



AUDITOR-GENERAL
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PW 09 December 2022



**GEORGE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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

L van Wyk
RS Figland (Appointed 22 November 2021)
C Clarke (Resigned 21 November 2021)
S Snyman (Appointed 22 November 2021)
G Pretorius (Resigned 21 November 2021)
M Barnardt

Speaker

Chief Whip
Councillors
Ward

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11

J Safers
DL Cronje
E Brown
M Barnardt
M Simmers (Appointed 9 November 2021)
P Louw (Resigned 8 November 2021)
JH Jantjies (Appointed 9 November 2021)
HH Ingo (Resigned 8 November 2021)
VS Mruqhli (Appointed 9 November 2021)
S Rooiland (Resigned 8 November 2021)
B Petrus
TE Lento (Appointed 9 November 2021)
S Dlikilile (Resigned 8 November 2021)
ZB Gom (Appointed 9 November 2021)
B Mooi (Resigned 8 November 2021)
SZ Ntondini (Appointed 9 November 2021)
CI Lesele (Resigned 8 November 2021)



George Local Municipality
Annual Financial Statements for the year ended 30 June 2022

GENERAL INFORMATION

12	ET Mdaka (Appointed 9 November 2021) B Plata (Resigned 8 November 2021)
13	SM Toto (Appointed 9 November 2021) LK Langa (Resigned 8 November 2021)
14	M Roelfse
15	B Hani (Appointed 9 November 2021) NF Mdaka (Resigned 8 November 2021)
16	T Jeyi (Appointed 9 November 2021) CH Noble (Resigned 8 November 2021)
17	B Adams
18	D Gultig
19	I Kritzinger (Appointed 9 November 2021) S Snyman (Resigned 8 November 2021)
20	NM Louw (Appointed 9 November 2021) R Windwaai (Resigned 8 November 2021)
21	S Manxele (Appointed 9 November 2021) NR James (Resigned 8 November 2021)
22	M Kruger (Appointed 9 November 2021) G Pretorius (Resigned 8 November 2021)
23	B Johnson (Appointed 9 November 2021) GJ Stander (Resigned 8 November 2021)
24	J Fry (Appointed 9 November 2021) MP Daniels (Resigned 8 November 2021)
25	J Esau
26	J Von Brandis
27	R Hector
28	S Snyman (Appointed 9 November 2021)

Proportionally elected councillors

EC America (Appointed 3 August 2021)
JP Buys (Resigned 8 November 2021)
VD Carolus (Appointed 30 June 2022)
CM Clarke
J du Toit
D Farrell (Resigned 31 July 2021)
ED Figland (Appointed 9 November 2021)
RG Figland (Resigned 8 November 2021)
T Fortuin (Resigned 17 August 2021)
J Fry (Resigned 8 November 2021)
V Gericke
M Greef (Appointed 9 November 2021)
RJ Hector (Appointed 9 November 2021)
HJ Hill (Appointed 9 November 2021)
C Jansen (Appointed 30 June 2022)
N Jantjies-Gushman (Resigned 8 November 2021)
B Johnson (Resigned 8 November 2021)
T Jeyi (Appointed 9 November 2021)
IC Kritzinger (Resigned 8 November 2021)
H Loff (Resigned 8 November 2021)



George Local Municipality
Annual Financial Statements for the year ended 30 June 2022

GENERAL INFORMATION

KS Lose (Appointed 9 November 2021)
NM Louw (Appointed 9 November 2021)
RMI Louw (Appointed 9 November 2021)
N Mbetse
F Mdaka (Appointed 9 November 2021)
K Mkondo (Resigned 8 November 2021)
V Kama (Resigned 8 November 2021)
J Ncamazana (Resigned 8 November 2021)
L Ncamile (Appointed 9 November 2021)
C Neethling (Appointed 9 November 2021)
GC Niehaus (Appointed 9 November 2021)
P Nosana (Resigned 8 November 2021)
M Nyakati (Resigned 15 January 2021)
JC Petersen (Appointed 30 June 2022)
P Qampi (Appointed 14 December 2021)
TM Qatana (Appointed 9 November 2021)
DC Saptoe (Appointed 9 November 2021)
SJ Smart (Appointed 9 November 2021)
I Stemela (Resigned 8 November 2021)
E Stroebel (Resigned 8 November 2021)
T Teyisi (Resigned 8 November 2021)
C Titus (Appointed 9 November 2021)
G van Niekerk
PJ van der Hoven (Resigned 8 November 2021)
D Wessels
CT Williams (Resigned 8 November 2021)
R Windwaai (Appointed 9 November 2021)



George Local Municipality
Annual Financial Statements for the year ended 30 June 2022

GENERAL INFORMATION

Auditor	The Auditor General of South Africa
Bankers	First National Bank
Registered office	Civic Centre York Street 71 George 6530
Postal address	PO Box 19 George 6530
Accounting Officer	Dr. M Gratz
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 2022

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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

Unaudited Annual Financial Statements for the year ended 30 June 2022

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.

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
Designation



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 (Restated)
Assets			
Current Assets			
Inventories	2	119,399,366	117,295,814
Receivables from exchange transactions	3	159,185,900	133,932,899
Receivables from non-exchange transactions	4	61,765,259	52,754,301
Prepayments	6	16,170,572	6,071,931
VAT receivable	7	16,561,574	4,014,563
Construction contracts and receivables/(payables)	8	4,275,432	20,578,869
Loans and receivables	9	226,637	150,052
Principle agent arrangement: amounts due from principle	10	295,319	10,953,663
Cash and cash equivalents	11	592,535,532	669,620,711
		970,415,591	1,015,372,803
Non-Current Assets			
Property, plant and equipment	12	3,290,605,545	3,005,894,013
Intangible assets	13	1,248,983	1,375,897
Heritage assets	14	4,236,000	4,236,000
Investment property	15	144,073,274	144,234,844
Loans and receivables	9	331,779	77,873
		3,440,495,581	3,155,818,627
Total Assets		4,410,911,172	4,171,191,430
Liabilities			
Current Liabilities			
Principle agent arrangement: advance received from principle	10	3,076,316	3,488,676
Loans and borrowings	16	43,241,857	39,234,875
Finance lease obligation	17	170,869	386,080
Payables from exchange transactions	18	259,839,398	236,502,111
Consumer deposits	19	36,003,351	32,253,145
Employee benefit obligation	20	81,523,918	90,373,117
Provisions	21	9,555,353	13,438,081
Unspent conditional grants and receipts	22	38,400,794	35,623,001
		471,811,856	451,299,086
Non-Current Liabilities			
Loans and borrowings	16	198,295,415	241,537,273
Finance lease obligation	17	-	170,869
Payables from exchange transactions	18	4,614,193	5,750,185
Employee benefit obligation	20	208,731,900	201,601,104
Provisions	21	118,275,598	103,342,658
		529,917,106	552,402,089
Total Liabilities		1,001,728,962	1,003,701,175
Net Assets		3,409,182,210	3,167,490,255



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021
Net Assets			
Housing development fund	23	35,872,551	48,321,098
Accumulated surplus		3,373,309,659	3,119,169,157
Total Net Assets		3,409,182,210	3,167,490,255



George Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 (Restated)
Revenue			
Revenue from exchange transactions			
Service charges - Electricity	24	820,530,604	717,516,676
Service charges - Water	24	167,259,940	139,502,492
Service charges - Sewerage and sanitation charges	24	129,151,010	117,792,494
Service charges - Refuse removal	24	105,037,335	96,488,631
Rental of facilities and equipment		4,216,085	2,930,423
Income from agency services		15,271,202	15,263,141
Sale of erven		2,898,152	5,955,466
GIPTN Fare Revenue	26	50,650,489	39,534,679
Other income	27	49,947,025	45,259,708
Interest received - Outstanding Debtors	28	7,643,739	4,336,560
Gain on disposal of assets and liabilities	41	1,048,767	659,716
Interest received - External Investments	28	29,595,448	28,807,143
Total revenue from exchange transactions		<u>1,383,249,796</u>	<u>1,214,047,129</u>
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	347,219,712	322,755,131
Transfer revenue			
Government grants & subsidies - Operating	30	570,449,372	614,973,041
Government grants & subsidies - Capital	30	214,591,484	82,923,096
Construction contract revenue	8	1,040,443	4,028,098
Fines, penalties and forfeits	31	86,511,437	39,015,650
In-kind donations and assistance	32	289,715	-
Other			
Availability charges		18,702,526	19,306,889
Total revenue from non-exchange transactions		<u>1,238,804,689</u>	<u>1,083,001,905</u>
Total revenue		<u>2,622,054,485</u>	<u>2,297,049,034</u>
Expenditure			
Employee related costs	33	590,039,039	585,007,028
Remuneration of Councillors	34	23,782,737	21,852,687
Depreciation and amortisation	35	166,335,534	158,414,715
Impairment loss	36	97,218,470	99,049,840
Finance costs	37	36,701,336	40,749,867
Bulk purchases	38	612,348,190	516,669,782
Contracted services	39	534,456,216	450,838,590
Grants and subsidies paid	40	87,691,172	160,383,422
Cost of housing sold		1,639,380	5,640,570
Inventories losses/write-downs	42	-	116,090
Other materials / Inventory	43	82,131,617	63,268,659
General Expenses	44	150,402,175	127,994,681
Total expenditure		<u>2,382,745,866</u>	<u>2,229,985,931</u>
Surplus for the year		<u>239,308,619</u>	<u>67,063,103</u>



George Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	57,767,299	3,036,177,927	3,093,945,226
Adjustments:			
Prior year adjustments - Refer to Note 48	-	6,481,924	6,481,924
Balance at 01 July 2020 as restated	57,767,299	3,042,659,851	3,100,427,150
Changes in net assets:			
Surplus for the year	-	67,063,103	67,063,103
Transfer to / (from) the Housing Development Fund	(9,446,201)	9,446,201	-
Total changes	(9,446,201)	76,509,304	67,063,103
Balance at 01 July 2021 as restated	48,321,098	3,119,169,159	3,167,490,257
Changes in net assets			
Surplus for the year	-	239,308,619	239,308,619
Transfer from unspent conditional grants and receipts - 22.8	2,383,334	-	2,383,334
Transfer to / (from) the Housing Development Fund	(14,831,881)	14,831,881	-
Total changes	(12,448,547)	254,140,500	241,691,953
Balance at 30 June 2022	35,872,551	3,373,309,659	3,409,182,210
Note(s)	23		



George Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 (Restated)
Cash flows from operating activities			
Receipts			
Taxation		367,814,388	316,298,758
Sale of goods and services		1,237,394,205	1,059,138,093
Grants		790,432,794	557,594,008
Construction contracts		17,343,880	54,901
Interest income		29,595,448	28,807,143
Other receipts		82,229,919	64,267,713
		<u>2,524,810,634</u>	<u>2,026,160,616</u>
Payments			
Employee costs		(615,540,179)	(573,035,732)
Suppliers		(1,474,838,105)	(1,325,933,292)
Finance costs		(28,454,306)	(32,856,600)
		<u>(2,118,832,590)</u>	<u>(1,931,825,624)</u>
Net cash flows from operating activities	45	<u>405,978,044</u>	<u>94,334,992</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(445,780,589)	(184,132,403)
Proceeds on disposal of property, plant and equipment	12	3,007,642	1,115,554
Proceeds on disposal of investment property	15	-	2,463
Purchase of intangible assets	13	(229,052)	(21,662)
Proceeds from / (Repayment of) loans and receivables		(358,413)	125,227
Net cash flows from investing activities		<u>(443,360,412)</u>	<u>(182,910,821)</u>
Cash flows from financing activities			
Repayment of loans and borrowings	16	(39,234,875)	(40,750,681)
Repayment of finance lease liabilities	17	(467,936)	(558,419)
Net cash flows from financing activities		<u>(39,702,811)</u>	<u>(41,309,100)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(77,085,179)</u>	<u>(129,884,929)</u>
Cash and cash equivalents at the beginning of the year		669,620,711	799,505,640
Cash and cash equivalents at the end of the year	11	<u>592,535,532</u>	<u>669,620,711</u>



George Local Municipality
Annual Financial Statements for the year ended 30 June 2022

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	341,309,000	3,000,000	344,309,000	347,219,712	2,910,712	Difference is less than 10%
Service charges	1,278,265,885	-	1,278,265,885	1,241,883,814	(36,382,071)	Difference is less than 10%
Investment revenue	59,552,887	1,427,375	60,980,262	29,595,448	(31,384,814)	64.1
Transfers recognised - operational	613,642,426	51,525,981	665,168,407	570,449,372	(94,719,035)	64.2
Other own revenue	234,862,451	33,348,488	268,210,939	218,024,939	(50,186,000)	64.3
Total Revenue (excluding capital transfers and contributions)	2,527,632,649	89,301,844	2,616,934,493	2,407,173,285	(209,761,208)	
Expenditure by type						
Employee costs	606,001,565	43,852,649	649,854,214	590,039,039	(59,815,175)	Difference is less than 10%
Remuneration of Councillors	26,170,670	-	26,170,670	23,782,737	(2,387,933)	Difference is less than 10%
Debt impairment	126,696,000	(8,000,000)	118,696,000	97,218,470	(21,477,530)	64.4
Depreciation and asset impairment	157,538,927	-	157,538,927	166,335,534	8,796,607	Difference is less than 10%
Finance charges	38,539,024	(6,946,000)	31,593,024	36,701,336	5,108,312	64.5
Materials and bulk purchases	721,541,164	28,580,175	750,121,339	696,119,187	(54,002,152)	Difference is less than 10%
Transfer and grants	64,785,410	(1,278,031)	63,507,379	87,691,172	24,183,793	64.6
Other expenditure	769,796,190	58,776,050	828,572,240	684,858,390	(143,713,850)	64.7
Total expenditure	2,511,068,950	114,984,843	2,626,053,793	2,382,745,865	(243,307,928)	
Surplus / (Deficit)	16,563,699	(25,682,999)	(9,119,300)	24,427,420	33,546,720	
Transfers recognised - capital	89,097,574	128,668,974	217,766,548	214,591,484	(3,175,064)	Difference is less than 10%
Contributions recognised - capital and contributed assets	-	-	-	289,715	289,715	
Surplus after capital transfers and contributions	105,661,273	102,985,975	208,647,248	239,308,619	30,661,371	
Surplus for the year	105,661,273	102,985,975	208,647,248	239,308,619	30,661,371	



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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						
Finance and administration	3,212,000	3,747,662	6,959,662	4,580,377	(2,379,285)	64.8
Internal audit	20,000	-	20,000	16,479	(3,521)	Difference is less than R1m
Community and social services	3,883,500	(319,822)	3,563,678	3,202,844	(360,834)	Difference is less than R1m
Sport and recreation	15,810,034	(9,248,714)	6,561,320	5,127,157	(1,434,163)	64.9
Public safety	6,983,000	37,200	7,020,200	4,953,687	(2,066,513)	64.10
Housing	2,380,000	2,255,562	4,635,562	4,272,260	(363,302)	Difference is less than R1m
Health	260,000	60,000	320,000	281,936	(38,064)	Difference is less than R1m
Planning and development	846,000	1,188,100	2,034,100	597,540	(1,436,560)	64.11
Road transport	58,750,276	56,391,968	115,142,244	113,273,062	(1,869,182)	Difference is less than 10%
Environmental protection	-	134,150	134,150	134,058	(92)	Difference is less than R1m
Energy sources	60,128,809	(2,489,780)	57,639,029	53,699,057	(3,939,972)	Difference is less than 10%
Water management	48,612,427	40,077,409	88,689,836	83,748,076	(4,941,760)	Difference is less than 10%
Waste water management	161,650,200	25,530,277	187,180,477	169,847,586	(17,332,891)	Difference is less than 10%
Waste management	7,710,000	1,306,750	9,016,750	8,628,339	(388,411)	Difference is less than R1m
Other	197,000	649,000	846,000	235,266	(610,734)	Difference is less than R1m
	370,443,246	119,319,762	489,763,008	452,597,724	(37,165,284)	
Sources of Capital Funds						
Borrowing	215,793,074	(70,468,575)	145,324,499	128,188,377	(17,136,122)	
Transfers recognised - capital	81,404,879	118,706,582	200,111,461	195,994,271	(4,117,190)	
Public contributions and donations	-	-	-	57,500	57,500	
Internally generated funds	73,245,293	71,081,755	144,327,048	128,357,576	(15,969,472)	
	370,443,246	119,319,762	489,763,008	452,597,724	(37,165,284)	
Capitalisation consist of the following:						
Property, plant and equipment additions	-	-	-	452,368,672	452,368,672	12
Prepayments	-	-	-	229,052	229,052	
	-	-	-	452,597,724	452,597,724	



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Taxation	420,938,000	(76,629,000)	344,309,000	367,814,388	23,505,388	
Sale of goods and services	1,267,059,000	11,254,000	1,278,313,000	1,237,394,205	(40,918,795)	
Grants	702,740,000	131,447,000	834,187,000	790,432,794	(43,754,206)	
Construction contracts	-	-	-	17,343,880	17,343,880	
Interest income	9,251,000	59,793,000	69,044,000	29,595,448	(39,448,552)	
Other receipts	86,664,000	95,335,000	181,999,000	82,229,919	(99,769,081)	
	2,486,652,000	221,200,000	2,707,852,000	2,524,810,634	(183,041,366)	

Payments

Employee costs	-	-	-	(615,540,179)	(615,540,179)	
Suppliers	(1,949,127,000)	(297,655,000)	(2,246,782,000)	(1,474,838,105)	771,943,895	
Finance costs	-	(31,593,000)	(31,593,000)	(28,454,306)	3,138,694	
	(1,949,127,000)	(329,248,000)	(2,278,375,000)	(2,118,832,590)	159,542,410	

Net cash flows from operating activities	537,525,000	(108,048,000)	429,477,000	405,978,044	(23,498,956)	
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Cash flows from investing activities

Purchase of property, plant and equipment	(370,443,000)	(119,320,000)	(489,763,000)	(445,780,589)	43,982,411	
Proceeds on disposal of property, plant and equipment	-	-	-	3,007,642	3,007,642	
Purchase of intangible assets	-	-	-	(229,052)	(229,052)	
(Repayment of) loans and receivables	-	-	-	(358,413)	(358,413)	

Net cash flows from investing activities	(370,443,000)	(119,320,000)	(489,763,000)	(443,360,412)	46,402,588	
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Cash flows from financing activities

Receipts

Proceeds from loans and borrowings	199,000,000	-	199,000,000	-	(199,000,000)	
Repayment of loans and borrowings	(45,708,000)	-	(45,708,000)	(39,234,875)	6,473,125	
Repayment of finance lease liabilities	-	-	-	(467,936)	(467,936)	
Increase in consumer deposits	9,500,000	-	9,500,000	-	(9,500,000)	

Net cash flows from investing activities	162,792,000	-	162,792,000	(39,702,811)	(202,494,811)	
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George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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						
Net increase/(decrease) in cash held	329,874,000	(227,368,000)	102,506,000	(77,085,179)	(179,591,179)	
Cash/cash equivalents at the year begin:	669,621,000	-	669,621,000	669,620,711	(289)	
Cash and cash equivalents at the end of the year	999,495,000	(227,368,000)	772,127,000	592,535,532	(179,591,468)	



George Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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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 4.

