditure (continued)		
Unauthorised expenditure of the previous year was approved as follows:		
Depreciation		
Reconciliation of unauthorised expenditure		
Opening balance	-	5,027,981
Approved by Council	-	(5,027,981)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Council approved the unauthorised expenditure amounting to R5,027,981 on 30 January 2020.		
Impairment losses		
Reconciliation of unauthorised expenditure		
Opening balance	-	93,813,261
Unauthorised expenditure current year	-	-
Approved by Council	-	(93,813,261)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Council approved the unauthorised expenditure amounting to R93,813,261 on 30 January 2020.		
Finance charges		
Reconciliation of unauthorised expenditure		
Opening balance	-	15,954,944
Unauthorised expenditure current year	-	-
Approved by Council	-	(15,954,944)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Council approved the unauthorised expenditure amounting to R15,954,944 on 30 January 2020.		
Materials & bulk purchases		
Reconciliation of unauthorised expenditure		
Opening balance	-	15,264,858
Unauthorised expenditure current year	-	-
Approved by Council	-	(15,264,858)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Council approved the unauthorised expenditure amounting to R15,264,858 on 30 January 2020.		
Remuneration of councillors		
Reconciliation of unauthorised expenditure		
Opening balance	-	468,172
Approved by Council	-	(468,172)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Council approved the unauthorised expenditure amounting to R468,172 on 30 January 2020.		

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52. Irregular expenditure		
Opening balance	3,527,769	632,613,600
Add: Irregular Expenditure - current year	5,532,526	3,527,769
Less: Amounts certified by Council	(3,527,769)	(632,613,600)
	5,532,526	3,527,769

Council approved the irregular expenditure amounting to R3,527,769 on 25 August 2021.

Details of irregular expenditure**Identified during 30 June 2020 financial year**

Regulation 32 deviations - 2019/2020 expenditure - 3,527,769

Identified during 30 June 2021 financial year

Deviation not approved - tenders expired	1,360,551	-
Informal quotation amount exceeded	80,820	-
Quotations not obtained	3,817	-
Regulation 32 deviations - 2020/2021 expenditure	4,087,338	-
	5,532,526	3,527,769

53. Fruitless and wasteful expenditure

Opening balance	-	518,903
Interest paid for incorrect submission of the Value Added Tax return at SARS	21,703	-
Less: Amounts certified by Council	-	(518,903)
	21,703	-

Council approved the fruitless and wasteful expenditure for the prior year amounting to R518,903 on 24 August 2020.

54. Material losses**Electricity distribution**

Units purchased (KWh)	463,115,005	459,873,065
Units lost during distribution	40,903,004	32,740,738
Percentage lost during distribution	8.83	7.12

Water distribution

Kilolitres purified	11,446,811	11,203,972
Kilolitres lost during distribution	2,593,528	2,271,443
Percentage lost during distribution	22.66	20.27

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55. Municipal Land Transport Fund

Included in the Accumulated surplus is the Municipal Land Transport Fund for the George Integrated Public Transport Network as required by the National Land Transport Act, (Act No. 5 of 2009). Refer to accounting policy 1.29 for more information on the fund.

The transactions for the year were:

Opening balance	18,306,074	20,538,572
National grants	202,916,408	110,177,158
Provincial grants	192,321,676	168,901,989
Fare revenue	39,534,679	41,133,084
Other income	25,601	13,815
Less: Expenses	<u>(340,248,809)</u>	<u>(322,458,544)</u>
Surplus	<u>112,855,629</u>	<u>18,306,074</u>

The Municipal Land Transport Fund was established by the Municipality as required by the National Land Transport Act, No 5 of 2009. All fare revenues and other income from the operation of the GIPTN were received in the fund as well as grants received for the payment of operational contracts and related costs.

The prior year figures for Expenses were restated due to SANRAL payment amounting to R82,127,000 being included. Refer to note 48 for more detail. The SANRAL payment was made during the 2021 financial year.

The following items did not form part of the MLTF:

National grants	154,565	3,351,666
Less: Expenses (depreciation and compensation adjustment)	<u>(29,289,481)</u>	<u>(29,545,456)</u>
Surplus / (Loss)	<u>(29,134,916)</u>	<u>(26,193,790)</u>
Total GIPTN Surplus / (Loss)	<u>83,720,713</u>	<u>(7,887,716)</u>

56. Service concession arrangements

George Municipality has entered into a service concession arrangement with one Vehicle Operating Company (VOC) for the George Integrated Public Transport Network (GIPTN). Included in his arrangement is the bus fleet.

The objective of the concession arrangement is to support the National Land Transport Act (Act No. 5 of 2009) and Public Transport Strategy (PTS) and Action Plan in promoting the provision of accessible, reliable, and affordable integrated municipal public transport network services. The overall objective of the GIPTN project is to ensure that all members of the George community can use safe, affordable, accessible, and reliable public transport to access social, economic and employment opportunities. This is being achieved through the transformation of the existing local bus and minibus taxi industries, as well as through the support of non-motorised transport.