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 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

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.



George Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

The following GRAP standards, guidelines and interpretations 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
Guideline	Landfill Sites The impact of this Guideline is currently being assessed.	1 April 2023
GRAP 25	Employee benefits The objective of this standard is to prescribe the accounting and disclosure for employee benefits The impact of this Standard is currently being assessed.	Unknown
GRAP 104	Financial Instruments The objective of this standards is to establish principles for recognising, measuring, presenting and disclosing financial instruments. The impact of this Standard is currently being assessed.	1 April 2025
iGRAP 7	The limit on a defined benefit asset, minimum funding requirement and their interaction This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits The impact of this Interpretation is currently being assessed.	Unknown
iGRAP 21	The Effect of Past Decisions on Materiality This Interpretation explains the implications of adopting accounting policies for material items based on GRAP Standards as well as alternative accounting treatments for immaterial items. Therefore it is a guide on materiality. The impact of this Interpretation is currently being assessed.	1 April 2023

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.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

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.

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.



Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

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.



Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

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.



Accounting Policies

1.5 Property, plant and equipment (continued)

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.



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.

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.



Accounting Policies

1.6 Investment property

Initial Recognition

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

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

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

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

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

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

Subsequent Measurement

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

Depreciation

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

Investment Property	Years
Buildings	30 - 60
Land	Indefinite

Derecognition



Accounting Policies

1.6 Investment property (continued)

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

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

1.7 Heritage assets

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

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

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

Recognition

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

Initial measurement

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

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

Subsequent measurement

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

Impairment

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

Transfers

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

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

Derecognition

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

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



Accounting Policies

1.8 Intangible assets

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

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

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

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

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

Initial recognition

Intangible assets are initially recognised at cost.

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

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

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

Subsequent measurement

After the initial measurement of intangible assets, subsequent expenditure is only capitalised if future economic benefits or service potential over the total life of the intangible assets, in excess of the most recently assessed standard of performance of the existing intangible assets, will flow to the municipality.

Intangible assets consist of computer software and amortisation is charged on a straight-line basis over their useful lives, which is estimated to be between 5 to 10 years. (2021: 5 to 10 years). Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised. The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

Derecognition

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



Accounting Policies

1.9 Prepayments

Prepayments are the payments for goods or services to be received in the future and are 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.

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:



Accounting Policies

1.10 Financial instruments (continued)

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

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

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

Initial recognition

The 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.



Accounting Policies

1.10 Financial instruments (continued)

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

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

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

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

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



Accounting Policies

1.10 Financial instruments (continued)

Financial liabilities

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

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

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

Presentation

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

Losses and gains relating to a financial instrument or a component that is a financial liability 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.

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.



Accounting Policies

1.12 Statutory receivables (continued)

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



Accounting Policies

1.12 Statutory receivables (continued)

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.

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.



Accounting Policies

1.12 Statutory receivables (continued)

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.

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

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



Accounting Policies

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.

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

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

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



Accounting Policies

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.

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.



Accounting Policies

1.16 Accounting by principals and agents (continued)

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.

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.



Accounting Policies

1.17 Impairment of cash-generating assets (continued)

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 overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in 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.



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.



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 they occur.

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.



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 instalments

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

Sale of goods

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

GIPTN Fare Revenue

Bus tickets are sold as single journey tickets or multi journey tickets. Single journey tickets buy the ticket holder a one hour passage on any of the buses from the time the ticket is cancelled by the bus driver. 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 at year end are 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 is recognised when the risks and rewards of ownership have transferred to the municipality.



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 are 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.



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.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
2. Inventories		
Consumable stores - at cost	10,289,066	10,522,995
GIPTN Smart Cards for electronic fare revenue system	-	178,410
Maintenance materials, chemicals and water reserve - at cost	9,930,270	5,906,482
Purified water	1,378,766	1,233,808
Property Developments - at cost	61,918	141,633
Unsold Properties Held for Resale - at net realisable value	97,739,346	99,312,486
	119,399,366	117,295,814

The cost of inventories recognised as an expense in the Statement of Financial Performance for stock issues was R30,714,934 (2021: R22,290,950) and R0 (2021: R116,090) 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	147,843,266	121,693,432
Other exchange receivables	11,342,634	12,239,467
- Prepaid electricity	9,474,378	10,668,993
- Rental debtors	1,348,589	987,470
- GIPTN fare revenue	519,667	583,004
	159,185,900	133,932,899

Service debtors consist of the following:

Gross balances

Electricity	92,017,627	83,690,817
Water	160,070,618	143,717,447
Sewerage	54,821,586	46,405,978
Refuse	49,963,903	41,408,413
Housing loans instalments	631,928	603,555
Housing rental	501,583	343,429
Other	16,108,276	14,124,816
	374,115,521	330,294,455

Less: Allowance for impairment

Electricity	7,480,687	12,775,443
Water	127,844,665	117,778,529
Sewerage	40,852,371	34,046,826
Refuse	37,556,262	30,260,971
Housing loans instalments	609,673	573,357
Housing rental	380,122	288,868
Other	11,548,475	12,877,029
	226,272,255	208,601,023



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
3. Trade receivables from exchange transactions (continued)		
Net balance		
Electricity	84,536,940	70,915,374
Water	32,225,953	25,938,918
Sewerage	13,969,215	12,359,152
Refuse	12,407,641	11,147,442
Housing loans instalments	22,255	30,198
Housing rental	121,461	54,561
Other	4,559,801	1,247,787
	147,843,266	121,693,432
Electricity		
Current (0-30 days)	72,151,506	61,374,453
31 - 60 days	3,469,398	4,767,845
61 - 90 days	1,276,744	2,458,573
91 - 120 days	624,748	1,662,358
121 - 365 days	14,495,231	13,427,588
Less: Allowance for impairment	(7,480,687)	(12,775,443)
	84,536,940	70,915,374
Water		
Current (0-30 days)	26,248,845	23,437,851
31 - 60 days	6,255,557	5,754,622
61 - 90 days	5,776,738	4,941,499
91 - 120 days	4,533,353	4,431,907
121 - 365 days	117,256,125	105,151,568
Less: Allowance for impairment	(127,844,665)	(117,778,529)
	32,225,953	25,938,918
Sewerage		
Current (0-30 days)	9,049,059	9,489,386
31 - 60 days	2,787,673	2,853,960
61 - 90 days	2,118,685	2,190,451
91 - 120 days	1,780,688	1,841,067
121 - 365 days	39,085,481	30,031,114
Less: Allowance for impairment	(40,852,371)	(34,046,826)
	13,969,215	12,359,152
Refuse		
Current (0-30 days)	8,234,519	8,600,419
31 - 60 days	2,569,361	2,649,453
61 - 90 days	1,933,564	2,005,850
91 - 120 days	1,655,823	1,689,782
121 - 365 days	35,570,636	26,462,909
Less: Allowance for impairment	(37,556,262)	(30,260,971)
	12,407,641	11,147,442



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
3. Trade receivables from exchange transactions (continued)		
Housing loans instalments		
Current (0-30 days)	45,312	22,306
31 - 60 days	10,606	9,500
61 - 90 days	8,344	9,500
91 - 120 days	8,081	9,483
121 - 365 days	559,585	552,766
Less: Allowance for impairment	(609,673)	(573,357)
	22,255	30,198
Housing rental		
Current (0-30 days)	107,729	48,705
31 - 60 days	27,490	16,094
61 - 90 days	12,089	12,279
91 - 120 days	8,937	11,811
121 - 365 days	345,338	254,540
Less: Allowance for impairment	(380,122)	(288,868)
	121,461	54,561
Other consumer debtors		
Current (0-30 days)	1,687,456	1,025,386
31 - 60 days	537,502	434,992
61 - 90 days	488,272	482,260
91 - 120 days	344,772	267,047
121 - 365 days	13,050,274	11,915,131
Less: Allowance for impairment	(11,548,475)	(12,877,029)
	4,559,801	1,247,787
Summary of debtors by customer classification		
Residential		
Current (0-30 days)	36,496,166	36,340,299
31 - 60 days	11,416,396	10,466,611
61 - 90 days	9,995,660	8,805,383
91 - 120 days	8,009,222	7,671,802
121 - 365 days	199,253,874	169,786,038
Less: Allowance for impairment	(216,005,315)	(192,633,375)
	49,166,003	40,436,758
Industrial/ commercial		
Current (0-30 days)	76,793,311	62,451,114
31 - 60 days	3,932,095	4,778,128
61 - 90 days	1,585,885	2,079,777
91 - 120 days	930,800	1,241,406
121 - 365 days	21,581,109	16,828,780
Less: Allowance for impairment	(10,266,709)	(15,725,681)
	94,556,491	71,653,524



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
3. Trade receivables from exchange transactions (continued)		
National and provincial government		
Current (0-30 days)	2,988,996	4,591,226
31 - 60 days	309,097	1,241,726
61 - 90 days	32,890	1,215,253
91 - 120 days	16,381	1,000,247
121 - 365 days	773,640	1,796,664
Less: Allowance for impairment	(233)	(241,967)
	4,120,771	9,603,149
Total		
Current (0 -30 days)	116,278,472	103,382,639
31 - 60 days	15,657,587	16,486,466
61 - 90 days	11,614,435	12,100,413
91 - 120 days	8,956,403	9,913,455
121 - 365 days	221,608,625	188,411,482
	374,115,522	330,294,455
Less: Allowance for impairment	(226,272,256)	(208,601,023)
	147,843,266	121,693,432

Reconciliation of allowance for impairment for receivables from exchange transactions

2022	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Electricity	12,775,444	(4,768,253)	(526,504)	7,480,687
Water	117,778,528	34,466,693	(24,400,556)	127,844,665
Sewerage	34,046,826	11,296,777	(4,491,232)	40,852,371
Refuse	30,260,971	11,142,949	(3,847,657)	37,556,263
Housing loan instalments	573,357	36,316	-	609,673
Housing rentals	288,868	105,412	(14,159)	380,121
Other consumer debtors	12,877,030	(960,993)	(367,561)	11,548,476
	208,601,024	51,318,901	(33,647,669)	226,272,256
2021				
	Balance at the beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at the end of the year
Electricity	10,468,385	2,529,574	(222,515)	12,775,444
Water	100,709,351	34,224,379	(17,155,202)	117,778,528
Sewerage	22,254,434	13,761,410	(1,969,018)	34,046,826
Refuse	18,855,206	13,079,736	(1,673,971)	30,260,971
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
	164,595,869	65,241,056	(21,235,901)	208,601,024



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
3. Trade receivables from exchange transactions (continued)		
Total debtors past due but not impaired	2022	2021
31 - 60 days	8,286,020	9,274,584
61 - 90 days	4,061,981	5,158,137
91 - 120 days	2,437,636	3,359,772
121 - 365 days	35,680,254	14,796,142
	50,465,891	32,588,635

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.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Receivables from non-exchange transactions		
Taxation receivables		
Net Rates	35,158,400	31,712,074
Gross rates	57,947,218	62,295,948
Allowance for impairment on rates	(22,788,818)	(30,583,874)
Transfer receivables		
Net Fines	10,642,669	4,319,054
Fines	79,281,715	32,210,346
Allowance for impairment on fines	(68,639,046)	(27,891,292)
Conditional government grants and subsidies receivable (Refer note 22)	4,389,363	4,620,173
Other receivables		
Sundry receivables	7,444,871	8,407,612
Allowance for impairment on sundry receivables	(792,583)	(792,583)
Availability charges receivables	11,096,248	10,371,658
Allowance for impairment on availability charges receivables	(7,319,556)	(6,888,651)
Non-cash portion of Housing Development Fund	847,400	759,983
Operating lease receivables	298,447	244,981
	61,765,259	52,754,301
The ageing of taxation receivables from non-exchange transactions		
Rates		
Current (0 - 30 days)	25,876,056	27,611,947
31 - 60 days	3,799,132	4,704,800
61 - 90 days	2,056,577	3,001,513
91 - 120 days	1,474,400	2,106,798
121 - 365 days	24,741,053	24,870,890
Less: Allowance for impairment	(22,788,818)	(30,583,874)
	35,158,400	31,712,074



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Receivables from non-exchange transactions (continued)		
Summary of Rates by customer classification		
Residential consumers		
Current (0 - 30 days)	14,987,453	17,554,380
31 - 60 days	2,758,794	3,444,277
61 - 90 days	1,738,396	2,108,699
91 - 120 days	1,277,487	1,595,579
121 - 365 days	21,889,736	21,238,324
Less: Allowance for impairment	(20,915,245)	(25,421,469)
	21,736,621	20,519,790
Industrial / commercial		
Current (0 - 30 days)	10,653,909	9,753,084
31 - 60 days	907,064	961,514
61 - 90 days	244,736	615,337
91 - 120 days	167,899	277,431
121 - 365 days	2,766,173	3,015,273
Less: Allowance for impairment	(1,873,573)	(5,162,405)
	12,866,208	9,460,234
National and provincial government and other		
Current (0 - 30 days)	234,693	304,483
31 - 60 days	133,275	299,008
61 - 90 days	73,445	277,477
91 - 120 days	29,014	233,788
121 - 365 days	85,144	617,292
	555,571	1,732,048
Total of rates by customer classification	35,158,400	31,712,072
Fines		
The ageing of fines is as follows:		
Current (0 - 30 days)	5,496,850	5,041,500
31 - 60 days	6,370,850	3,459,500
61 - 90 days	5,552,850	4,203,550
91 - 120 days	11,781,336	4,725,950
121 days - 365 days	50,079,829	14,779,846
	79,281,715	32,210,346
Less: Allowance for impairment	(68,639,046)	(27,891,292)
	10,642,669	4,319,054



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Receivables from non-exchange transactions (continued)		
Availability charges receivables		
The ageing of availability charges receivables is as follows:		
Current (0 - 30 days)	1,191,663	1,521,708
31 - 60 days	602,822	616,174
61 - 90 days	423,881	432,568
91 - 120 days	344,142	368,867
121 days - 365 days	8,533,740	7,432,341
	<u>11,096,248</u>	<u>10,371,658</u>
Less: Allowance for impairment	(7,319,556)	(6,888,651)
	<u>3,776,692</u>	<u>3,483,007</u>

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

	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
2022				
Taxation receivables (Gross Rates)	30,583,873	(6,213,950)	(1,581,105)	22,788,818
Transfer receivables (Fines)	27,891,292	57,743,510	(16,995,756)	68,639,046
Other receivables	792,583	-	-	792,583
Availability charges receivables	6,888,651	679,675	(248,770)	7,319,556
	<u>66,156,399</u>	<u>52,209,235</u>	<u>(18,825,631)</u>	<u>99,540,003</u>
2021				
Taxation receivables (Gross Rates)	24,893,709	6,788,949	(1,098,785)	30,583,873
Transfer receivables (Fines)	64,695,826	34,475,886	(71,280,420)	27,891,292
Other receivables	792,583	-	-	792,583
Availability charges receivables	6,341,972	707,867	(161,188)	6,888,651
	<u>96,724,090</u>	<u>41,972,702</u>	<u>(72,540,393)</u>	<u>66,156,399</u>

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.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Receivables from non-exchange transactions (continued)		
Rates debtors past due but not impaired	2022	2021
31 - 60 days	2,010,507	2,646,720
61 - 90 days	719,258	1,279,478
91 - 120 days	401,283	714,016
121 - 365 days	5,031,355	2,357,915
	8,162,403	6,998,129
Fines debtors past due but not impaired	2022	2021
31 - 60 days	853,912	463,523
61 - 90 days	743,802	563,944
91 - 120 days	1,580,264	635,839
121 - 365 days	6,728,449	5,917,842
	9,906,427	7,581,148
Availability charges receivables past due but not impaired	2022	2021
31 - 60 days	319,015	346,633
61 - 90 days	148,246	184,394
91 - 120 days	93,664	125,013
121 - 365 days	1,380,959	585,441
	1,941,884	1,241,481

Credit quality of trade receivables from non-exchange transactions

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

Concentrations of credit risk with respect to taxation debtors are limited due to the municipality's large number of customers. The municipality's historical experience in collection of 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.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
4. Receivables from non-exchange transactions (continued)		
Operating lease asset		
Opening balance	244,981	164,168
Straight lining adjustment in the Statement of Financial Performance	53,466	80,813
	298,447	244,981
Operating leases - as lessor (income)		
Minimum lease payments receivable		
- within one year	1,772,283	730,629
- in second to fifth year inclusive	2,253,764	1,161,023
	4,026,047	1,891,652

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.