The Municipality and the VOC entered into a negotiated operator agreement which commenced 8 December 2014 with a termination date of 12 years after the commencement date. The contract does not contain a renewal clause.

**George Local Municipality**

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The GIPTN bus fleet consists of 104 vehicles (Initial Vehicle Fleet) with the useful life ranging from six (6) to (12) years, split as per the table below:

Bus type	Quantity	Useful life
Standard	36	12 years
Midi	33	12 years
Mini	35	6 years
	104	

The asset may only be used for scheduled public transport services in the area as agreed between the parties. It is the intention of the municipality to transfer the Initial Vehicle Fleet to the VOC as soon as possible at a nominal value in terms of the operator agreement. All vehicles must be compliant with the Vehicle Schedule, Vehicle Specifications as well as be maintained in terms of the Vehicle Operation and Maintenance Standards and Conditions to the Operator Contract.

The municipality retains full control over the nature, timing and extent of the services that the operator must perform. Routes, timetables and fare rates are determined by the municipality. Fare's are increased annually.

The initial fleet of buses forms part of Property, plant and equipment and was reclassified within the note from other assets to service concession assets. Refer to note 12 for detail.

Fare revenue received by the municipality is disclosed in note 26.

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The entity is a party to the following principal-agent arrangements.

Municipality as agent**Motor Vehicle Registrations Arrangement**

As per Circular R12.1994 the executive committee of the Provincial Administration of the Cape of Good Hope and the Department of State Expenditure granted authority that a new agency fee be paid to local authorities who have been appointed as registering authorities in the Cape Province for the registration and licensing of motor vehicles in terms of the National Road Traffic Act 93 of 1996.

The municipality is the agent in this binding agreement and uses its own resources in performing the service delivery and capturing the information on the ENATIS (Electronic National Administration Traffic Information System).

Agency Fee Circular R5.2005 further states that all municipalities must perform weekly pay-overs in terms of MFMA 56 of 2003 section 64(4).

Revenue and expenses from principal-agent transactions:

2021	Drivers licences	Vehicle registrations	Total
Revenue received from third parties	2,572,004	74,344,135	76,916,139
Payment to provincial traffic department	(899,285)	(60,753,713)	(61,652,998)
Agency fee income	1,672,719	13,590,422	15,263,141
Depreciation	-	(154,044)	(154,044)
Employee cost	(2,660,394)	(3,729,838)	(6,390,232)
Contracted services	(19,486)	(295,615)	(315,101)
General expenses	(78,113)	(352,033)	(430,146)
	(1,085,274)	9,058,892	7,973,618
2020	Drivers licences	Vehicle registrations	Total
Revenue received from third parties	2,525,568	56,714,746	59,240,314
Payment to provincial traffic department	(853,969)	(46,116,185)	(46,970,154)
Agency fee income	1,671,599	10,598,561	12,270,160
Depreciation	-	(153,882)	(153,882)
Employee cost	(2,397,763)	(3,193,791)	(5,591,554)
Contracted services	(17,122)	(381,020)	(398,142)
General expenses	(483,798)	(807,117)	(1,290,915)
	(1,227,084)	6,062,751	4,835,667

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Notes to the Annual Financial Statements**Figures in Rand****2021****2020****57. Accounting by principals and agents (continued)****Municipality as the principal****Arrangement with George Link (Pty) Ltd to provide public transport service**

There is a contractual arrangement between George Link (Pty) Ltd and the Municipality for operating the buses and collecting fare revenue from passengers. The arrangement between the two parties is a service concession arrangement (refer to note 56 for details).

George Link (Pty) Ltd operates the busses on the time tables, routes and at fares determined by the Municipality and collects the fare revenue from passengers entering the buses. The buses are owned by the municipality and the operator uses these buses to perform the service.

The municipality paid R 195,257,939 (2020: R 176,284,891) to the operator for providing the service on their behalf.

In the event that the arrangement is terminated and the municipality decides to provide the service and not make use of a contractor, the municipality will as a minimum have to procure additional busses, employ bus operators and administrative personnel.

Distribution of prepaid electricity

The municipality entered into an agreement with Ontech Systems (Pty) Ltd to provide the hosting, vending, data management and supplementary support services to the municipality. Ontech Systems (Pty) Ltd distributes the prepaid electricity (by way of vendors) to third parties and pays the revenue received over to the municipality. The company does not use any of the municipality's resources.

The fees paid to Ontech Systems (Pty) Ltd during the year were R 18,761,889 (2020: R 17,815,538).

In the event that the arrangement is terminated and the municipality decides to provide the service and not make use of a contractor, the municipality will as a minimum have to procure software, computer infrastructure and additional employees.

The municipality entered into an agreement with Pay At Services (Pty) Ltd to provide vending services where consumers can pay their municipal accounts at various points in the George area. The purpose of the agreement is to increase the ability of the municipality to collect payments due to more available stations being open for payment collection. There are no resources of the municipality under custodianship of Pay At Services (Pty) Ltd.

The fees paid to Pay At Services (Pty) Ltd during the year were R1,753,433.

In the event that the arrangement is terminated and the municipality decides to provide the service and not make use of a contractor, the municipality will as a minimum have to procure the required infrastructure with the appropriate intellectual property and workforce to provide oversight and support services.

**George Local Municipality**

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58. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Opening balance	(5,958,216)	(5,050,239)
Current year subscription / fee	5,958,216	5,050,239
Amount paid - current year	(6,071,931)	(5,958,216)
Prepayment - Refer to note 6	(6,071,931)	(5,958,216)
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 6 for more detail.		
Audit fees		
Current year subscription / fee	6,065,240	5,343,589
Amount paid - current year	(6,065,240)	(5,343,589)
	-	-
PAYE and UIF		
Current year subscription / fee	87,983,721	82,596,606
Amount paid - current year	(87,983,721)	(82,596,606)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	120,422,856	114,669,786
Amount paid - current year	(120,422,856)	(114,669,786)
	-	-
Skills Development Levies		
Current year subscription / fee	4,673,019	4,422,743
Amount paid - current year	(4,673,019)	(4,422,743)
	-	-
VAT		
VAT receivable / (payable)	4,014,563	4,166,291

VAT output payables and VAT input receivables are shown in note 7.

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



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58. 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 2021:

30 June 2021	Outstanding less than 90 days	Outstanding more than 90 days	Total
CH Noble	-	26,171	26,171
K Mkondo	1,291	8,057	9,348
D Wessels	6,100	1,375	7,475
T Fortuin	-	32,565	32,565
R Hector	-	51,327	51,327
	7,391	119,495	126,886
30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total
CH Noble	4,503	27,448	31,951

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58. Additional disclosure in terms of Municipal Finance Management Act (continued)**Supply chain management regulations**

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

2021

	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	53,191	549,785	9,341,765	-
Civil Engineering Services	395,303	4,056,504	759,059	-
Community Services	130,619	391,746	-	-
Corporate Services	4,025	110,138	-	-
Electro- Technical Services	281,062	1,209,784	-	-
Financial Services	24,815	191,080	-	-
Human Settlement	15,725	509,586	2,911,348	-
Planning and Development	29,020	322,401	347,595	-
Protection Services	227,124	490,130	584,221	-
	1,160,884	7,831,154	13,943,988	-

2020

	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	58,672	247,336	851,236	-
Civil Engineering Services	289,973	2,457,313	1,679,588	-
Community Services	182,082	688,943	-	-
Corporate Services	127,753	317,509	-	-
Electro- Technical Services	444,270	927,374	1,602,827	-
Financial Services	-	50,000	-	-
Human Settlement	37,964	279,079	-	-
Planning and Development	36,473	145,390	-	-
Protection Services	120,650	1,200,053	719,396	-
	1,297,837	6,312,997	4,853,047	-



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

The major deviations were as follows:

2021

Awarded	Amount	Reason / Explanation
Eden FM	514,036	Impossible to follow the official procurement process. Single source.
Build It	1,021,810	Emergency.
Microsoft Ireland	6,888,868	Sole supplier.
Business Engineering	802,056	Impossible to follow the official procurement process. Business Engineering develop the system.
Redrin Rail Services	353,625	Emergency.
Huber Technology	228,447	Impossible to follow the official procurement process. Sole supplier for specific equipment.
TGS	306,822	Impossible to follow the procurement process. Official service partner.
Universal Trading	223,790	Impossible to follow the official procurement process. Single source.
Com Unity Systems	1,136,805	Impossible to follow the official procurement process. Com Unity develop the App for the municipality.
Buco George	330,913	Emergency.
Build It	1,205,000	Emergency.
Primedia Broadcasting	347,595	Impractical to follow the official procurement process. KFM is the largest radio station in the Western Cape and 702 is the largest talk radio show in Gauteng.
Garage Doors Deluxe	584,221	Impossible to follow the official procurement process. All the bidders on tender PS007/2020 withdrew their tenders.

13,943,988

2020

Awarded	Amount	Reason / Explanation
Transformer Field Services	1,602,827	Exceptional case and impossible to follow the official procurement process. When TFS open the transformer for inspection and cleaning it was discovered that the internet ports of the transformer had considerable wear and need to be re-wired.
Community Systems	851,236	Sole supplier.
Delacom Solutions	646,010	Emergency.
Electrical Pro	316,250	Emergency.
Marce Fire Fighting	299,638	Impossible to follow the official procurement process. Sole supplier of specific pump.
Civil Designer	286,224	Impossible to follow the official procurement process. Civil Designer is the sole supplier of this specific software.
Huber Technology	229,276	Sole supplier.
Algoa FM	210,105	Impossible to follow the official procurement process. Single source.
Group Editors	209,653	Impossible to follow the official procurement process. Single source.
Barloworld Equipment - CAT	201,829	Impossible to follow the official procurement process. The CAT machine can only be fitted with a CAT broom.