Refer to note 48 where comparative figure was adjusted to include operating lease contracts not previously recorded.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
5. Statutory receivables		
The municipality 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	35,158,400	31,712,074
Fines	10,642,669	4,319,054
VAT	16,561,574	4,014,563
	62,362,643	40,045,691

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.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
6. Prepayments		
Prepayments consist of the following:		
SALGA	6,553,191	6,071,931
VE Reticulation	9,617,381	-
	<u>16,170,572</u>	<u>6,071,931</u>
Current assets	<u>16,170,572</u>	<u>6,071,931</u>

SALGA

SALGA membership fees for the 2021/2022 financial year were paid in April 2021 and the municipality received a 5% discount for early settlement.

VE Reticulation

The municipality entered into an agreement for the design, supply, installation and commissioning of new 66/11KV substation in Thembaletu.

7. VAT receivable / (payable)

VAT receivable from SARS	16,877,637	6,382,696
VAT input provision	14,432,665	10,826,941
VAT output provision	(14,748,728)	(13,195,074)
	<u>16,561,574</u>	<u>4,014,563</u>

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.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand				2022	2021
8. Construction contracts and receivables/(payables)					
Contracts in progress at Statement of Financial Position date					
Construction contracts and receivables/(payables)				4,275,432	20,578,869
Contract revenue is fixed based on the arrangement with the Provincial Department of Housing. Revenue is recognised to the extent that contract costs incurred are recoverable. The following projects were included in the balances reported above:					
30 June 2022	Golden Valley	Thembaletu 700 Units	Thembaletu 42 & 58	Completed construction projects	Total
Opening balance from/(due to) customers	629,997	14,924,267	2,017,000	3,007,605	20,578,869
Advances received	(2,299,413)	(13,018,820)	(2,025,647)	-	(17,343,880)
Revenue recognised / (derecognised)	516,870	68,331	455,242	-	1,040,443
	(1,152,546)	1,973,778	446,595	3,007,605	4,275,432
Accumulated revenue recognised	(5,944,826)	(86,631,517)	(7,186,601)	-	(99,762,944)
Accumulated expenditure	5,944,826	86,631,517	7,186,601	-	99,762,944
	-	-	-	-	-
30 June 2021	Golden Valley	Thembaletu 700 Units	Thembaletu 42 & 58	Completed construction projects	Total
Opening balance from/(due to) customers	91,845	11,702,505	1,803,716	2,968,003	16,566,069
Advances received	(36,900)	-	(18,000)	-	(54,900)
Revenue recognised	575,052	3,221,762	231,284	-	4,028,098
Other	-	-	-	39,602	39,602
	629,997	14,924,267	2,017,000	3,007,605	20,578,869
Accumulated revenue	(5,427,957)	(86,563,186)	(6,731,359)	-	(98,722,502)
Accumulated expenditure	5,427,957	86,563,186	6,731,359	-	98,722,502
Total remaining funding to be received in future	-	-	-	-	-
Retention amounts of construction contracts				(308,669)	(308,669)

The prior year figures have been restated. Refer to note 48 for more detail.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand			2022			2021
9. Loans and receivables						
As at 30 June 2022	Gross balance	Impairment allowance	Net balance	Transferred to current assets	Non-current	
Housing scheme loans	132,814	(22,725)	110,089	(77,656)	32,433	
Sale of erven loans	20,690	-	20,690	(20,690)	-	
Actaris meter debt	427,637	-	427,637	(128,291)	299,346	
	581,141	(22,725)	558,416	(226,637)	331,779	
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	

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%

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.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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9. Loans and receivables (continued)

Reconciliation of impairment allowance

2022	Balance at beginning of year	Impairment losses reversed	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	74,518	(51,793)	-	22,725
2021	Balance at beginning of the year	Impairment losses recognised	Amounts written off as uncollectible	Balance at end of the year
Housing scheme loans	33,797	40,721	-	74,518

10. Principle agent arrangement

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.

Transactions on these projects consists out of the following:

2022	Opening balance	Receipts from Department	Expenses on behalf of principal	Receivable / (Advances received) from Department
Thembaletu Bungalow Housing Project	10,953,663	(11,741,536)	1,083,192	295,319
Title Deed Restoration Grant	(3,488,676)	-	412,360	(3,076,316)
	7,464,987	(11,741,536)	1,495,552	(2,780,997)
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



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
11. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	24,920	24,920
Bank balances	592,510,612	469,595,791
Short-term deposits	-	200,000,000
	592,535,532	669,620,711

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 2022	30 June 2021
ABSA BANK - Cheque Account - 102 222 0981	37,694,150	5,882,220
First National Bank - Cheque Account - 628 696 23150	554,816,462	463,713,571
Nedbank Fixed Deposit	-	200,000,000
Total	592,510,612	669,595,791

The bank balances at year end were:

	Bank balances	
	30 June 2022	30 June 2021
ABSA BANK - Cheque Account - 102 222 0981	29,779,020	5,883,820
First National Bank - Cheque Account - 628 696 23150	550,177,093	459,345,778
ABSA - George Charitable Relief Fund - 914 955 4208	-	1,000
Nedbank Fixed Deposit	-	200,000,000
	579,956,113	665,230,598

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	579,956,113	665,230,598
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George Local Municipality
Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	928,870,099	-	928,870,099	928,354,243	-	928,354,243
Infrastructure	3,339,139,553	(1,488,919,979)	1,850,219,574	2,970,721,406	(1,368,992,507)	1,601,728,899
Community	229,030,951	(100,865,985)	128,164,966	221,853,586	(91,107,710)	130,745,876
Other	60,114,149	(35,774,775)	24,339,374	57,027,550	(33,428,389)	23,599,161
Other - Buildings	158,551,534	(73,773,876)	84,777,658	150,971,177	(68,569,773)	82,401,404
Service concession assets - GIPTN Buses	206,260,523	(98,139,540)	108,120,983	206,260,523	(86,996,041)	119,264,482
Machinery and Equipment	142,731,035	(58,696,144)	84,034,891	97,963,940	(52,973,224)	44,990,716
Transport	145,584,411	(63,506,411)	82,078,000	136,966,255	(62,157,023)	74,809,232
Total	5,210,282,255	(1,919,676,710)	3,290,605,545	4,770,118,680	(1,764,224,667)	3,005,894,013

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	928,354,243	515,856	-	-	-	928,870,099
Infrastructure	1,601,728,899	368,423,659	(1,751)	-	(119,931,233)	1,850,219,574
Community	130,745,876	6,808,423	-	368,941	(9,758,274)	128,164,966
Other	23,599,161	6,538,605	(267,811)	-	(5,530,581)	24,339,374
Other - Buildings	82,401,404	7,949,298	-	(368,941)	(5,204,103)	84,777,658
Machinery and Equipment	44,990,716	45,878,791	(57,435)	-	(6,777,181)	84,034,891
Service concession assets - GIPTN Buses	119,264,482	-	-	-	(11,143,499)	108,120,983
Transport	74,809,232	16,254,040	(1,512,145)	-	(7,473,127)	82,078,000
	3,005,894,013	452,368,672	(1,839,142)	-	(165,817,998)	3,290,605,545



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12. Property, plant and equipment (continued)

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	21,080,217	7,105,474	(42,482)	-	(4,544,048)	23,599,161
Other - Buildings	80,271,086	7,229,034	(24,265)	(163,620)	(4,910,831)	82,401,404
Machinery and Equipment	42,805,020	8,548,401	(4,652)	(711,944)	(5,646,109)	44,990,716
Service concession assets - GIPTN Buses	132,771,375	-	-	-	(13,506,893)	119,264,482
Transport	73,571,409	8,601,414	-	-	(7,363,591)	74,809,232
	2,973,052,938	191,159,276	(409,176)	-	(157,909,025)	3,005,894,013

Pledged as security

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

Assets subject to finance leases (Net carrying amount)

	2022	2021
Vehicles	1,318,303	1,481,796

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.



George Local Municipality

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12. Property, plant and equipment (continued)

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

Infrastructure	717,279,230	490,379,886
Community	14,827,885	18,014,654
Other property, plant and equipment	15,251,424	11,735,133
Ancillary fleet equipment and security	26,989,943	13,358,670
	774,348,482	533,488,343

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

Contracted services	87,665,398	56,615,310
Covid-19 constraints	-	23,358,157
Funding	10,786,095	1,734,973
	98,451,493	81,708,440

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

Contracted services	126,046,308	113,834,631
Employee related costs	20,354,076	24,829,545
Material	26,397,990	15,820,933
	172,798,374	154,485,109

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	(56,576)	(4,718,524)
Community	(36,012)	(703,172)
Other	(661,232)	(2,799,501)
Other - Buildings	(152,602)	(23,937)
Service concession assets - GIPTN Buses	(1,557,729)	
	(2,464,151)	(8,245,134)



George Local Municipality
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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	6,106,750	6,049,250
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13. Intangible assets

	2022			2021		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,351,675	(3,102,692)	1,248,983	4,122,624	(2,746,727)	1,375,897

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	1,375,897	229,052	(355,966)	1,248,983

Reconciliation of intangible assets - 2021

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

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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George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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14. Heritage assets

	2022			2021		
	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 - 2022

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

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 (2021: RNil).



George Local Municipality

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Figures in Rand **2022** **2021**

15. Investment property

	2022			2021		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	142,570,866	-	142,570,866	142,570,866	-	142,570,866
Buildings	4,981,973	(3,479,565)	1,502,408	4,981,973	(3,317,995)	1,663,978
Total	147,552,839	(3,479,565)	144,073,274	147,552,839	(3,317,995)	144,234,844

Reconciliation of investment property - 2022

	Opening balance	Depreciation	Total
Land	142,570,866	-	142,570,866
Buildings	1,663,978	(161,570)	1,502,408
	144,234,844	(161,570)	144,073,274

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

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	1,705,736	1,178,228
Repairs and maintenance of investment property	105,816	126,342
	<u>1,811,552</u>	<u>1,304,570</u>

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



George Local Municipality

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16. Loans and borrowings		
At amortised cost		
Annuity loans	241,537,272	280,772,148
Non-current liabilities		
Annuity loans	198,295,415	241,537,273
Current liabilities		
Annuity loans	43,241,857	39,234,875
Annuity loans		
Annuity loans are repaid over periods varying from 1 year to 10 years (2021: 1 year to 10 years) and at interest rates varying from 6.75% to 12,665% (2021: 6.75% to 12,665%) per annum. Annuity loans are not secured.		
17. Finance lease obligation		
Minimum lease payments due		
- within one year	180,451	428,247
- in second to fifth year inclusive	-	180,451
	180,451	608,698
less: future finance charges	(9,581)	(51,749)
Present value of minimum lease payments	170,870	556,949
Present value of minimum lease payments due		
- within one year	170,869	386,080
- in second to fifth year inclusive	-	170,869
	170,869	556,949
Non-current liabilities	-	170,869
Current liabilities	170,869	386,080
	170,869	556,949

The municipality entered into hire purchase agreements for vehicle acquisitions. The average lease term is 5 years and the average effective borrowing rate is 9.1482% (2021: 9.8433%). 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.



George Local Municipality

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Notes to the Annual Financial Statements

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18. Payables from exchange transactions		
Current liabilities		
Trade payables	144,741,677	120,918,083
Compensation Commissioner	2,460,349	4,344,155
GIPTN compensation liability	2,596,708	2,427,775
Other payables	29,847,589	39,744,316
Payments received in advance	30,390,867	23,931,277
Retentions	39,804,261	23,612,042
Sundry Deposits	4,629,665	10,662,332
Unidentified deposits	5,368,282	10,862,131
	259,839,398	236,502,111
Non-current liabilities		
GIPTN compensation liability	4,614,193	5,750,185
Total	264,453,591	242,252,296

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	8,177,960	8,617,837
Transferred from Provisions	1,411,712	1,489,927
Change in liability due to inflation and discounting rates	337,571	470,869
Paid during the year	(2,716,342)	(2,400,673)
	7,210,901	8,177,960
Non-current liabilities	4,614,193	5,750,185
Current liabilities	2,596,708	2,427,775
	7,210,901	8,177,960

**George Local Municipality**

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
19. Consumer deposits		
Electricity and water	36,003,351	32,253,145
Guarantees held in lieu of electricity and water deposits	22,147,332	21,914,862
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	181,299,000	174,743,000
Ex-gratia pension benefits liability	1,701,900	2,455,104
Long service awards	25,731,000	24,403,000
	208,731,900	201,601,104
Current liabilities		
Post-Retirement Medical Aid benefits liability	8,477,000	7,856,000
Ex-gratia pension benefits liability	634,400	184,896
Long service awards	3,028,000	3,257,000
Staff leave	55,029,099	64,538,310
Staff annual bonus	14,355,419	14,536,911
	81,523,918	90,373,117
Total liabilities		
Post-Retirement Medical Aid benefits liability	189,776,000	182,599,000
Ex-gratia pension benefits liability	2,336,300	2,640,000
Long service awards	28,759,000	27,660,000
Staff leave	55,029,099	64,538,310
Staff annual bonus	14,355,419	14,536,911
	290,255,818	291,974,221

Post-retirement medical aid benefit liability

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

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2022. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.



George Local Municipality

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Figures in Rand	2022	2021
20. Employee benefit obligations (continued)		
In-service (Employees) members	621	599
In-service (Employees) non-members	668	637
Continuation members (Retirees, widow and orphans)	145	139
	<u>1,434</u>	<u>1,375</u>
In-service members	87,195,000	88,573,000
Continuation members	102,581,000	94,026,000
	<u>189,776,000</u>	<u>182,599,000</u>

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 2023 is estimated to be R6,893,000 (2022: R6,250,000) whereas the interest cost for the same year is estimated to be R21,926,000 (2022: R18,002,000).

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

i) Rate of interest		
Discount rate	11.81 %	10.07 %
Health care cost inflation rate	8.43 %	6.76 %
Net effective discount rate	3.12 %	3.10 %
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 11.81% 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 2022.

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.



George Local Municipality
Annual Financial Statements for the year ended 30 June 2022

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Figures in Rand	2022	2021
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20. Employee benefit obligations (continued)

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

Present value of fund obligations	189,776,000	182,599,000
Fair value plan asset	-	-
	189,776,000	182,599,000

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

Current service cost	6,250,000	5,204,000
Interest cost	18,002,000	16,234,000
Recognised actuarial losses / (gains)	(9,219,000)	7,598,000
Total included in employee related cost - refer to note 33	15,033,000	29,036,000

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

Balance at the beginning of the year	182,599,000	161,464,000
- Current service cost	6,250,000	5,204,000
- Interest cost	18,002,000	16,234,000
- Actuarial losses (gains)	(9,219,000)	7,598,000
- Benefits paid	(7,856,000)	(7,901,000)
Balance at the end of the year	189,776,000	182,599,000

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 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Accrued liability	129.578	173.628	161.464	182.599	189.776
Fair value of plan asset	-	-	-	-	-
Surplus / (Deficit)	(129.578)	(173.628)	(161.464)	(182.599)	(189.776)

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 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Liabilities: (Gain) / Loss	2.128	2.694	5.402	(6.705)	(8.765)
Assets: Gain / (Loss)	-	-	-	-	-
	2.128	2.694	5.402	(6.705)	(8.765)



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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	4,272,000	3,572,000
Effect on the defined benefit obligation	28,463,000	27,613,000

Decrease

Effect on the current service cost and interest cost	(3,418,000)	(2,886,000)
Effect on the defined benefit obligation	(23,252,000)	(22,516,000)

Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2022, 105 employees 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 2023 is estimated to be Rnil (2022: Rnil) whereas the interest cost for the same year is estimated to be R190,100 (2022: R98,458).

Pensioners	11	11
Eligible employees	105	119
	<u>116</u>	<u>130</u>

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

i) Rate of interest

Discount rate	9.38 %	6.56 %
Pension increase rate	3.00 %	1.86 %
Net effective discount rate	6.20 %	4.61 %

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 9.38% per annum has been used. The corresponding index-linked yield at this term is 2.73%. 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 2022.