4,853,048



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58. 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		
Aurecon SA	Various	Various	Various	Various	5,925,858	9,136,735
	ZB Ebrahim	Non-Executive Director	Social Housing Regulatory	Various		
Royal Haskoning DHV	JD van Eeden	Member	Councillor - Langeberg	Brother	4,347,698	7,730,826
			Department of Water Affairs	Nephew		
SMEC South Africa (Pty) Ltd	M Phosa	Member	Finance - Mpumalanga Provincial Government	Spouse	2,968,815	7,028,399
Moreki Distributors	MD Moreki	Director	Palm Springs Magistrates Court	Spouse	10,428,313	5,878,570
WTW Civil (Pty) Ltd	DL Wasserman	Director	Various	Interest in related companies: Africa Resurfacing & Asphalt and Supa Asphalt	785,148	3,988,146
Willvest Twenty Three (Pty) Ltd t/a Urhwebo E-transand	Various	Various	Various	Various	9,601,399	3,696,996
Minolta SA: George	KR Mthimunye	Non-Executive director	Mintek	Various	2,365,742	2,251,680
Delacom	VV Zwane	Director	Social Worker	Spouse	-	1,963,451
GLS Consulting	Various	Various	Various	Various	4,256,096	1,949,219
iKapa Reticulation and flow CC	SFA Davids	Director	Western Cape Education Department - Teacher	Spouse	1,074,471	1,917,940
Bidvest Waltons	KB Wakeford	Director	Various	Various	1,315,682	1,667,130
	GC McMahon	Director	Various	Various		
	NT Madisa	Director	Various	Various		
Trentyre	NP Mona	Member	SA Forestry Company	Not Indicated	1,186,862	1,153,826
	A Sing	Non-Executive Director	DBSA	Not Indicated		



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

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
Conlog	L Moodley	Commercial Director	Provincial Health Department of KZN - Director of Informatics - GIS	Spouse	387,482	865,481
	L Gaxeni	Quality Manager	Eskom KZN - Deductor Manager	Spouse		
Elster Kent Metering	NY Nkabinde	Director	Competition Commissioner	Not Indicated	938,630	804,540
Redrin Services CC	A Dumaphi	Director	Passenger Rail Agency of South Africa - Manager of Security	Father	428,375	802,107
Miszipa General Grading	S Toto	Director	George Municipality - Youth Office	Former-Girlfriend (Mother of his Son)	-	629,960
2 Brothers Enterprise	J Booysen	Owner	George Municipality - Cleaner/Tea Lady	Sister-In-Law	624,793	498,243
Vilconsec	C Viljoen	Owner	Official at George Municipality	Sister	1,089,716	447,177
ISHS	CM Willems	Director	Teacher	Parent	85,388	429,091
First Technology Western Cape	A Sharp	Director	Various	Various	573,370	402,008
Tuiniqua Consulting Engineers	E Huistra	Member	WC Education	Spouse	786,884	376,437
Garden Route Sales & Suppliers	N Louw	Owner	Official at George Municipality	Spouse	-	286,653
Agate and Beryl Trading t/a Rock Solutions	L Coetzee	Owner	Official at George Municipality	Mother-in-law	3,000	285,029
	A Swartbooii			Daughter		
Bearing Warehouse	FC Zeelie	Member	Department of Agriculture	Spouse	190,286	234,712
Total Client Services	V Zitumane	Member	EC Parks & Tourism	Not Indicated	876,133	205,706
	BKD Mafu	Non-executive director	EC Liquor Board	Not Indicated		
Adenco Construction	V Machimana	Director	Department of Health	Parent	117,256	117,256
	DCC Jackson	Director	Teacher	Parent		
Inca Portfolio Managers	M Mokoene	Non-Executive Director	Gautrain Management Agency	Not Indicated	95,850	107,350



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

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
Ruwacon (Pty) Ltd	PP Rantsoareng	Director	Various	Various	-	96,704
	KA Michael	Director	Various	Various		
	PB Ruthven	Director	Various	Various		
	HP van H Badenhorst	Director	Various	Various		
	FJ Prinsloo	Director	Various	Various		
	JL De Bruin	Director	Various	Various		
	JHJ Rheeder	Director	Various	Various		
	GF Le Roux	Director	Various	Various		
	D Plekker	Director	Various	Various		
DFN Construction	DF Noemdoe	Owner	George Municipality Planning Department	Brother	132,796	94,350
			Department of Justice	Sister		
Raubenheimers Attorneys	WM Luttig	Director	Teacher	Spouse	441,699	91,809
Wolfe Pack Race	K Langeveldt	Owner	Official at George Municipality	Spouse	44,754	74,026
			Official at George Municipality	Brother		
Capstone VMG Enterprises (Pty) Ltd	V Sambokwe	Owner	Garden Route District Municipality - Administrative Clerk	Spouse	453,744	71,839
Wesso Construction (Pty) Ltd	D Wesso	Director	Official at George Municipality	Brother	31,535	47,818
Avela General Service and Construction	Nimrod Nongogo	Owner	Department of Health: Ambulance Assistant	Son	85,964	45,551
	Phelo Nongogo	Owner	Department of Health: Admin Clerk	Daughter		
	Thembakazi Mfila	Owner	Department of Labour: Administration Officer	Daughter		
Seebosrand Catering	ME Classen	Owner	Official at George Municipality	Daughter	86,685	34,880



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

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
On Target Shooting Range	DJ van Rooyen	Director	Various	Various	18,800	31,270
D and D Pumps	WP du Preez	Member	City of Cape Town Municipality	Spouse	55,186	11,591
South African Bureau of Standards	Various	Various	Various	Various	1,375	4,830
Arms & Tackle Outdoor	C Rhode	Employee	George Municipality - Traffic Department	Sister	14,340	4,143
SAPO Speed Services - Western Cape	Various	Various	Various	Various	-	3,630
iX Engineers (Pty) Ltd	JC Karemaker	Director	Not indicated	Shareholder in BJE/IX/WRP JV	11,292,297	-
Kirsten & Tulleken Vervoer CC	A Tulleken	Director	Not indicated	Shareholder and Director in T&T Concrete (Pty) Ltd; Earthcom (Pty) Ltd and Sithembile Distributors (Pty) Ltd	57,546	-
Loyiso Civil Construction	L Gardiner	Director	Not indicated	Interest in related company: Entsha Henra	7,200,346	-
Maverick Trading 59 CC	C Simons L vd Poll	Not Indicated	Not indicated	Maverick Trading 170 CC - shareholders	169,876	-
Memotek Trading CC	TG Sedumedi	Director	Not indicated	Director has shares in Gabriel & Michael Marketing	229,851	-
Nikwe Enterprise (Pty) Ltd	M Olivier	Director	George Municipality - Admin Officer	Spouse	10,895	-



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

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
Sandobel 165 (Pty) Ltd t/a Ipatch	Not indicated	Not indicated	Not indicated	All directors shareholders in Techno Asphalt	29,740	-
Transand (Pty) Ltd	JW Robertson	Director	Not indicated	Directors interest in related company Enonbrick (Pty) Ltd	2,107,310	-
	CH Robertson	Director	Not indicated			
	RC Moiloa	Director	Not indicated			
Hardcore Security and Investigation Services	S Daniels	Director	South African Police Service - Police Officer	Spouse	35,667	-
Khanya Engineered Projects	E van Tonder	Not indicated	Not indicated	Shareholder in PFC Engineering (Pty) Ltd; IWC (Pty) Ltd; WEC Projects (Pty) Ltd; CWC (Pty) Ltd	885,218	-
Poongavanum General Cleaning Services t/a RIG Marketing	RS Poongavanum	Director	PetroSA - SHEQ Officer	Daughter	88,399	-
Fockens Engineering (Pty) Ltd	Not indicated	Not indicated	Not indicated	In service of state past 5 years: SANParks Tsitsikamma, Bontebok, West Coast National Parks, George Municipality	5,724,061	-
Commix Vision (Pty) Ltd	Not indicated	Not indicated	Active telematics Commix Academy & Muthenia Group	Not indicated	289,400	-
Rheochem (Pty) Ltd	DE Swart	Director	Director in Solaray Group	Not indicated	919,287	-
Roy Steele & Associates CC	R Steele	Director	Managing ODS Consultants CC	Not indicated	159,275	-

81,019,293 **55,467,109**



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59. Related parties

Relationships

Councillors

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

Directors

Directorate Financial Services

R du Plessis

Directorate Corporate Services

S James

Directorate Human Settlements

C Lubbe

Directorate Planning and Development

L Waring

Directorate Civil Engineering Services

Vacant

Directorate Electro- Technical Services

B Mandla

Directorate Community Services

A Pause

Directorate Protection Services

S Erasmus

Municipal Manager

Dr. M Gratz

Related party transactions

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

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

Compensation of related parties

Compensation of Key Management Personnel and Councillors is set out in notes 33 and 34 to the Annual Financial Statements.

GIPTN Compensation Liability

I Stemela will be receiving another compensation payment of R281,828 with the roll out of the next phases of the George Integrated Public Transport Network. Refer to note 21 for more detail on the provision.

Payments made to related parties

Refer to note 58 for details of payments made to entities with persons in service of the state.

60. B-BBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

61. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised

280,772,148

321,522,828

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.



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62. Events after reporting date

The COVID-19 outbreak resulted in a global pandemic during the 2020 calendar year, which resulted in worldwide economic uncertainty. At this stage, we are unable to assess and quantify the impact the pandemic might have on the financial results of the company in the next 12 months.

Flash flooding occurred in the George municipal area during November 2021 and the infrastructure of the municipality was damaged during the flooding. The municipality submitted a flood damage claim to the Provincial Treasury of R200 million for the damage caused by the flooding.

63. COVID-19 Response Expenditure

Although the coronavirus was international news since December 2019, it was only on 5 March 2020 that the South African National Institute for Communicable Diseases confirmed that a suspected case of COVID-19 had tested positive. On 23rd March 2020 President Cyril Ramaphosa announced the national lockdown. On 30th March 2020 the Minister of Finance issued a conditional Exemption Notice in terms of section 177(1)(b) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), in order to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the national state of disaster.

The information below indicates the total Covid-19 response funding and expenditure.