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

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



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20. Employee benefit obligations (continued)

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

Present value of fund obligations	2,336,300	2,640,000
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The amounts recognised in the Statement of Financial Performance are as follows:

Interest cost	98,458	94,015
Recognised actuarial losses / (gains)	830,869	31,915
Total included in employee related cost - refer to note 33	929,327	125,930

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

Balance at the beginning of the year	1,591,869	1,654,735
- Interest cost	98,458	94,015
- Actuarial losses (gains)	830,869	31,915
- Benefits paid	(184,896)	(188,796)
	2,336,300	1,591,869

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

Liability History	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Accrued liability	1,664,818	1,759,264	1,654,735	1,591,869	2,336,300
Fair value of plan assets	-	-	-	-	-
Surplus / (Deficit)	(1,664,818)	(1,759,264)	(1,654,735)	(1,591,869)	(2,336,300)

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 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Liabilities: (Gain) / Loss	(526,983)	83,875	(6,061)	1,172	971,069
Assets: Gain / (Loss)	-	-	-	-	-
	(526,983)	83,875	(6,061)	1,172	971,069



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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	6,004	6,164
Effect on defined benefit obligation	75,500	91,513

Decrease

Effect on interest cost	(5,471)	(5,612)
Effect on defined benefit obligation	(68,600)	(83,401)

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 2022.

At year end, 1,290 (2021: 1,293) employees were eligible for Long-service Awards. The future service cost for the ensuing year is estimated to be R2,397,000 (2022: R2,168,000), whereas the interest cost for the ensuing year is estimated to be R3,058,000 (2022: R2,461,000).

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

i) Rate of interest

Discount rate	11.21 %	9.44 %
Benefit inflation rate	7.38 %	5.84 %
Net effective discount rate	3.56 %	3.40 %

Expected retirement age	62	62
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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 11.21% 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 11.21% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted indexed yield is 4.07%. 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 2022.



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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	28,759,000	27,660,000
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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	1,895,000	1,737,000
Interest cost	2,461,000	1,921,000
Total included in employee related cost - refer to note 33	4,356,000	3,658,000

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

Balance at the beginning of the year	27,660,000	27,586,000
- Net current service cost and actuarial losses (gains) included in the long service awards expense	1,895,000	1,737,000
- Interest cost	2,461,000	1,921,000
- Benefits paid	(3,257,000)	(3,584,000)
	28,759,000	27,660,000

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

Liability History	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Accrued Liability	23,370,699	26,142,726	27,586,000	27,660,000	28,759,000
Fair value of plan assets	-	-	-	-	-
Surplus / (Deficit)	(23,370,699)	(26,142,726)	(27,586,000)	(27,660,000)	(28,759,000)

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 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Liabilities: (Gain) / Loss	1,486,754	1,418,184	1,196,866	37,000	215,000
Assets: Gain / (Loss)	-	-	-	-	-
	1,486,754	1,418,184	1,196,866	37,000	215,000



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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	365,000	335,000
Effect on the defined benefit obligation	1,871,000	1,841,000

Decrease

Effect on the current service cost and interest cost	(327,000)	(296,000)
Effect on the defined benefit obligation	(1,693,000)	(1,662,000)

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 R59,459,750 for employees and R350,000 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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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	64,538,310	52,459,673
Payments	(4,941,339)	(3,001,045)
Increase / (Decrease) in provision	(4,567,872)	15,079,682
	55,029,099	64,538,310

Staff annual bonus

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

Opening balance	14,536,911	13,649,466
Payments	(14,536,911)	(13,649,466)
Additional bonus accrual recognised during the year	14,355,419	14,536,911
	14,355,419	14,536,911



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21. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Finance Costs	Transfer to payables from exchange transactions	Total
Rehabilitation of landfill site	62,558,391	12,081,811	(12,825,678)	4,610,356	-	66,424,880
Compensation Liability GIPTN	54,222,348	7,576,458	(2,446,595)	3,465,572	(1,411,712)	61,406,071
	116,780,739	19,658,269	(15,272,273)	8,075,928	(1,411,712)	127,830,951

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Finance Costs	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	303,104	(1,758,172)	3,403,599	(1,489,927)	54,222,348
	109,927,162	2,493,106	(1,877,649)	7,728,047	(1,489,927)	116,780,739

Current liabilities consist of

	2022	2021
Rehabilitation of landfill site	3,930,683	11,381,778
Compensation Liability GIPTN	5,624,670	2,056,303
	9,555,353	13,438,081
Non-current liabilities	118,275,598	103,342,658
Current liabilities	9,555,353	13,438,081
	127,830,951	116,780,739

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 2022 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 5.900 % and 8.895% depending on the estimated time of closure.



George Local Municipality

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21. Provisions (continued)

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

	Opening balance	Additions	Utilised during the year	Unwinding of discount	Total
George	54,090,043	10,510,902	(5,114,478)	4,055,176	63,541,643
Uniondale	8,468,348	1,570,909	(7,711,200)	555,180	2,883,237
	62,558,391	12,081,811	(12,825,678)	4,610,356	66,424,880

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, 230 (2021: 229) licences were subject to the buy-in option, while 295 (2021: 277) 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 R73,022,890 (2021: R63,416,331). A discount rate of 5.9% (2021: 5.25%) (the 2 year Government Bond rate) was used to discount the provision.

The municipality expects to pay the buy-out options between November 2022 and July 2024 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	2022	2021
22. Conditional government grants and subsidies		
Unspent conditional government grants and subsidies	38,400,794	35,623,001
National Government Grants	-	16,736,987
Provincial Government Grants	29,576,768	11,181,987
Other	7,504,026	7,704,027
District Government Grants	1,320,000	-
Less: Conditional government grants and subsidies receivable - Note 4	(4,389,363)	(4,620,173)
National Government Grants	(262,147)	(262,147)
Provincial Government Grants	(1,553,818)	(1,784,628)
District Government Grants	(2,573,398)	(2,573,398)
	34,011,431	31,002,828

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	170,498,012	186,527,670
Conditional Grants		
Grants and Donations	613,394,919	510,629,268
Subsidies	1,147,925	739,199
Total Government Grants and Subsidies	785,040,856	697,896,137
Operating	570,449,372	614,973,041
Capital	214,591,484	82,923,096
	785,040,856	697,896,137

Details of the different grants are set out below.

Unconditional Grants

22.1 Equitable share

Grants received	170,498,012	186,527,670
Conditions met - Operating	(170,498,012)	(186,527,670)
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.

Free basic services are services provided for poor households (indigent support) that are funded through the Equitable Share allocation. The free basic services for 2022 were R 121,015,643 (2021: R 115,614,805).



George Local Municipality

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Figures in Rand	2022	2021
22. Conditional government grants and subsidies (continued)		
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)	(1,550,000)
Repayment of grant	-	(763,540)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Program (e.g. salary costs of the Financial Management Interns).		
22.3 National: Infrastructure Skills Development		
Opening balance	-	821,102
Grants received	6,000,000	6,126,000
Conditions met - Operating	(5,885,978)	(6,126,000)
Conditions met - Capital	(114,022)	-
Repayment of grant	-	(821,102)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
The Infrastructure Skills Development Grant is given to strengthen the capacity of local government to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills available and to facilitate lifelong learning and the transfer of knowledge to municipalities.		
22.4 National: Energy Efficiency and Demand Side Management Grant		
Opening balance	121,027	2,658,097
Grants received	-	4,500,000
Conditions met - Operating	-	(17,115)
Conditions met - Capital	-	(4,361,858)
Repayment of grant	(121,027)	(2,658,097)
Conditions still to be met/(Grant expenditure to be recovered)	-	121,027
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.		
22.5 National: Municipal Infrastructure Grant (MIG)		
Opening balance	101,019	31,522,932
Grants received	42,262,000	36,366,000
Conditions met - Operating	(750,002)	-
Conditions met - Capital	(41,511,998)	(36,264,981)
Repayment of grant	(101,019)	(31,522,932)
Conditions still to be met/(Grant expenditure to be recovered)	-	101,019
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	2022	2021
22. Conditional government grants and subsidies (continued)		
22.6 National: Water Service Infrastructure Grant		
Opening balance	-	-
Grants received	3,082,000	-
Conditions met - Capital	(3,082,000)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-
The grant was allocated to the municipality to provide water and sanitation services and reduce backlogs.		
22.7 National: Regional Bulk Infrastructure Grant (RBIG)		
Grants received	81,345,000	-
Conditions met - Operating	(1,500,000)	-
Conditions met - Capital	(79,845,000)	-
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.		
22.8 National: Integrated National Electrification Grant		
Opening balance	87,966	794,335
Grants received	19,350,000	6,000,000
Conditions met - Capital	(16,966,666)	(6,706,369)
Repayment of grant	(87,966)	-
Transfer to Housing Development Fund	(2,383,334)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	87,966
The National Electrification Grant was used to upgrade the sub-station and electrification network.		
22.9 National: Expanded Public Works Program Grant (EPWP)		
Opening balance	-	812,037
Grants received	3,068,000	4,109,000
Conditions met - Operating	(3,068,000)	(4,921,037)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
The Expanded Public Works Program Grant was used to increase labour employment through infrastructure programs that increase job creation and skills development.		
22.10 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)		
22.11 National: Public Transport Grant		
Opening balance	16,426,973	103,678,821
Grants received	209,976,000	152,069,000
Conditions met - Operating	(153,517,475)	(202,916,408)
Conditions met - Capital	(72,885,498)	(36,404,440)
Conditions still to be met/(Grant expenditure to be recovered)	-	16,426,973

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.

22.12 Provincial: Western Cape Financial Management Support Grant

Opening balance	-	165,662
Grants received	-	500,000
Conditions met - Operating	-	(665,662)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Financial Management Support Grant is given by the Western Cape Provincial Treasury to provide financial assistance to municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

22.13 Provincial: Western Cape Financial Management Capacity Building Grant

Opening balance	300,000	380,000
Grants received	250,000	300,000
Conditions met - Operating	(425,465)	-
Repayment of grant	-	(380,000)
Conditions still to be met/(Grant expenditure to be recovered)	124,535	300,000

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

22.14 Provincial: Integrated Public Transport Network Grant

Opening balance	(230,810)	3,693,631
Grants received	217,587,000	187,240,000
Conditions met - Operating	(204,684,844)	(191,164,441)
Conditions still to be met/(Grant expenditure to be recovered)	12,671,346	(230,810)

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



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22. Conditional government grants and subsidies (continued)

22.15 Provincial: Fire Services Capacity Building Grant

Opening balance	2,606	11,422
Grants received	-	732,000
Conditions met - Operating	-	(729,394)
Repayment of grant	(2,606)	(11,422)
Conditions still to be met/(Grant expenditure to be recovered)	-	2,606

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

22.16 Provincial: Integrated Transport Planning Grant

Opening balance	36,259	1,193,494
Grants received	600,000	600,000
Conditions met - Operating	(636,259)	(1,157,235)
Repayment of grant	-	(600,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	36,259

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).

22.17 Provincial: Human Settlements Operating Grants

Opening balance	(2,134,778)	8,065,502
Grants received	8,367,921	475,000
Conditions met - Operating	(4,805,391)	(675,280)
Conditions met - Capital	-	10,000,000
Conditions still to be met/(Grant expenditure to be recovered)	1,427,752	(2,134,778)

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.

22.18 Provincial: Human Settlements Capital Grant

Opening balance	12,761,849	12,761,849
Grants received	-	-
Conditions met - Capital	(141,073)	-
Conditions still to be met/(Grant expenditure to be recovered)	12,620,776	12,761,849

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.

22.19 Provincial: Sport / Recreational Facilities

Opening balance	-	-
Grants received	700,000	-
Repayment of grant	-	-
Conditions still to be met/(Grant expenditure to be recovered)	700,000	-

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



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22. Conditional government grants and subsidies (continued)		
22.20 Provincial: Proclaimed Roads		
Opening balance	-	-
Grants received	8,460,000	2,956,000
Conditions met - Operating	(8,460,000)	(2,956,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
22.21 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)
22.22 Provincial: Provide resources for the Cycle Infrastructure Project Grant		
Opening balance	(100,000)	100,000
Grants received	-	-
Conditions met - Operating	-	(200,000)
Conditions still to be met/(Grant expenditure to be recovered)	(100,000)	(100,000)
22.23 Provincial: Library Services		
Grants received	11,392,000	10,283,000
Conditions met - Operating	(10,879,570)	(10,283,000)
Conditions met - Capital	(45,225)	-
Conditions still to be met/(Grant expenditure to be recovered)	467,205	-

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).

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

This grant was given by Provincial Treasury to the Municipality to further develop and enhance cycle infrastructure in the municipal area.

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.



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22. Conditional government grants and subsidies (continued)

22.24 Provincial: Community Development Workers' Operational Grant

Opening balance	211,336	200,568
Grants received	94,000	94,000
Conditions met - Operating	(180,886)	(45,727)
Repayment of grant	-	(37,505)
Conditions still to be met/(Grant expenditure to be recovered)	124,450	211,336

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.

22.25 Provincial: Thembalethu Thusong Service Centre

Opening balance	4,707	-
Grants received	-	150,000
Conditions met - Operating	(4,707)	(145,293)
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.

22.26 Provincial: Local Government Graduate Internship Grant

Opening balance	-	17,292
Conditions met - Operating	-	(17,292)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

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.

22.27 Provincial: Municipal Service Delivery and Capacity Building Grant

Opening balance	-	250,000
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Repayment of grant	-	(250,000)
Conditions still to be met/(Grant expenditure to be recovered)	-	-

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.



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22. Conditional government grants and subsidies (continued)

22.28 Provincial: LG Public Employment Support Grant

Opening balance	-	-
Grants received	2,000,000	-
Conditions met - Operating	(559,305)	-
Conditions still to be met/(Grant expenditure to be recovered)	1,440,695	-

The Local Government Public Employment Support Grant is given to coordinate and ensure the implementation of targeted, short term public employment programmes for communities identified as being in distress, through conditional transfers to local and district municipalities and the Metro in the Western Cape.

22.29 Provincial: Western Cape Municipal Energy Resilience Grant

Opening balance	-	-
Grants received	400,000	-
Conditions met - Operating	(400,000)	-
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Western Cape Municipal Energy Resilience Grant is given to support the implementation of renewable energy and energy resilience projects in the Province.

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

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

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)

This grant was given to reimburse municipalities for flood damage incurred by the municipality.



George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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	1,147,925	739,199
Conditions met - Operating	(1,147,925)	(739,199)
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.		
22.34 Other: GRDM Community Safety Initiatives		
Opening balance	-	-
Grants received	120,000	-
Conditions still to be met/(Grant expenditure to be recovered)	120,000	-
The Garden Route District Municipality Community Initiatives Grant is given to the municipality to provide community safety initiatives in the George Municipal area.		
22.35 Other: GRDM Micro Enterprise Facilities Grant		
Opening balance	-	-
Grants received	1,000,000	-
Conditions still to be met/(Grant expenditure to be recovered)	1,000,000	-
The Garden Route District Municipality Micro Enterprise Facilities grant is given to the municipality to allocate trading space to informal traders where they can trade in a safe and regulated environment.		
Total Grants		
Opening balance	31,002,828	171,304,958
Grants received	789,249,860	601,316,869
Conditions met - Operating	(568,953,821)	(610,836,753)
Conditions met - Capital	(214,591,484)	(83,737,647)
Repayment of grant funding received	(312,618)	(47,044,599)
Transfers	(2,383,334)	-
Conditions still to be met/(Grant expenditure to be recovered)	34,011,431	31,002,828



George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
23. Housing development fund		
Unappropriate surplus	(17,510,692)	(5,062,145)
Loans extinguished by Government on 1 April 1998	53,383,243	53,383,243
	35,872,551	48,321,098
The housing development fund is represented by the following assets and liabilities		
Housing selling scheme loans	110,088	149,106
Inventory	61,918	141,633
Trade and other receivables from exchange transactions	1,133,511	946,984
Trade and other receivables from non-exchange transactions	847,400	759,983
Bank and cash	34,567,034	47,083,375
Trade and other payables from exchange transactions	(847,400)	(759,983)
	35,872,551	48,321,098
24. Service charges		
Electricity	820,530,604	717,516,676
Water	167,259,940	139,502,492
Sewerage and sanitation charges	129,151,010	117,792,494
Refuse removal	105,037,335	96,488,631
	1,221,978,889	1,071,300,293
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	1,842,313	1,672,719
Provincial vehicle registrations	13,428,889	13,590,422
	15,271,202	15,263,141
Refer to note 57 regarding the principle-agent agreement.		
26. GIPTN Fare Revenue		
GIPTN Fare Revenue	50,650,489	39,534,679
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.		



George Local Municipality

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Figures in Rand	2022	2021
27. Other income		
Building plan fees and related income	8,948,436	6,585,902
Camping fees	961,001	808,210
Cemetery fees	1,836,472	1,692,645
Collection charges	4,005,468	3,209,430
Development charges	27,766,667	25,449,182
Insurance claims received	288,216	1,111,660
Land usage application fees	898,034	152,460
Rates clearance certificates for property transfers	1,067,648	1,006,482
Sundry income	4,175,083	5,243,737
	49,947,025	45,259,708

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.