Details of Funding for COVID-19 expenditure

Provincial: Local Government Support Grant - COVID-19	-	1,000,000
National: Municipal Disaster Relief Grant	-	506,000
Own funds	4,234,481	7,467,682
Total Funding for COVID-19 expenditure	4,234,481	8,973,682

Details of COVID-19 expenditure

Summary per category

General	466,849	2,388,317
Community and Social Services	536,494	3,270,672
Housing	24,760	13,500
Health	3,206,378	3,301,193
Total Covid-19 response expenditure	4,234,481	8,973,682

General

Bags polly 600 x 900	2,650	-
Desktop sneeze screens	63,046	80,240
Employee related costs - Training	15,500	-
Litigations related to Covid-19	-	113,607
Overtime	332,158	1,278,731
Perspex cut letters/design, print, cut	15,991	-
Protective clothing	37,505	-
Sanitation of office building	-	915,739
Sub-total: General	466,850	2,388,317

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63. COVID-19 Response Expenditure (continued)		
Community and social services		
Chemical toilets	-	1,485,615
Community and Awareness campaigns	9,273	51,897
Community and Social Services - Other	-	3,900
Feeding of homeless / Food distribution	-	1,729,260
Sanitisation of taxi rands/public facilities/inner cities	527,221	-
Sub-total: Community and Social Services	536,494	3,270,672
Housing		
Provision for homeless	24,760	13,500
Health		
Apron	114	-
Cost of Mobile Testing	-	9,900
Cost of screening and testing	850,997	20,750
Counseling	260,937	-
Decontamination of infected premises	-	296,252
Disinfectants	25,150	57,510
Face shield	1,637	-
Gas cylinders	-	18,600
Gloves, sterile	119,141	178,111
Goggles / Face shield / Visor	-	52,242
Handsoap	28	-
Mask	489,385	1,383,834
Sanitizer	1,369,799	873,193
Steiner antibacterial aerosol	21,562	-
Thermometers	67,628	410,801
Sub-total: Health	3,206,378	3,301,193
The table below indicates the payables in terms of COVID-19 response expenditure:		
General	-	170,192
Community and Social Services	-	351,481
Health	1,665	280,606
	1,665	802,279

64. Budget differences**64.1 Investment revenue**

The difference between the final adjustments budget and the actual amounts is 51% and relates to less investments revenue due to decrease in interest rates during the year. The collection rates also decreased during the year which resulted in less cash available to invest.



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64. Budget differences (continued)

64.2 Other own revenue

The variance of 12% between the actual and budget amounts received resulted from more funds received for development cost than what was budgeted for, indicating the growth in town. Recognition of the construction contract revenue that was budgeted for as grants received.

64.3 Remuneration of councillors

The difference between the final adjustments budget and the actual amounts is 13%. Variance due to vacant Council positions that was not filled during the financial year.

64.4 Debt impairment

The difference between the final adjustments budget and the actual amounts is 27%. Variance due to the impact of COVID-19 in which the collection rate decreased and outstanding debt increased.

64.5 Finance charges

The difference between the final adjustments budget and the actual amounts is 18%. The differences consist of the interest on the provisions for the rehabilitation of the landfill site and GIPTN compensation provision. Refer to note 21 for detail.

64.6 Transfers and grants

The difference between the final adjustments budget and the actual amounts is 122%. The variance relates to the contribution to SANRAL that has been paid during the year but not included in the budget amount.

64.7 Other expenditure

The difference between the final adjustments budget and the actual amount is 23%. The major contributor to the under spending is due to the catalytic Housing projects managed by Province with amounts to R128 million. These projects are spent by Province on behalf of George Municipality although the funds are being gazetted as part of the municipality's grant allocation.

64.8 Transfers recognised - capital

The difference between the final adjustments budget and the actual amounts is 18%. The variance is due to underspending on capital assets.

64.9 Capital - Finance and administration

The difference between the final adjustments budget and the actual amounts is 45%. Variance due to sewerage truck and tractor purchase not being completed as at 30 June 2021.



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Notes to the Annual Financial Statements

64. Budget differences (continued)

64.10 Capital - Community and social services

The difference between the final adjustments budget and the actual amounts is 45%. The variance is due to the repair of roof at Civic Centre tender still being advertised.

64.11 Capital - Sport and recreation

The difference between the final adjustments budget and the actual amounts is 44%. Variance due to purchase of Cherry picker still outstanding as contractor appointment letter outstanding.

64.12 Capital - Public safety

The difference between the final adjustments budget and the actual amounts is 10%. The variance is due to savings on vehicles purchased.

64.13 Capital - Planning and development

The difference between the final adjustments budget and the actual amounts is 57%. The variance relates to renovations of the fourth and fifth floor of the municipal main building not being completed.

64.14 Capital - Road transport

The difference between the final adjustments budget and the actual amounts is 29%. The variance is due to the GIPTN Road rehabilitation project being delayed during the year. The upgrading of Tabata Street was severely delayed by the community.