28. Interest received

Outstanding debtors

Trade receivables	7,643,739	4,307,673
Land sales	-	28,887
	7,643,739	4,336,560

External Investments

Bank accounts	15,419,292	16,368,475
Short term investments	14,176,156	12,438,668
	29,595,448	28,807,143
	37,239,187	33,143,703



George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
29. Property rates		
Rates received		
Agriculture	5,759,976	5,429,664
Commercial	84,609,064	79,247,484
Formal and informal settlements	16,168,330	16,037,540
Municipal	19,717,511	18,381,934
Public service infrastructure	155,649	158,374
Public benefit organisations	382,973	328,443
Residential	229,200,205	208,901,637
State-owned	17,201,653	17,523,047
Vacant land	16,469,339	15,599,349
Less: Income forgone	(33,796,992)	(30,926,502)
Less: Impermissible rates	(8,647,996)	(7,925,839)
	<u>347,219,712</u>	<u>322,755,131</u>
Valuations		
Agriculture	3,066,715,000	2,933,244,000
Churches & parks	375,124,000	363,992,000
Commercial	7,549,933,000	7,518,986,000
Formal and informal settlements	2,077,543,000	2,190,220,000
Industrial	1,840,642,000	1,826,618,000
Municipal (non-taxable valuations)	1,429,467,000	1,485,718,000
Public service infrastructure	87,487,000	89,567,000
Public benefit organisations	191,297,000	183,242,000
Residential	30,391,677,000	29,434,886,000
State-owned	1,596,312,000	1,751,027,000
Vacant land	1,609,625,000	1,622,085,000
	<u>50,215,822,000</u>	<u>49,399,585,000</u>

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

Uniform rates of 0.7610 (2021: 0,7179) cents in the Rand on total valuations were applied to determine assessment rates. Business tariffs are levied at 1.0737 (2021: 1.0129) for Commercial, Industrial, Business and Mining erven, and this was applicable for all Areas.

Rebates of 20% - 40% (2021: 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.



George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
30. Government grants and subsidies		
Operating grants		
Equitable share	170,498,012	186,527,670
National: Expanded Public Works Program Grant	3,068,000	5,121,037
National: Financial Management Grant (FMG)	1,550,000	1,550,000
National: Infrastructure Skills Development	5,885,978	6,093,021
National: Municipal Infrastructure Grant (MIG)	750,001	1,594,040
National: Public Transport Grant	153,517,474	202,916,408
National: Regional Bulk Infrastructure Grant (RBIG)	1,500,000	-
Provincial: Community Development Workers Grant	180,887	45,727
Provincial: Human Settlements Operating Grant	6,300,944	3,997,016
Provincial: Integrated Public Transport Network Grant	204,684,844	192,321,676
Provincial: Local Government Employment Support Grant	636,260	-
Provincial: Local Government Graduate Internship Grant	-	17,292
Provincial: Library Services Grant	10,879,570	10,283,000
Provincial: Proclaimed Roads	8,460,000	2,956,000
Provincial: Thusong Centre Grant	4,707	145,293
Provincial: Western Cape Municipal Energy Resilience Grant	400,000	-
Provincial: Western Cape Financial Management Capacity Building Grant	425,465	-
Provincial: Western Cape Financial Management Support Grant	-	665,662
Other: LG Public Employment Grant	559,305	-
Other: LG Seta	1,147,925	739,199
	570,449,372	614,973,041
Capital grants		
National: Electricity Demand Side Management Grant	-	4,405,418
National: Infrastructure Skills Development	114,022	6,534
National: Integrated National Electrification Grant	16,966,666	6,706,369
National: Municipal Infrastructure Grant (MIG)	41,512,000	34,670,941
National: Public Transport Grant	72,885,498	36,404,440
National: Regional Bulk Infrastructure Grant (RBIG)	79,845,000	-
National: Water Service Infrastructure Grant	3,082,000	-
Provincial: Fire Services Capacity Building Grant	-	729,394
Provincial: Human Settlements Capital Grant	141,073	-
Provincial: Library Services Grant	45,225	-
	214,591,484	82,923,096
	785,040,856	697,896,137
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Civil Engineering Services	311,480,194	194,645,842
Community Services	31,235,913	25,098,183
Corporate Services	443,258	490,203
Electro- Technical Services	66,557,816	63,374,969
Financial Services	6,805,413	25,898,087
Human Settlements	9,691,904	10,786,976
Office of the Municipal Manager	168,871	402,227
Planning and Development	2,039,293	1,766,044
Protection Services	356,618,194	375,433,606
	785,040,856	697,896,137



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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
31. Fines, penalties and forfeits		
Property rates penalties	2,027,057	1,792,478
GIPTN Bus operator penalties	530,024	7,607
Other fines	912,545	946,855
Traffic fines	71,662,541	36,268,710
Unclaimed Money Forfeits	11,379,270	-
	86,511,437	39,015,650

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 in-kind donation and assistance has been received for the year under review:

George fire relief	232,215	-
Property, plant and equipment		
Erf 145/4 Uniondale	7,500	-
Erf 2212 Uniondale	50,000	-
	289,715	

33. Employee related costs

Basic	354,214,089	345,723,544
Housing benefits and allowances	2,336,309	2,317,607
Long-service awards	2,443,294	1,802,573
Medical aid - company contributions	23,637,272	22,400,329
Other payroll levies	10,217,862	7,818,024
Overtime payments	50,530,586	40,272,291
Employee benefit obligations	17,638,789	30,992,353
- Current service cost	6,088,489	5,113,423
- Interest cost	20,638,300	18,249,015
- Actuarial (gains) / losses recognised	(9,088,000)	7,629,915
Bonus	25,235,897	26,063,272
Staff leave	4,567,872	15,079,682
Travel, motor car, accommodation, subsistence and other allowances	36,616,584	35,408,899
UIF	3,140,735	3,071,712
Pension	59,459,750	54,056,742
	590,039,039	585,007,028

The prior year figures have been reclassified between the housing allowance, overtime payments and Travel, motor car, accommodation, subsistence and other allowances.

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).



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
33. Employee related costs (continued)		
Included in the balances above are the following:		
Remuneration of Municipal Manager		
Annual remuneration	1,576,573	1,498,780
Settlement agreement (previous Municipal Manager)	-	1,415,478
Travel allowance	122,000	60,000
Acting expenses	7,839	37,727
Contributions to UIF, Bargaining Council, Medical and Pension Funds	2,248	16,231
Performance bonus	118,900	-
	1,827,560	3,028,216
Remuneration of Director Financial Services		
Performance Bonuses	138,715	-
Annual remuneration	931,662	-
Car allowance	110,000	-
Contributions to UIF, Medical and Pension Funds	252,915	-
Acting expense	-	81,886
Other	15,989	-
	1,449,281	81,886
Remuneration of Director Corporate Services		
Annual remuneration	1,008,922	1,016,496
Car allowance	144,000	144,000
Performance bonus	199,844	128,471
Contributions to UIF, Medical and Pension Funds	276,785	269,207
Acting expense	9,265	3,553
	1,638,816	1,561,727
Remuneration of Director Planning & Development		
Annual Remuneration	1,211,618	150,284
Contributions to UIF, Medical and Pension Funds	218,089	29,680
Acting expense	-	32,648
	1,429,707	212,612
Remuneration of Director Human Settlements & Land Affairs		
Annual remuneration	80,998	1,373,551
Performance bonus	71,373	-
Contributions to UIF, Medical and Pension Funds	5,137	56,145
Acting expense	9,052	8,691
Leave gratuity	111,789	-
	278,349	1,438,387



George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
33. Employee related costs (continued)		
Remuneration of Director Civil Engineering Services		
Annual remuneration	-	1,137,830
Performance bonus	-	-
Settlement agreement (previous Director Civil Engineering Services)	-	600,694
Contributions to UIF, Medical and Pension Funds	-	2,057
Acting expense	46,082	14,926
	46,082	1,755,507
Remuneration of Director Electro- Technical Services		
Annual Remuneration	1,136,988	-
Contributions to UIF, Medical and Pension Funds	263,785	-
Other	28,934	-
	1,429,707	-
Remuneration of Director Community Services		
Annual remuneration	1,146,595	1,152,909
Settlement agreement (previous Director Community Services)	-	594,775
Car allowance	-	25,333
Contributions to UIF, Medical and Pension Funds	283,112	142,021
Acting expense	11,004	3,358
Performance bonus	-	-
	1,440,711	1,918,396
Remuneration of Director Protection Services		
Annual remuneration	814,596	1,044,965
Settlement agreement	896,737	-
Car allowance	75,733	96,000
Contributions to UIF, Medical and Pension Funds	237,040	288,738
Acting expense	75,601	1,672
Performance bonus	199,844	199,844
	2,299,551	1,631,219
34. Remuneration of Councillors		
Basic salaries		
Executive Mayor	668,843	670,387
Deputy Executive Mayor	508,051	466,355
Speaker	634,692	607,816
Chief Whip	501,100	502,790
Mayoral Committee Members	5,558,975	4,738,078
Councillors	8,135,451	7,297,476
Allowances and contributions		
Car allowance	5,022,842	4,683,851
Cell phone allowance	2,174,099	2,063,299
Contributions to medical aid	228,684	205,068
Contributions to pension fund	350,000	617,567
	23,782,737	21,852,687



George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
34. Remuneration of Councillors (continued)		
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 6 for the certification by the Accounting Officer.		
Remuneration for the Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip are:		
Executive Mayor		
Basic salary	668,843	670,387
Car allowance	222,169	223,463
Cell phone allowance	39,327	40,800
	930,339	934,650
Deputy Executive Mayor		
Basic Salary - CM Clarke (Deputy Executive Mayor until 21 November 2021)	170,760	466,355
Basic Salary - RS Figland (Deputy Executive Mayor as from 22 November 2021)	337,292	-
Car allowance - CM Clarke (Deputy Executive Mayor until 21 November 2021)	65,469	178,770
Car allowance - RS Figland (Deputy Executive Mayor as from 22 November 2021)	112,014	-
Cell phone allowance - CM Clarke (Deputy Executive Mayor until 21 November 2021)	14,507	40,800
Cell phone allowance - RS Figland (Deputy Executive Mayor as from 22 November 2021)	24,820	-
Contributions to medical aid and pension fund	-	69,953
	724,862	755,878
Speaker		
Basic Salary - G Pretorius (Speaker until 21 November 2021)	223,237	607,816
Basic Salary - S Snyman (Speaker as from 22 November 2021)	411,454	-
Car allowance - G Pretorius (Speaker until 21 November 2021)	39,282	107,262
Cell phone allowance - G Pretorius (Speaker until 21 November 2021)	14,507	40,800
Cell phone allowance - S Snyman (Speaker as from 22 November 2021)	24,820	-
Contributions to medical aid and pension fund - S Snyman (Speaker as from 22 November 2021)	36,621	-
	749,921	755,878
Chief Whip		
Basic Salary	501,100	502,790
Car allowance	166,466	167,597
Cell phone allowance	39,327	40,800
	706,893	711,187



George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
34. Remuneration of Councillors (continued)		
In-kind benefits		
<p>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.</p> <p>The Executive Mayor and Deputy Executive Mayor have use of a Council owned vehicle for official duties.</p>		
Remuneration per councillor:		
B Adams (Councillor until 25/11/2021)	134,203	205,409
B Adams (Mayco Member as from 26/11/2021)	435,830	-
EC America (Councillor as from 3/08/2021)	303,298	-
M Barnardt (Chief Whip)	706,892	711,187
M Barnardt (Councillor as from 9/11/2021 - 21/11/2021)	11,711	-
EL Brown	332,156	323,670
N Bungane	696,637	711,187
JP Buys	324,551	323,670
V Carolus (Councillor as from 30/06/2022)	1,193	-
CM Clarke (Deputy Mayor until 21/11/2021)	281,332	755,878
CM Clarke (Councillor as from 9/11/2021 - 21/11/2021)	15,384	-
C Clarke (Mayco Member as from 26/11/2021)	437,663	-
DL Cronje	332,156	323,670
MP Daniels (Councillor until 7/05/2021)	-	275,903
BN Dyan (Councillor as from 9/11/2021 - 24/11/2021)	14,820	-
S Dlikilile (Councillor until 21/11/2021)	118,035	323,670
M Draghoender	-	79,880
J du Toit	676,974	691,521
J du Toit (Councillor as from 9/11/2021 - 21/11/2021)	16,331	-
JD Esau	332,156	323,670
DV Farrell (Councillor until 21/11/2021)	26,973	323,670
ED Figland (Councillor as from 9/11/2021)	214,195	-
RS Figland (Mayco Member until 21/11/2021)	260,658	711,187
RS Figland (Councillor as from 9/11/2021 - 21/11/2021)	11,636	-
RS Figland (Deputy Mayor as from 22/11/2021)	474,126	-
T Fortuin (Councillor until 21/11/2021)	43,033	323,670
J Fry	332,156	323,670
V Gericke	332,156	323,670
ZB Gom (Councillor as from 9/11/2021)	214,187	-
M Greeff (Councillor as from 9/11/2021)	214,187	-
D Gultig	332,156	323,670
GN Gushman (Councillor until 21/11/2021)	118,035	323,670
B Hani (Councillor as from 9/11/2021)	214,187	-
RJ Hector (Councillor as from 12/11/2020)	332,156	205,409
L Heyser (Councillor as from 9/11/2021)	206,581	-
HJ Hill (Councillor as from 9/11/2021 - 21/11/2021)	19,283	-
HJ Hill (Mayco Member as from 22/11/2021)	435,767	-
HH Ingo (Councillor until 21/11/2021)	94,723	323,670
NR James (Councillor until 21/11/2021)	118,035	323,670
C Jansen (Councillor as from 30/6/2022)	1,283	-
JH Jantjies (Councillor as from 9/11/2021)	214,187	-
T Jeyi (Councillor as from 9/11/2021)	214,363	-
B Johnson (Councillor until 21/11/2021)	134,203	123,728
B Johnson (Mayco Member as from 22/11/2021)	435,830	-
VA Kama (Councillor until 21/11/2021)	118,324	323,670



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Figures in Rand	2022	2021
34. Remuneration of Councillors (continued)		
ME Kleynhans	210,607	-
IC Kritzinger	332,156	323,670
M Kruger (Councillor as from 9/11/2021)	214,195	-
LK Langa (Councillor until 21/11/2021)	118,035	323,670
TE Lento (Councillor as from 9/11/2021)	214,187	-
C Lesele (Councillor until 21/11/2021)	118,035	323,670
HJ Loff (Councillor until 21/11/2021)	119,042	323,670
KS Lose (Councillor as from 9/11/2021)	214,195	-
J Lottering (Councillor as from 24/8/2021 - 21/11/2021)	70,490	-
NM Louw (Councillor as from 9/11/2021)	214,187	-
P Louw (Councillor until 21/11/2021)	118,324	323,670
RM Louw (Councillor as from 9/11/2021)	215,192	-
S Manxele (Councillor as from 9/11/2021)	214,187	-
N Mbete (Councillor as from 9/11/2021 - 21/11/2021)	16,330	-
ET Mdaka (Councillor as from 9/11/2021)	214,187	-
NF Mdaka	332,156	323,670
KJ Mkondo (Councillor until 8/11/2021)	118,324	323,670
B Mooi (Councillor until 21/11/2021)	118,035	323,670
VS Mruqhli (Councillor as from 9/11/2021)	214,187	-
L Ncamile (Councillor as from 9/11/2021)	214,187	-
J Ncamzana (Councillor until 21/11/2021)	118,035	323,670
C Neethling (Councillor as from 9/11/2021 - 21/11/2021)	19,247	-
C Neethling (Mayco Member as from 22/11/2021)	436,404	-
GC Niehaus (Councillor as from 9/11/2021 - 21/11/2021)	16,259	-
GC Niehaus (Mayco Member as from 22/11/2021)	430,621	-
CH Noble (Mayco Member until 21/11/2021)	182,467	711,187
P Nosana (Councillor until 21/11/2021)	118,035	323,670
SZ Ntondini (Councillor as from 9/11/2021)	214,187	-
MM Nyakati (Councillor as from 22/5/2020 - 15/1/2021)	-	175,343
B Petrus (Councillor until 21/11/2021)	134,203	205,409
B Petrus (Mayco Member as from 22/11/2021)	435,830	-
B Plata (Councillor until 21/11/2021)	118,035	323,670
J Petersen (Councillor as from 30/6/2022)	1,283	-
G Pretorius (Speaker until 21/11/2021)	277,025	755,878
P Qampi (Councillor as from 14/12/2021)	184,204	-
TM Qatana (Councillor as from 9/11/2021)	214,187	-
MA Roelfse (Councillor as from 12/11/2020)	332,156	205,409
S Rooiland (Councillor until 21/11/2021)	118,035	323,670
JM Saffers (Councillor until 21/11/2021)	133,781	323,670
JM Saffers (Mayco Member as from 22/11/2021)	434,515	-
DC Saptoe (Councillor as from 9/11/2021)	214,187	-
MA Simmers (Councillor as from 9/11/2021)	214,187	-
S Snyman (Mayco Member until 21/11/2021)	264,660	711,187
S Snyman (Councillor as from 9/11/2021 - 21/11/2021)	9,554	-
S Snyman (Speaker as from 22/11/2021)	472,896	-
SJ Smart (Councillor as from 9/11/2021)	214,198	-
GJ Stander (Councillor until 26/5/2020)	-	711,187
GJ Stander (Mayco Member until 21/11/2021)	260,729	-
I Stemela (Councillor until 26/5/2020)	-	711,187
I Stemela (Mayco Member until 8/1/2021)	260,658	-
E Stroebel (Councillor until 22/11/2021)	118,324	323,670
T Teyisi (Councillor until 8/11/2021)	118,035	323,670
C Titus (Councillor as from 9/11/2021)	214,187	-
SM Toto (Councillor as from 9/11/2021)	214,187	-



George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
34. Remuneration of Councillors (continued)		
PJ van der Hoven (Councillor until 21/11/2021)	118,035	323,670
G van Niekerk (Councillor as from 9/11/2021)	214,187	-
G van Niekerk (Councillor until 27/1/2021)	-	215,780
G van Niekerk (Chairperson of the section 79 GIPTN Committee)	-	264,367
G van Niekerk (Mayco Member until 22/11/2021)	253,330	-
LD van Wyk (Councillor as from 9/11/2021 - 21/11/2021)	11,636	-
LD van Wyk (Mayor)	930,339	934,650
J von Brandis	696,637	711,187
J von Brandis (Councillor as from 9/11/2021 - 21/11/2021)	16,223	-
D Wessels (Councillor as from 9/11/2021 - 21/11/2021)	16,223	-
D Wessels	697,652	711,187
CT Williams (Councillor until 8/11/2021)	118,035	323,670
R Windwaci	332,148	323,670
	23,782,736	21,852,687
35. Depreciation and amortisation		
Property, plant and equipment	165,817,998	157,909,025
Intangible assets	355,966	344,119
Investment property	161,570	161,571
	166,335,534	158,414,715
36. Impairment losses		
Impairments		
Trade receivables from exchange transactions	41,043,728	57,009,421
Trade and other receivables from non-exchange transactions	56,146,820	41,972,702
Loans and receivables	27,922	67,717
	97,218,470	99,049,840
37. Finance costs		
Loans and borrowings	28,432,604	32,505,743
Finance leases	81,856	90,102
Late payment of tax	21,703	350,855
Provision for rehabilitation of landfill site	4,610,356	4,324,448
Provision for Compensation Liability GIPTN (provision and accrual)	3,554,817	3,478,719
	36,701,336	40,749,867

Refer to note 21 for detail on the discounting of the provisions for the rehabilitation of the landfill site and the GIPTN Compensation Liability.



George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
38. Bulk purchases		
Electricity - Eskom	612,348,190	516,669,782
<p>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 in the prior year.</p> <p>A reclassification of expenses was made from Bulk purchases to General Expenses. Refer to note 48 for more detail.</p>		
39. Contracted services		
Consultants and professional services		
<i>Business and Advisory</i>		
Accounting and Auditing	1,062,715	1,307,422
Air Pollution	17,075	-
Audit Committee	137,709	197,666
Human Resources	2,449,467	1,574,721
Project Management	1,198,520	415,825
Quality Control	831,085	583,698
Valuer and Assessors	2,047,111	380,228
<i>Infrastructure and Planning</i>		
Engineering	6,912,817	6,607,336
Town Planner	564,210	90,374
Other	172,750	44,134
<i>Other</i>		
Laboratory Services	102,596	80,383
Legal Cost	13,384,418	12,376,398
Contractors		
Artist and Performers	403,710	160,000
Audio-visual Services	-	(3,593)
Building	15,927,587	15,672,873
Catering Services	1,804,354	1,684,647
Electrical	7,370,216	5,692,016
Employee Wellness	551,653	1,554,633
Event Promoters	13,651,434	11,223,396
Fire Protection	7,568	76,806
First Aid	590,353	657,275
Haulage	3,975,785	3,013,096
Inspection Fees	273,875	802,148
Maintenance of Buildings and Facilities	19,377,658	14,340,465
Maintenance of Equipment	8,731,099	7,827,370
Maintenance of Unspecified Assets	109,777,648	81,991,939
Management of Informal Settlements	4,494,764	11,394,754
Prepaid Electricity Vendors	23,969,660	18,761,889
Safeguard and Security	1,627,833	1,181,948
Traffic and Street Lights	2,564,596	246,159
Other	27,655	28,706
Outsourced Services		
<i>Business and Advisory</i>		
Accounting and Auditing	429,319	199,428
Business and Financial Management	963,379	1,024,848
Communications	767,656	707,186
Human Resources	401,403	313,503
Organisational	2,195,943	85,135
<i>Other</i>		



George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
39. Contracted services (continued)		
Administrative and Support Staff	2,520,331	1,275,969
Alien Vegetation Control	694,411	762,479
Animal Care	3,100,106	2,780,000
Clearing and Grass Cutting Services	2,606,651	3,588,591
Internal Auditors	3,537,445	4,944,529
Legal Cost	710,762	710,762
Meter Management	2,487,412	2,216,874
Refuse Removal	6,109,389	7,687,065
Printing Services	1,589,137	1,088,903
Security Services	27,255,605	22,725,896
Sewerage Services	348,521	262,260
Traffic Fines Management	2,421,421	1,264,488
Transport Services	232,149,104	199,153,716
Other	160,300	82,246
	534,456,216	450,838,590
40. Grants and subsidies paid		
Other subsidies		
Bursary Grants	278,531	-
Provincial Department of Transport	87,385,642	78,256,422
Community Development Worker's Grant	26,999	-
SANRAL	-	82,127,000
	87,691,172	160,383,422
<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 16(3) of the Division of Revenue Act (2021). The municipality also paid an amount to SANRAL from this grant.</p>		
41. (Profit) /loss on disposal of assets		
Property, plant and equipment	(1,168,500)	(706,377)
Inventory	119,733	46,661
	(1,048,767)	(659,716)
42. Inventories losses/write downs		
Net realisable value adjustments:		
GIPTN Smart Cards for electronic fare revenue system	-	116,090
<p>Refer to note 2 for details of inventories held by the municipality.</p>		
43. Other materials / Inventory		
Fuel	17,338,719	12,259,543
Chemicals	24,908,293	24,084,923
Other	39,884,605	26,924,193
	82,131,617	63,268,659

The prior year figures have been restated. Refer to note 48 for more details.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
44. General expenses		
Advertising, publicity and marketing	2,668,508	2,122,858
Auditors remuneration	6,266,479	6,001,850
Bank charges	2,305,792	2,066,001
Bargaining Council	6,061,812	6,232,444
Commission Third Party Vendors	5,075,120	4,049,849
Contribution / (Reversal) to the rehabilitation of the landfill sites provision	12,081,812	2,190,003
External computer services	16,533,149	13,998,910
Rental of vehicles and equipment	17,755,315	16,108,139
Insurance	12,725,544	12,082,336
Internet charges	5,664,032	5,823,214
Learnerships and interns	887,263	633,008
Lease rentals on operating leases	5,246,679	6,251,769
Levies	1,677,771	2,552,474
Other general expenses	5,221,026	4,571,610
Postage, courier and delivery services	42,462	123,653
Refuse	8,963,020	8,826,611
Skills Development Levy	5,931,940	4,670,115
Telephone and fax	1,930,345	2,313,327
Travel - local	1,941,384	2,319,610
Uniforms	4,176,082	4,247,271
Vehicle Tracking	3,129,226	2,143,912
Warranties paid	19,318,604	18,489,437
Workmen's Compensation Fund	4,798,810	176,280
	150,402,175	127,994,681



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
45. Net cash flows from operating activities		
Surplus for the year	239,308,619	67,063,103
Adjustments for:		
Depreciation and amortisation	166,335,534	158,414,715
Gain on disposal of assets and liabilities	(1,048,767)	(659,716)
Donated asset receipts included in other income	(57,500)	-
Net realisable value adjustment of inventory	-	116,090
Finance costs - Finance leases	81,856	90,102
Impairment of assets	97,218,471	99,049,839
Movements in bonus provision	(181,492)	887,445
Movements in provisions	26,322,485	8,731,227
Provisions utilised during the year	(15,272,273)	(1,877,649)
Movement in Employee benefit asset and liabilities - Medical Aid, Pension and Long Service Awards	19,695,300	32,531,696
Movement in Employee benefit asset and liabilities - Staff leave	(9,509,211)	12,078,637
Receipts from principal	11,741,534	-
Payments on behalf of principal	(1,495,552)	(3,282,134)
Benefits paid in terms of employee benefits obligations	(11,723,000)	(11,673,796)
Construction contracts receipts	17,343,879	54,901
Construction contracts	-	(39,603)
Unspent conditional grants received	790,432,794	557,594,008
Payments from unspent conditional grants	(785,040,855)	(615,769,138)
Payments from unspent conditional grants - SANRAL	-	(82,127,000)
Construction contracts revenue	(1,040,443)	(4,028,098)
Changes in working capital:		
(Increase) / Decrease in Inventories	(2,223,285)	4,432,138
(Increase) / Decrease in Receivables from non-exchange transactions	(65,094,904)	(44,657,582)
(Increase) / Decrease in Prepayments	(10,098,641)	1,756,871
(Increase) / Decrease in Receivables from exchange transactions	(66,590,414)	(78,256,438)
Increase / (Decrease) in Trade and other payables from exchange transactions	15,670,715	(8,847,567)
(Increase) / Decrease in VAT	(12,547,011)	151,728
Increase / (Decrease) in Consumer deposits	3,750,205	2,601,213
	405,978,044	94,334,992



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
46. Commitments		
Authorised capital expenditure		
Approved and contracted		
• Infrastructure	438,723,780	101,786,215
• Community	-	1,722,576
• Other	-	5,702,200
	438,723,780	109,210,991
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	1,588,794	1,578,603
- in second to fifth year inclusive	500,015	2,088,809
	2,088,809	3,667,412

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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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
47. Contingencies		
Compensation for damages		
Magnolia Ridge Properties 77 (Pty) Ltd	750,000	750,000
T Klaasen	-	100,000
Construction of Nelson Mandela Boulevard	2,000,000	1,000,000
Acme Tool Hire	1,963,794	1,963,794
Coastal Armature Winders and Supplies	10,000	75,000
N Landu	1,362,784	650,000
	6,086,578	4,538,794

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 a 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 and was assigned to two Appeal Court Judges. 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. The matter was finalised in the Labour Court in Cape Town on 17 March 2022. Judgment was received in favour of the Municipality.

Construction of Nelson Mandela Boulevard: The High Court Litigation contains claims against both the contractor and principal agent based on the contracts between the parties and defective works as well as a claim against the principal agent for over certification.

The High Court Litigation is currently in the discovery phase, and it is foreseen that the matter will be heard by the High Court in 2023. The combined amount claimed against the two defendants will, after amendment to the pleadings, be in the region of R51,000,000. The estimated amount of financial exposure for the Municipality as far as legal fees are concerned, is approximately R2,000,000. Should the case be unsuccessful in the litigation, the costs of the Municipality's opponents, should they obtain a costs order, will also be in the region of R2,000,000.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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47. Contingencies (continued)

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.

Pleadings have been closed at awaiting the trial date from the Plaintiff. The matter is still in progress.

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 matter has been finalised and the only aspect outstanding is the rendering of the Municipality's account which is estimated to be less than R10,000.

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. The matter has been concluded after the Insurers did not receive any communication from the Plaintiff.

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 (Clyde & Co) had conducted investigations regarding the merits and noted that the court is likely to find a negligent act by the insured. Both merit and quantum assessments were investigated and it was agreed that a 35% apportionment will be applicable in this matter.

Experts have been appointed during investigations of the matter and a recommendation settlement amount between R1,270,000 and R1,362,784 has been brought to the negotiation subject to the attorneys taking into account the apportionment percentage plus the Plaintiff's party costs. The attorneys anticipated further costs amounting to R350,000. The matter is still in progress.



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

48. Prior period errors and reclassifications

STATEMENT OF FINANCIAL POSITION	2021 previously reported	Reclassifi- cation	Prior year error	2021 restated
Assets				
Current Assets				
Inventories	117,295,814	-	-	117,295,814
Receivables from exchange transactions	137,415,906	(3,483,008)	-	133,932,898
Receivables from non-exchange transactions - 48.1; 48.2	53,130,276	3,483,008	(3,858,984)	52,754,300
Prepayments	6,071,931	-	-	6,071,931
VAT receivable	4,014,563	-	-	4,014,563
Construction contracts and receivables/(payables) - 48.3	19,602,383	-	976,486	20,578,869
Loans and receivables	150,052	-	-	150,052
Principle agent arrangement: amounts due from principle	10,953,663	-	-	10,953,663
Cash and cash equivalents	669,620,711	-	-	669,620,711
	1,018,255,299	-	(2,882,498)	1,015,372,801
Non-current Assets				
Property, plant and equipment	3,005,894,013	-	-	3,005,894,013
Intangible assets	1,375,897	-	-	1,375,897
Heritage assets	4,236,000	-	-	4,236,000
Investment property	144,234,844	-	-	144,234,844
Loans and receivables	77,873	-	-	77,873
	3,155,818,627	-	-	3,155,818,627
Total Assets	4,174,073,926	-	(2,882,498)	4,171,191,428
Liabilities				
Current Liabilities				
Principle agent arrangement: advance received from principle	3,488,676	-	-	3,488,676
Loans and borrowings	39,234,875	-	-	39,234,875
Finance lease obligation	386,080	-	-	386,080
Payables from exchange transactions	233,950,816	-	2,551,295	236,502,111
Consumer deposits	32,253,145	-	-	32,253,145
Employee benefit obligation	90,373,117	-	-	90,373,117
Provisions	13,438,081	-	-	13,438,081
Unspent conditional grants and receipts	35,623,001	-	-	35,623,001
	448,747,791	-	2,551,295	451,299,086
Non-Current Liabilities				
Loans and borrowings	241,537,273	-	-	241,537,273
Finance lease obligation	170,869	-	-	170,869
Payables from exchange transactions	5,750,185	-	-	5,750,185
Employee benefit obligation - 48.4	200,552,973	-	1,048,131	201,601,104
Provisions	103,342,658	-	-	103,342,658
	551,353,958	-	1,048,131	552,402,089



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

48. Prior period errors and reclassifications (continued)

Total Liabilities	1,000,101,749	-	3,599,426	1,003,701,175
Total Net Assets	3,173,972,177	-	(6,481,924)	3,167,490,253
Net Assets	2021 previously reported	Reclassifi- cation	Prior year error	2021 restated
Housing development fund	48,321,098	-	-	48,321,098
Accumulated surplus	3,125,651,079	-	(6,481,924)	3,119,169,155
	3,173,972,177	-	(6,481,924)	3,167,490,253

STATEMENT OF FINANCIAL PERFORMANCE

	2021 previously reported	Reclassifi- cation	Prior year error	2021 restated
Revenue from exchange transactions	1,233,298,761	(19,306,889)	55,256	1,214,047,128
Service charges - Electricity	720,737,013	(3,220,337)	-	717,516,676
Service charges - Water	145,529,651	(6,027,159)	-	139,502,492
Service charges - Sewerage and sanitation charges	122,717,179	(4,924,685)	-	117,792,494
Service charges - Refuse removal	101,623,339	(5,134,708)	-	96,488,631
Rental of facilities and equipment - 48.1	2,875,166	-	55,256	2,930,422
Income from agency services	15,263,141	-	-	15,263,141
Sale of erven	5,955,466	-	-	5,955,466
GIPTN Fare Revenue	39,534,679	-	-	39,534,679
Other income	45,259,708	-	-	45,259,708
Interest received - Outstanding Debtors	4,336,560	-	-	4,336,560
Interest received - External Investments	28,807,143	-	-	28,807,143
Gains on disposal of assets	659,716	-	-	659,716
Revenue from non-exchange transactions	1,070,455,640	19,306,889	(6,760,625)	1,083,001,904
Property rates	322,755,131	-	-	322,755,131
Government grants and subsidies - Operating	614,973,041	-	-	614,973,041
Government grants and subsidies - Capital	82,923,096	-	-	82,923,096
Construction contract revenue - 48.3	10,788,722	-	(6,760,625)	4,028,097
Fines, penalties and forfeits	39,015,650	-	-	39,015,650
Availability charges	-	19,306,889	-	19,306,889
	2,303,754,401	-	(6,705,369)	2,297,049,032



George Local Municipality

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Notes to the Annual Financial Statements

48. Prior period errors and reclassifications (continued)

	2021 previously reported	Reclassifi- cation	Prior year error	2021 restated
Expenditure				
Employee related cost	585,295,261	-	(288,234)	585,007,027
Remuneration of councillors	21,852,687	-	-	21,852,687
Depreciation and amortisation	158,414,715	-	-	158,414,715
Impairment losses - 48.2	95,112,254	-	3,937,586	99,049,840
Finance cost	40,399,012	-	350,855	40,749,867
Bulk purchases	519,222,256	(2,552,476)	-	516,669,780
Contracted services	453,368,168	(2,529,579)	-	450,838,589
Grants and subsidies paid	160,383,422	-	-	160,383,422
Cost of housing sold	5,640,570	-	-	5,640,570
Inventories losses / write-downs	116,090	-	-	116,090
Other materials / Inventory	60,876,442	2,392,217	-	63,268,659
General Expenses	123,104,405	2,689,838	2,200,440	127,994,683
	2,223,785,282	-	6,200,647	2,229,985,929
Surplus / (Deficit) for the year	79,969,119	-	(12,906,016)	67,063,103

	2021 previously reported	Reclassifi- cation	Prior year error	2021 restated
CASH FLOW STATEMENT				
Net cash from operating activities	94,334,993	-	-	94,334,993
Net cash from investing activities	(182,910,822)	-	-	(182,910,822)
Net cash from financing activities	(41,309,101)	-	-	(41,309,101)
Total cash movement for the year	(129,884,930)	-	-	(129,884,930)
Cash and cash equivalents at the beginning of the year	799,505,640	-	-	799,505,640
	669,620,710	-	-	669,620,710

48.1 Prior period error: Operating lease assets not accounted for in the prior year

Increase in operating lease asset due to the municipality not accounting for operating lease contracts in the prior year.