64.15 Capital - Energy sources

The difference between the final adjustments budget and the actual amounts is 47% and relates to the refurbishment of an existing 10MVA transformer where the project could not be completed.

64.16 Capital - Water management

The difference between the final adjustments budget and the actual amounts is 48%. The variance is due to the extension of the water network rehabilitation project tender was not completed.

64.17 Capital - Waste water management

The difference between the final adjustments budget and the actual amounts is 21% and relates to the upgrading of the Outeniqua waste water treatment works, upgrading of the pump stations and storm water projects that could not be completed during the year. There were also delays in the delivery of major mechanical electrical parts for the project.

64.18 Capital - Waste management

The difference between the final adjustments budget and the actual amounts is 40% and relates the building of the Compost plant not being completed. The municipality applied for roll-over of the project.



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65. Segment information

General information

Identification of segments

The municipality is organised and operates in four key functional segments. To this end, management monitors the operating results of these functional segments for the purpose of making decisions about resource allocations and assessment of performance. Revenue and expenditures relating to these functional segments are allocated at a transactions level.

The four key functional segments comprise of:

- Community and Public Safety, which includes Community and Social Services, Sport and Recreation, Public Safety and Health and Housing Services;
- Economic and Environmental Services, which includes Planning and Development, Road Transport and Environmental Protection Services;
- Trading Services, which includes Energy Sources, Water Management, Waste Water Management and Waste Management Services;
- Municipal Governance and Administration, which included Executive and Council and Finance and Administration Services.

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does not monitor performance geographically as it does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

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65. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
Revenue					
Revenue from non-exchange transactions	339,745,808	74,350,397	400,538,533	172,897,805	987,532,543
Revenue from exchange transactions	42,044,951	6,106,023	64,555,613	1,120,592,175	1,233,298,762
Transfers and subsidies - capital	-	1,418,042	36,404,440	45,100,614	82,923,096
Total segment revenue as per Statement of Financial Performance	381,790,759	81,874,462	501,498,586	1,338,590,594	2,303,754,401
Expenditure					
Employee related costs	233,118,133	123,824,654	37,041,424	191,311,050	585,295,261
Remuneration of councillors	21,852,687	-	-	-	21,852,687
Debt impairment	6,788,949	30,606,017	-	57,717,288	95,112,254
Depreciation and asset impairment	9,211,041	10,516,867	30,193,399	108,493,408	158,414,715
Finance charges	5,063,877	5,194,598	3,677,098	26,463,439	40,399,012
Bulk purchases	-	-	-	519,222,256	519,222,256
Other materials	7,571,157	4,781,131	1,045,933	53,234,883	66,633,104
Contracted services	39,813,950	53,404,770	249,197,968	110,951,478	453,368,166
Transfers and grants	-	-	160,383,422	-	160,383,422
Other expenditure	52,683,866	8,009,450	30,363,021	32,048,068	123,104,405
Total segment expenditure as per Statement of Financial Performance	376,103,660	236,337,487	511,902,265	1,099,441,870	2,223,785,282
Total segmental surplus/(deficit)	5,687,099	(154,463,025)	(10,403,679)	239,148,724	79,969,119
Assets					
Segment assets	3,708,628,537	16,525,404	909,496	448,010,489	4,174,073,926

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	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
65. Segment information (continued)					
Total assets as per Statement of Financial Position					4,174,073,926
Liabilities					
Segment liabilities	3,069,395,878	32,296,642	7,110,422	133,180,789	3,241,983,731
Total liabilities as per Statement of Financial Position					3,241,983,731
Additions to non-current assets					
Additions to non-current assets (PPE, Investment Property and Intangible Assets)	7,120,288	22,277,625	64,984,291	96,798,731	191,180,935



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	Original budget	Budget adjustments (i.f.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.f.o. s31 of the MFMA)	Virement (i.f.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2021											
Financial Performance											
Property rates	311,989,000	10,000,000	321,989,000	-	-	321,989,000	322,755,131	-	766,131	100 %	103 %
Service charges	1,120,706,831	(5,468,000)	1,115,238,831	-	-	1,115,238,831	1,090,607,182	-	(24,631,649)	98 %	97 %
Investment revenue	52,955,764	6,014,346	58,970,110	-	-	58,970,110	28,807,143	-	(30,162,967)	49 %	54 %
Transfers recognised - operational	634,699,962	39,440,035	674,139,997	-	-	674,139,997	614,973,041	-	(59,166,956)	91 %	97 %
Other own revenue	228,429,154	(42,820,161)	185,608,993	-	-	185,608,993	163,688,808	-	(21,920,185)	88 %	72 %
Total revenue (excluding capital transfers and contributions)	2,348,780,711	7,166,220	2,355,946,931	-	-	2,355,946,931	2,220,831,305	-	(135,115,626)	94 %	95 %
Employee costs	634,505,777	(28,001,652)	606,504,125	-	-	606,504,125	585,295,261	-	(21,208,864)	97 %	92 %
Remuneration of Councillors	25,139,943	-	25,139,943	-	-	25,139,943	21,852,687	-	(3,287,256)	87 %	87 %
Debt impairment	74,955,520	-	74,955,520	-	-	74,955,520	95,112,253	-	20,156,733	127 %	127 %
Depreciation and asset impairment	168,268,784	-	168,268,784	-	-	168,268,784	158,414,715	-	(9,854,069)	94 %	94 %
Finance charges	36,178,596	(2,000,000)	34,178,596	-	-	34,178,596	40,399,012	-	6,220,416	118 %	112 %
Materials and bulk purchases	597,667,830	(10,716,622)	586,951,208	-	-	586,951,208	585,855,358	-	(1,095,850)	100 %	98 %
Transfer and grants	60,860,389	11,291,801	72,152,190	-	-	72,152,190	160,383,422	-	88,231,232	222 %	264 %
Other expenditure	782,112,243	(31,641,317)	750,470,926	-	-	750,470,926	576,472,574	-	(173,998,352)	77 %	74 %
Total expenditure	2,379,689,082	(61,067,790)	2,318,621,292	-	-	2,318,621,292	2,223,785,282	-	(94,836,010)	96 %	93 %
Surplus/(Deficit)	(30,908,371)	68,234,010	37,325,639	-	-	37,325,639	(2,953,977)	-	(40,279,616)	(8)%	10 %

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	Original budget	Budget adjustments (i.f.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.f.o. s31 of the MFMA)	Virement (i.f.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	73,914,037	26,722,199	100,636,236	-		100,636,236	82,923,096		(17,713,140)	82 %	112 %
Surplus/(Deficit) for the year	43,005,666	94,956,209	137,961,875	-		137,961,875	79,969,119		(57,992,756)	58 %	186 %
Capital expenditure and funds sources											
Total capital expenditure	387,975,213	(105,660,287)	282,314,926	-		282,314,926	191,180,938		(91,133,988)	68 %	49 %
Sources of capital funds											
Public contributions and donations	67,623,806	27,060,388	94,684,194	-		94,684,194	76,950,584		(17,733,610)	81 %	114 %
Borrowing	244,441,063	(181,942,128)	62,498,935	-		62,498,935	37,417,208		(25,081,727)	60 %	15 %
Internally generated funds	75,910,344	49,221,453	125,131,797	-		125,131,797	76,813,146		(48,318,651)	61 %	101 %
Total sources of capital funds	387,975,213	(105,660,287)	282,314,926	-		282,314,926	191,180,938		(91,133,988)	68 %	49 %



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	Original budget	Budget adjustments (i.f.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.f.o. s31 of the MFMA)	Virement (i.f.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	286,944,580	94,956,209	381,900,789	-		381,900,789	94,334,993		(287,565,796)	25 %	33 %
Net cash from (used) investing	(387,975,213)	105,660,287	(282,314,926)	-		(282,314,926)	(182,910,822)		99,404,104	65 %	47 %
Net cash from (used) financing	-	-	-	-		-	(41,309,101)		(41,309,101)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	(101,030,633)	200,616,496	99,585,863	-		99,585,863	(129,884,930)		(229,470,793)	(130)%	129 %
Cash and cash equivalents at the beginning of the year	799,505,640	-	799,505,640	-		799,505,640	799,505,640		-	100 %	100 %
Cash and cash equivalents at year end	698,475,007	200,616,496	899,091,503	-		899,091,503	669,620,710		229,470,793	74 %	96 %



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	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2020				
Financial Performance				
Property rates				302,109,389
Service charges				1,015,506,938
Investment revenue				48,170,833
Transfers recognised - operational				466,263,041
Other own revenue				189,457,323
Total revenue (excluding capital transfers and contributions)				2,021,507,524
Employee costs	-	-	-	(529,660,078)
Remuneration of councillors	-	-	-	(22,516,340)
Debt impairment	53,917,465	53,917,465	-	(125,303,664)
Depreciation and asset impairment	-	-	-	(158,186,241)
Finance charges	8,898,179	8,898,179	-	(43,771,580)
Materials and bulk purchases	-	-	-	(544,553,027)
Transfers and grants	-	-	-	(83,377,884)
Other expenditure	-	-	-	(511,525,389)
Loss on disposal of PPE	801,993	801,993	-	(1,476,153)
Total expenditure	63,617,637	63,617,637	-	(2,020,370,356)
Surplus/(Deficit)				1,137,168
Transfers recognised - capital				63,171,912
Surplus (Deficit) after capital transfers and contributions				64,309,080
Surplus/(Deficit) for the year				64,309,080
Capital expenditure and funds sources				
Total capital expenditure				156,018,467
Sources of capital funds				
Transfers recognised - capital				56,450,194
Public contributions and donations				4,123,645
Borrowing				4,548,508
Internally generated funds				90,896,120
Total sources of capital funds				156,018,467
Cash flows				
Net cash from (used) operating				358,640,297
Net cash from (used) investing				(150,371,710)
Net cash from (used) financing				28,633,317
Net increase/(decrease) in cash and cash equivalents				236,901,904
Cash and cash equivalents at the beginning of the year				562,603,736
Cash and cash equivalents at year end				799,505,640