The effect of this correction is as follows:

Increase / (Decrease) in Receivables from non-exchange transactions	78,602
(Increase) / Decrease in Rental of facilities and equipment	(55,256)
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2020	(23,346)
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2021	(78,602)



Notes to the Annual Financial Statements

48. Prior period errors and reclassifications (continued)

48.2 Prior period error: Impairment on fines revised due to not including all fine debtors older than 18 months in the impairment calculation

Increase in the impairment of fines due to fines older than 18 months not being included in the fine impairment calculation.

The effect of this correction is as follows:

Increase / (Decrease) in Receivables from non-exchange transactions	(3,937,586)
Increase / (Decrease) in Impairment loss	3,937,586
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2021	3,937,586

48.3 Prior period error: Construction contract revenue

The outcome of construction contracts cannot be estimated reliably due to the Western Cape Province taking over the Thembalethu 700, Golden Valley and Thembalethu 42 & 58 construction contract projects. Accordingly contract revenue is recognised to the extent that contract costs incurred are recoverable.

The effect of this correction is as follows:

Increase / (Decrease) in Construction contracts and receivables	976,486
(Increase) / Decrease in Construction contract revenue	6,760,625
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2020	(7,737,111)
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2021	(976,486)

48.4 Prior period error: Ex-Gratia pension fund liability

There was an increase in the liability due to an increase in members to the ex-gratia pension benefit from the previous valuation.

The effect of this correction is as follows:

(Increase) / Decrease in employee benefit obligation	(1,048,131)
Increase / (Decrease) in employee related costs	(288,234)
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2020	1,336,365
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2021	1,048,131

48.5 Prior period error: Workmens Compensation

Increase in the workmens compensation provision due to prior year assessments not accounted for.

The effect of this correction is as follows:

(Increase) / Decrease in Payables from exchange transactions	(2,551,295)
Increase / (Decrease) in Finance costs	350,855
Increase / (Decrease) in General expenses	2,200,440
(Increase) / Decrease in Accumulated surplus for the year ended 30 June 2021	2,551,295



Notes to the Annual Financial Statements

48. Prior period errors and reclassifications (continued)

48.6 Reclassification: Availability charges

In the prior year availability charges relating to electricity, water, refuse and sewerage were classified as receivables from non-exchange.

48.7 Reclassification: Other materials / Inventory

In the prior year printing and publications were reclassified to consumable materials due to incorrect account classifications.

In the prior year travel local expenses were classified to rental of equipment as these expenditure were incorrectly included under travel local.

48.8 Reclassification: Contracted services

In the prior year expenses classified under Illegal Dumping Site were reclassified to Rental of Equipment.

49. Financial instruments disclosure

Categories of financial instruments

Financial assets

Loans and receivables

Housing Scheme Loans	110,089	149,106
Sale of Erven Loans	20,690	71,340
Actaris Meter Debt	427,637	7,479

Trade and other receivables from exchange transactions

Service debtors	147,843,266	121,693,432
Other debtors	11,342,634	12,239,467

Other receivables from non-exchange transactions

Other debtors	6,652,288	7,615,029
Construction contracts and receivables/(payables)	4,275,432	20,578,869
Principle agent arrangement: amounts due from principle	295,319	10,953,663

Cash and cash equivalents

Cash and cash equivalents	592,535,532	669,620,711
	763,502,887	842,929,096

Financial liabilities

Loans and borrowings

Annuity loans	241,537,272	280,772,148
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Finance lease obligations

Finance lease obligation	170,870	556,949
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Consumer deposits

Electricity and water deposits	36,003,351	32,253,145
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Trade and other payables

Trade payables	228,694,442	207,458,888
Principle agent arrangement: advance received from principle	3,076,316	3,488,676

	509,482,251	524,529,806
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George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	67,707,167	62,592,151	138,298,506	61,682,472
Financial lease obligations	180,451	-	-	-
Consumer deposits	36,003,351	-	-	-
Trade and other payables	227,156,565	3,982,569	631,624	-
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
Financial lease obligations	428,247	180,451	-	-
Consumer deposits	32,253,145	-	-	-
Trade and other payables	205,197,379	4,612,112	1,138,073	-



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

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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:



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
50. Risk management (continued)		
Financial instruments	2022	2021
Loans and receivables	558,416	227,925
Trade and other receivables from exchange transactions	159,185,900	133,932,899
Other receivables from non-exchange transactions	14,999,730	42,630,567
Cash and cash equivalents	592,535,532	669,620,711
	767,279,578	846,412,102

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

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
51. Unauthorised expenditure		
Opening balance	84,133,628	880,734
Add: Unauthorised expenditure incurred in the current year	3,288,035	84,133,628
Less: Unauthorised expenditure authorised by council	(84,133,628)	(880,734)
Closing balance	3,288,035	84,133,628

Council approved the unauthorised expenditure amounting to R84,133,628 on 28 April 2022. The prior year amount of R880,734 was approved by Council on 25 August 2021.

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	2022 (Actual)	2022 (Budget)	2022 (Variance)	2022 (Unauthorised)
Civil Engineering Services	787,715,251	862,577,387	(74,862,136)	-
Community Services	208,529,721	207,419,215	1,110,506	1,110,506
Corporate Services	74,018,048	80,598,570	(6,580,522)	-
Electro-Technical services	827,898,341	851,803,509	(23,905,168)	-
Financial Services	81,240,694	124,353,847	(43,113,153)	-
Human Settlements	46,068,859	126,512,418	(80,443,559)	-
Office of the Municipal Manager	129,593,038	148,447,949	(18,854,911)	-
Planning and Development	48,337,368	55,114,700	(6,777,332)	-
Protection Services	631,942,264	658,989,206	(27,046,942)	-
	2,835,343,584	3,115,816,801	(280,473,217)	1,110,506

Budget Comparison by Municipal Vote - Operating Expenditure	2022 (Actual)	2022 (Budget)	2022 (Variance)	2022 (Unauthorised)
Civil Engineering Services	419,103,092	468,832,335	(49,729,243)	-
Community Services	192,275,460	188,987,425	3,288,035	3,288,035
Corporate Services	73,569,790	80,118,570	(6,548,780)	-
Electro-Technical services	774,199,284	794,164,480	(19,965,196)	-
Financial Services	79,856,592	122,942,667	(43,086,075)	-
Human Settlements	40,947,851	121,034,098	(80,086,247)	-
Office of the Municipal Manager	128,362,238	146,813,612	(18,451,374)	-
Planning and Development	47,504,562	52,234,600	(4,730,038)	-
Protection Services	626,926,991	650,926,006	(23,999,015)	-
	2,382,745,860	2,626,053,793	(243,307,933)	3,288,035

Budget Comparison by Municipal Vote - Capital Expenditure	2022 (Actual)	2022 (Budget)	2022 (Variance)	2022 (Unauthorised)
Civil Engineering Services	368,612,158	393,745,052	(25,132,894)	-
Community Services	16,254,262	18,431,790	(2,177,528)	-
Corporate Services	448,259	480,000	(31,741)	-
Electro-Technical services	53,699,057	57,639,029	(3,939,972)	-
Financial Services	1,384,102	1,411,180	(27,078)	-
Human Settlements	5,121,007	5,478,320	(357,313)	-
Office of the Municipal Manager	1,230,800	1,634,337	(403,537)	-
Planning and Development	832,806	2,880,100	(2,047,294)	-
Protection Services	5,015,273	8,063,200	(3,047,927)	-
	452,597,724	489,763,008	(37,165,284)	-



George Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
51. Unauthorised expenditure (continued)		
Budget Comparison by Municipal Vote in total	2021 (Actual)	2021 (Budget)
Civil Engineering Services	499,978,447	529,707,707
Community Services	184,576,894	193,369,527
Corporate Services	69,967,322	74,360,754
Electro-Technical services	697,499,687	744,378,575
Financial Services	94,526,127	105,399,040
Human Settlements	51,538,702	185,953,235
Office of the Municipal Manager	142,333,160	153,029,133
Planning and Development	44,122,932	46,597,681
Protection Services	630,422,953	568,140,566
	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)
Civil Engineering Services	373,010,850	353,100,329
Community Services	175,044,495	175,879,460
Corporate Services	68,550,671	72,174,654
Electro-Technical services	668,309,297	689,148,583
Financial Services	94,255,580	104,291,040
Human Settlements	47,849,326	181,586,235
Office of the Municipal Manager	138,335,523	147,396,402
Planning and Development	43,401,531	44,239,681
Protection Services	615,028,015	550,804,908
	2,223,785,288	2,318,621,292
		(94,836,004)
		84,133,628
Budget Comparison by Municipal Vote - Capital Expenditure	2021 (Actual)	2021 (Budget)
Civil Engineering Services	126,967,597	176,607,378
Community Services	9,532,399	17,490,067
Corporate Services	1,416,651	2,186,100
Electro-Technical services	29,190,389	55,229,992
Financial Services	270,547	1,108,000
Human Settlements	3,689,376	4,367,000
Office of the Municipal Manager	3,997,637	5,632,731
Planning and Development	721,401	2,358,000
Protection Services	15,394,941	17,335,658
	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.

Community Services: The unauthorised expenditure relates to the provision for landfill site interest costs.

**George Local Municipality**

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
52. Irregular expenditure		
Opening balance	5,532,526	3,527,769
Add: Irregular Expenditure - current year	15,382,272	5,532,526
Less: Amounts certified by Council	(6,565,086)	(3,527,769)
	14,349,712	5,532,526

Council approved the irregular expenditure amounting to R5,119,898 on 30 May 2022 and irregular expenditure amounting R1,445,188 on 30 June 2022.

Details of irregular expenditure**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

Identified during 30 June 2022 financial year

Regulation 32 deviations - 2021/2022 expenditure	1,032,560	-
Quotations not obtained	16,459	-
Deviation not approved - tenders expired	210,784	-
Expenditure in excess of original rates based contract value	10,810,132	-
No competitive procurement process	1,398,173	-
Non-compliance with SCM regulation 17(c) and 36	225,720	-
Non-compliance with SCM regulation 5	1,688,444	-
	15,382,272	5,532,526

Alleged Irregular Expenditure under investigation

There are seven cases being considered under section 106 investigation at year end which may possibly result in Irregular Expenditure. The nature of each case differs and the outcomes and quantum are unknown at year end. The cases relate to various human resource matters which occurred in previous years (between 2012 to 2020) and are confidential at this stage.

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53. Fruitless and wasteful expenditure

Opening balance	372,558	-
Interest paid for incorrect submission of the Value Added Tax return at SARS	-	21,703
Interest paid for late submission of Workmens Compensation	377,793	350,855
Less: Amounts certified by Council	(21,703)	-
	728,648	372,558

Council approved the fruitless and wasteful expenditure for the prior year amounting to R21,703 on 30 May 2022.



George Local Municipality

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Notes to the Annual Financial Statements

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54. Material losses		
Electricity distribution		
Units purchased (KWh)	464,160,021	463,115,005
Units lost during distribution	41,667,410	40,903,004
Percentage lost during distribution	8.98	8.83
Water distribution		
Kilolitres purified	12,568,762	11,446,811
Kilolitres lost during distribution	3,147,926	2,593,528
Percentage lost during distribution	25.05	22.66
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	112,855,629	18,306,074
National grants	153,517,474	202,916,408
Provincial grants	204,684,844	192,321,676
Fare revenue	50,650,489	39,534,679
Other income	531,272	25,601
Less: Expenses	(391,149,205)	(340,248,809)
Surplus	<u>131,090,503</u>	<u>112,855,629</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 following items did not form part of the MLTF:		
National grants	13,488	154,565
Less: Expenses (depreciation and compensation adjustment)	(27,087,917)	(29,289,481)
Surplus / (Loss)	<u>(27,074,429)</u>	<u>(29,134,916)</u>
Total GIPTN Surplus / (Loss)	<u>104,016,074</u>	<u>83,720,713</u>



George Local Municipality

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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.

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
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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.

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



George Local Municipality

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57. Accounting by principals and agents			
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:			
2022	Drivers licences	Vehicle registrations	Total
Revenue received from third parties	4,124,307	73,079,613	77,203,920
Payment to provincial traffic department	(2,281,994)	(59,650,724)	(61,932,718)
Agency fee income	1,842,313	13,428,889	15,271,202
Depreciation	-	(275,675)	(275,675)
Employee cost	(2,833,718)	(3,945,420)	(6,779,138)
Contracted services	(3,159)	(441,899)	(445,058)
General expenses	(489,990)	(745,111)	(1,235,101)
	(1,484,554)	8,020,784	6,536,230
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



George Local Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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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 217,558,450 (2021: R 195,257,939) 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 23,969,660 (2021: R 18,761,889).

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 R 1,384,990 (2021: R 1,753,433).

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	(6,071,931)	(5,958,216)
Current year subscription / fee	6,071,931	5,958,216
Amount paid - current year	(6,553,191)	(6,071,931)
Prepayment - Refer to note 6	<u>(6,553,191)</u>	<u>(6,071,931)</u>
<p>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.</p>		
Audit fees		
Current year subscription / fee	6,266,479	6,065,240
Amount paid - current year	(6,266,479)	(6,065,240)
	<u>-</u>	<u>-</u>
PAYE and UIF		
Current year subscription / fee	94,369,534	87,983,721
Amount paid - current year	(94,369,534)	(87,983,721)
	<u>-</u>	<u>-</u>
Pension and Medical Aid Deductions		
Current year subscription / fee	128,375,653	120,422,856
Amount paid - current year	(128,375,653)	(120,422,856)
	<u>-</u>	<u>-</u>
Skills Development Levies		
Current year subscription / fee	5,932,078	4,673,019
Amount paid - current year	(5,932,078)	(4,673,019)
	<u>-</u>	<u>-</u>
VAT		
VAT receivable / (payable)	<u>16,561,574</u>	<u>4,014,563</u>

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.



George Local Municipality

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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 2022:

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
VS Mruqhli	2,489	1,660	4,149

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



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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.

2022

	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	40,420	491,936	274,019	-
Civil Engineering Services	124,686	505,487	-	-
Community Services	94,631	514,803	-	-
Corporate Services	60,165	117,374	1,455,924	-
Electro- Technical Services	85,635	102,294	-	-
Financial Services	-	303,227	-	-
Planning and Development	96,507	396,187	248,940	-
Protection Services	119,296	446,866	345,988	3,726,155
	621,340	2,878,174	2,324,871	3,726,155

Included in the deviations are four rates-based deviations where a rate per unit or commodity is approved. The final quantities of units may not be known at the time of approving the deviations and is only quantified once invoices are paid after goods have been delivered or services rendered at the end of the period.

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	-



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

The major deviations were as follows:

2022

Awarded	Amount	Reason / Explanation
Eden FM	274,019	Impracticable to follow the official procurement process. Single source.
S De Kock	248,940	Impracticable to follow the official procurement process. Mr De Kock is in his final year of his contract.
Bamogle Enterprises	345,988	Impossible to follow the official procurement process. Waited for the Service Level Agreement to be finalised.
Astfin	403,521	Impossible to follow the official procurement process due to compatability with the existing infrastructure
Daimler Trucks and Buses & Mercedes SA	3,726,155	Exceptional case and impractical to follow the official procurement process. Tender process in final stage.
Smart Office Service	610,717	Impractical to cancel the maintenance of the telephone system (PABX). Specialised assessment is done to ascertain which system will be most beneficial to the municipality.
Orion Telecom	441,686	Impractical to cancel the maintenance of the telephone system (PABX). Specialised assessment is done to ascertain which system will be most beneficial to the municipality.
6,051,026		

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		



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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		
Zutari (Pty) Ltd	Various	Various	Various	Various	11,457,913	5,925,858
	ZB Ebrahim	Non-Executive Director	Social Housing Regulatory	Various		
Royal Haskoning DHV	JD van Eeden	Member	Councillor - Langeberg	Brother	15,963,118	4,347,698
			Department of Water Affairs	Nephew		
SMEC South Africa (Pty) Ltd	M Phosa	Member	Finance - Mpumalanga Provincial Government	Spouse	4,405,398	2,968,815
Moreki Distributors	MD Moreki	Director	Palm Springs Magistrates Court	Spouse	9,857,300	10,428,313
WTW Civil (Pty) Ltd	DL Wasserman	Director	Various	Interest in related companies: Africa Resurfacing & Asphalt and Supa Asphalt	-	785,148
Willvest Twenty Three (Pty) Ltd t/a Urhwebo E-transand	Various	Various	Various	Various	33,577,013	9,601,399
Minolta SA: George	KR Mthimunye	Non-Executive director	Mintek	Various	2,504,456	2,365,742
IMQS Software (Pty) Ltd	Various	Various	Various	Various	48,901	-
GLS Consulting	Various	Various	Various	Various	2,615,619	4,256,096
iKapa Reticulation and flow CC	SFA Davids	Director	Western Cape Education Department - Teacher	Spouse	-	1,074,471
Bidvest Waltons	KB Wakeford	Director	Various	Various	474,547	1,315,682
	GC McMahon	Director	Various	Various		
	NT Madisa	Director	Various	Various		
Trentyre	NP Mona	Member	SA Forestry Company	Not Indicated	1,210,278	1,186,862
	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	642,597	387,482
	L Gaxeni	Quality Manager	Eskom KZN - Deductor Manager	Spouse		
Elster Kent Metering	NY Nkabinde	Director	Competition Commissioner	Not Indicated	-	938,630
Redrin Services CC	A Dumaphi	Director	Passenger Rail Agency of South Africa - Manager of Security	Father	-	428,375
Just Breeze General Trading CC	CL Ntladi	Various	Lebowakgomo Hospital	M Mphahlele-Ntladi (Spouse of CL Ntladi)	1,111,573	-
2 Brothers Enterprise	J Booysen	Owner	George Municipality - Cleaner/Tea Lady	Sister-In-Law	163,930	624,793
Vilconsec	C Viljoen	Owner	Official at George Municipality - C Langeveldt	Sister	1,971,225	1,089,716
			Official at George Municipality - A Viljoen	Wife		
ISHS	CM Willems	Director	Teacher	Parent	-	85,388
First Technology Western Cape	A Sharp	Director	Various	Various	1,053,709	573,370
Tuinqa Consulting Engineers	E Huistra	Member	WC Education	Spouse	130,627	786,884
Lexis Nexis South Africa (Pty) Ltd	I Andrew	Various	Various	Shareholders	32,444	-
	TR Naidoo					
Agate and Beryl Trading t/a Rock Solutions	L Coetzee	Owner	Official at George Municipality	Mother-in-law	-	3,000
	A Swartbooi			Daughter		
Bearing Warehouse	FC Zeelie	Member	Department of Agriculture	Spouse	171,739	190,286
Total Client Services	V Zitumane	Member	EC Parks & Tourism	Not Indicated	-	876,133
	BKD Mafu	Non-executive director	EC Liquor Board	Not Indicated		
Adenco Construction	V Machimana	Director	Department of Health	Parent	-	117,256
	DCC Jackson	Director	Teacher	Parent		
Inca Portfolio Managers	M Mokoene	Non-Executive Director	Gautrain Management Agency	Not Indicated	95,850	95,850



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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		
DFN Construction	DF Noemdoe	Owner	George Municipality Planning Department	Brother	106,950	132,796
			Department of Justice	Sister		
Raubenheims Attorneys	WM Luttig	Director	Teacher	Spouse	1,099,108	441,699
Wolfe Pack Race	C Langeveldt	Owner	Official at George Municipality	Spouse	60,058	44,754
Capstone VMG Enterprises (Pty) Ltd	V Sambokwe	Owner	Garden Route District Municipality - Administrative Clerk	Spouse	169,741	453,744
Wesso Construction (Pty) Ltd	D Wesso	Director	Official at George Municipality	Brother	-	31,535
Avela General Service and Construction	Sivuyile Mtila	Owner	George Municipality: Community Services (Environmental)	Son-in-law	112,969	85,964
	Phelo Nongogo	Owner	Department of Health: Admin Clerk	Daughter		
	Thembakazi Mtila	Owner	Department of Labour: Administration Officer	Daughter		
Seebosrand Catering	ME Classen	Owner	Official at George Municipality	Daughter	179,340	86,685
On Target Shooting Range	DJ van Rooyen	Director	Various	Various	-	18,800
D and D Pumps	WP du Preez	Member	City of Cape Town Municipality	Spouse	-	55,186
South African Bureau of Standards	Various	Various	Various	Various	-	1,375
Arms & Tackle Outdoor	C Rhode	Employee	George Municipality - Traffic Department	Sister	-	14,340
iX Engineers (Pty) Ltd	JC Karemaker	Director	Not indicated	Shareholder in BJE/IX/WRP JV	8,013,325	11,292,297



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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		
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	158,844	57,546
Loyiso Civil Construction	L Gardiner	Director	Not indicated	Interest in related company: Entsha Henra	242,609	7,200,346
Maverick Trading 59 CC	C Simons L vd Poll	Director Director	Not indicated	Maverick Trading 170 CC - shareholders	1,075,482	169,876
Memotek Trading CC	TG Sedumedi	Director	Not indicated	Director has shares in Gabriel & Michael Marketing	1,917,337	229,851
Nikwe Enterprise (Pty) Ltd	M Olivier	Director	George Municipality - Admin Officer	Spouse	-	10,895
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 CH Robertson RC Moiloa	Director Director Director	Not indicated Not indicated Not indicated	Directors interest in related company Enonbrick (Pty) Ltd	29,908	2,107,310
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



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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		
Poongavanu m General Cleaning Services t/a RIG Marketing	RS Poongavanum	Director	PetroSA - SHEQ Officer	Daughter	1,293,011	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	2,343,002	5,724,061
Commix Vision (Pty) Ltd	Not indicated	Not indicated	Active telematics Commix Academy & Muthenia Group	Not indicated	1,994,607	289,400
Rheochem (Pty) Ltd	DE Swart	Director	Director in Solaray Group	Not indicated	595,643	919,287
Roy Steele & Associates CC	R Steele	Director	Managing ODS Consultants CC	Not indicated	178,854	159,275
Cape Environmental Assessment Practitioners t/a Cape EAPRAC	DJ Jeffrey	Director	Not indicated	Shareholder in Doug Jeffrey Environmental Consultants	89,838	-
QJ Jaji t/a Jaji Bee Relocation and Honey Farming	N Jaji	Owner/Director	Electro-Technical Services	Daughter	3,000	-
VE Reticulation (Pty) Ltd	JJ Bosman HAR van Niekerk K Lutchman	Director Director Director	Not indicated	Shareholders in VE Management Services (Pty) Ltd	25,366,903	-



George Local Municipality

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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		
Perception Planning & Development CC	SE de Kock	Not indicated	Not indicated	Have been in service of the state for the past twelve months	197,337	-
SABS Commercial	JL Scholtz T Demana	Director Director	Department of Trade & Industry	JL Scholtz works at DTI. T Demana in service of state for the past twelve months at DTI.	27,692	-
					132,743,795	81,019,293



George Local Municipality

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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 Paulse
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 where councillor' family members have an interest and where councillors consumer accounts is in arrears.

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. Events after reporting date

No events after the reporting date were identified.



George Local Municipality
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62. Utilisation of Long-term liabilities reconciliation		
Long-term liabilities raised	<u>241,537,272</u>	<u>280,772,148</u>
<p>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.</p>		
63. COVID-19 Response Expenditure		
<p>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.</p> <p>The information below indicates the total Covid-19 response funding and expenditure.</p>		
Details of Funding for COVID-19 expenditure		
Own funds	<u>259,396</u>	<u>4,234,481</u>
Details of COVID-19 expenditure		
Summary per category		
General	-	466,849
Community and Social Services	-	536,494
Housing	-	24,760
Health	259,396	3,206,378
Total Covid-19 response expenditure	<u>259,396</u>	<u>4,234,481</u>
General		
Bags polly 600 x 900	-	2,650
Desktop sneeze screens	-	63,046
Employee related costs - Training	-	15,500
Overtime	-	332,158
Perspex cut letters/design, print, cut	-	15,991
Protective clothing	-	37,505
Sub-total: General	<u>-</u>	<u>466,850</u>
Community and social services		
Community and Awareness campaigns	-	9,273
Sanitisation of taxi rands/public facilities/inner cities	-	527,221
Sub-total: Community and Social Services	<u>-</u>	<u>536,494</u>
Housing		
Provision for homeless	-	<u>24,760</u>



George Local Municipality

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63. COVID-19 Response Expenditure (continued)		
Health		
Apron	-	114
Cost of screening and testing	55,085	850,997
Counselling	54,263	260,937
Disinfectants	-	25,150
Face shields	-	1,637
Gloves, sterile	9,000	119,141
Hand soap	-	28
Masks	15,287	489,385
Sanitizer	125,761	1,369,799
Steiner antibacterial aerosol	-	21,562
Thermometers	-	67,628
Sub-total: Health	259,396	3,206,378

The table below indicates the payables in terms of COVID-19 response expenditure:

Health	-	1,665
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64. Budget differences

64.1 Investment revenue

The variance between the final adjustments budget and the actual amounts is 51% as a result of less cash available to invest.

64.2 Transfer recognised - operational

The variance between the final adjustments budget and the actual amounts is 14%. Variance is due to the budgeted amount for construction contracts being allocated under Government grants & subsidies - Operating (Transfer Revenue), whereas the actual is included as part of Other receipts.

64.3 Other own revenue

The variance of 19% between the actual and budget amounts received resulted from more development charges were received than budgeted for. The budgeted amount for construction contracts is allocated under Grants, whereas the actual is included as part of Other receipts.

64.4 Debt impairment

The variance between the final adjustments budget and the actual amounts is 18%. Variance due to the more debtors were impaired due to higher outstanding debtors, than what was anticipated when the budget was prepared.

64.5 Finance charges

The variance between the final adjustments budget and the actual amounts is 16%. The variance consist Interest calculation of R3.5 million on the compensation provision and R3.5 million on the Landfill Site provision that was made for which no budget was provided.



George Local Municipality

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64. Budget differences (continued)

64.6 Transfer and grants

The variance between the final adjustments budget and the actual amounts is 38%. Variance is due to Vehicle Tracking expenditure that was budgeted under other expenditure and subsequently reclassified as a transfer to Provincial Treasury. The budget will be corrected in 2022/23 to ensure correct treatment of expenditure.

64.7 Other expenditure

The variance between the final adjustments budget and the actual amount is 17%. Variance is due to Vehicle Tracking expenditure that was budgeted under other expenditure and subsequently reclassified as a transfer to Provincial Treasury. The budget will be corrected in 2022/23 to ensure correct treatment of expenditure.

64.8 Capital - Finance and administration

The variance between the final adjustments budget and the actual amounts is 34%. Variance due to sewerage truck with tanker purchase not being completed as at 30 June 2022, and the Fibre and Network Infrastructure expenditure being of an operating nature and journalised to the operating budget.

64.9 Capital - Sport and recreation

The variance between the final adjustments budget and the actual amounts is 22%. Variance due to the following:

- Street Furniture: The bids received were non-responsive (tender closed in January 2022). Tender was re-advertised and awarded towards end of financial year 2021/22. Request submitted to roll-over to 2022/23.
- CCTV Cameras at Sport: Legal challenge delayed finalisation of tender and consequently the project could not be completed by financial year end. CCTV camera installations are a strategic priority for George and hence rollover request was submitted to complete the work.
- Netball Fields Infrastructure: There was a delay in the executing of the project due to uncertainties regarding the scope of the grant. A business plan was drafted and submitted to DCAS after consultation with all role players. A request will be submitted to Provincial Treasury to roll-over the grant to 2022/23 for execution of the project.



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64. Budget differences (continued)

64.10 Capital - Public safety

The variance between the final adjustments budget and the actual amounts is 29%. The variance is due to the following:

- Tools and Equipment at Fire Services: Challenges experienced with delivery. Request submitted to roll-over to 2022/23.
- Vehicle at Law Enforcement: Supplier delayed in delivery of vehicle. Request submitted to roll-over to 2022/23.
- Upgrade Garden Route SPCA: Project started but could not be completed. Request submitted to roll-over to 2022/23.

64.11 Capital - Planning and development

The variance between the final adjustments budget and the actual amounts is 71% and relates to legal challenge delayed finalisation of tender and consequently the project could not be completed by financial year end. CCTV camera installations are a strategic priority for George and hence rollover of funds is needed to ensure completion of work.



George Local Municipality

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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 includes 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.



George Local Municipality

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65. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
Revenue					
Revenue from non-exchange transactions	373,882,786	100,312,569	370,547,296	179,470,555	1,024,213,206
Revenue from exchange transactions	11,237,992	5,371,765	77,794,679	1,251,606,172	1,346,010,608
Interest received - Outstanding Debtors	5,537	-	-	7,638,202	7,643,739
Interest received - External Investments	27,602,464	1,992,984	-	-	29,595,448
Transfers and subsidies - capital	-	281,298	108,900,280	105,409,906	214,591,484
Total segment revenue as per Statement of Financial Performance	412,728,779	107,958,616	557,242,255	1,544,124,835	2,622,054,485
Expenditure					
Employee related costs	203,689,524	132,257,473	45,867,620	208,224,422	590,039,039
Remuneration of councillors	23,782,737	-	-	-	23,782,737
Debt impairment	(6,654,468)	57,771,432	-	46,101,506	97,218,470
Depreciation and asset impairment	10,302,495	11,558,699	28,365,673	116,108,667	166,335,534
Finance charges	1,423,896	4,262,849	3,734,326	27,280,265	36,701,336
Bulk purchases	-	-	-	612,348,190	612,348,190
Other materials	5,569,306	7,002,564	1,575,104	69,624,023	83,770,997
Contracted services	42,677,942	54,531,696	306,019,202	131,227,376	534,456,216
Transfers and grants	305,530	-	87,385,642	-	87,691,172
Other expenditure	59,461,649	8,401,537	32,708,003	49,830,986	150,402,175
Total segment expenditure as per Statement of Financial Performance	340,558,611	275,786,250	505,655,570	1,260,745,435	2,382,745,866
Total segmental surplus/(deficit)	72,170,168	(167,827,634)	51,586,685	283,379,400	239,308,619



George Local Municipality

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	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
65. Segment information (continued)					
Assets					
Segment assets	3,954,388,366	(8,042,678)	1,200,931	463,364,553	4,410,911,172
Total assets as per Statement of Financial Position					4,410,911,172
Liabilities					
Segment liabilities	889,755,999	(3,771,827)	8,199,314	107,545,476	1,001,728,962
Total liabilities as per Statement of Financial Position					1,001,728,962
Other information					
Additions to non-current assets (PPE, Investment Property and Intangible Assets)	4,832,121	17,837,885	114,004,660	315,923,058	452,597,724

The principles applied when measuring the above segments is aligned to the monthly section 71 management reporting.



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65. Segment information (continued)

2021

	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
Revenue					
Revenue from non-exchange transactions	339,231,706	67,589,772	400,538,533	192,718,798	1,000,078,809
Revenue from exchange transactions	14,908,920	4,423,068	64,555,613	1,097,015,825	1,180,903,426
Interest received - Outstanding Debtors	34,793	-	-	4,301,767	4,336,560
Interest received - External Investments	28,807,143	-	-	-	28,807,143
Transfers and subsidies - capital	-	1,418,042	36,404,440	45,100,614	82,923,096
Total segment revenue	382,982,562	73,430,882	501,498,586	1,339,137,004	2,297,049,034
Entity's revenue					2,297,049,034
Expenditure					
Employee related costs	223,135,663	123,824,654	37,041,424	201,005,286	585,007,027
Remuneration of councillors	21,852,687	-	-	-	21,852,687
Debt impairment	6,788,949	34,543,603	-	57,717,288	99,049,840
Depreciation and asset impairment	8,941,831	10,516,867	30,193,399	108,762,618	158,414,715
Finance charges	5,391,831	5,194,598	3,677,098	26,486,340	40,749,867
Bulk purchases	-	-	-	516,669,782	516,669,782
Other materias	9,928,093	4,781,131	1,045,933	53,270,162	69,025,319
Contracted services	33,138,829	53,404,770	249,197,968	115,097,023	450,838,590
Transfers and grants	-	-	160,383,422	-	160,383,422
Other expenditure	57,276,119	8,009,450	30,363,021	32,346,093	127,994,683
Total segment expenditure	366,454,002	240,275,073	511,902,265	1,111,354,592	2,229,985,932
Total segmental surplus/(deficit)	13,191,537	(163,507,168)	(10,403,679)	227,782,412	67,063,102



George Local Municipality

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Figures in Rand

	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
65. Segment information (continued)					
Assets					
Segment assets	3,798,898,536	12,804,426	909,496	358,578,972	4,171,191,430
Total assets as per Statement of financial Position					4,171,191,430
Liabilities					
Segment liabilities	899,466,572	(4,241,591)	7,110,422	101,365,772	1,003,701,175
Total liabilities as per Statement of financial Position					1,003,701,175
Other information					
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

The principles applied when measuring the above segments is aligned to the monthly section 71 management reporting.



George Local Municipality

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2022											
Financial Performance											
Property rates	341,309,000	3,000,000	344,309,000	-	-	344,309,000	347,219,712	-	2,910,712	101 %	102 %
Service charges	1,278,265,885	-	1,278,265,885	-	-	1,278,265,885	1,241,883,814	-	(36,382,071)	97 %	97 %
Investment revenue	59,552,887	1,427,375	60,980,262	-	-	60,980,262	29,595,448	-	(31,384,814)	49 %	50 %
Transfers recognised - operational	613,642,426	51,525,981	665,168,407	-	-	665,168,407	570,449,372	-	(94,719,035)	86 %	93 %
Other own revenue	234,862,451	33,348,488	268,210,939	-	-	268,210,939	218,024,939	-	(50,186,000)	81 %	93 %
Total revenue (excluding capital transfers and contributions)	2,527,632,649	89,301,844	2,616,934,493	-	-	2,616,934,493	2,407,173,285	-	(209,761,208)	92 %	95 %
Employee costs	606,001,565	55,595,001	661,596,566	-	-	661,596,566	590,039,039	-	(71,557,527)	89 %	97 %
Remuneration of Councillors	26,170,670	-	26,170,670	-	-	26,170,670	23,782,737	-	(2,387,933)	91 %	91 %
Debt impairment	126,696,000	(8,000,000)	118,696,000	-	-	118,696,000	97,218,470	-	(21,477,530)	82 %	77 %
Depreciation and asset impairment	157,538,927	-	157,538,927	-	-	157,538,927	166,335,534	-	8,796,607	106 %	106 %
Finance charges	38,539,024	(6,946,000)	31,593,024	-	-	31,593,024	36,701,336	-	5,108,312	116 %	95 %
Materials and bulk purchases	721,541,164	21,966,352	743,507,516	-	-	743,507,516	696,119,187	-	(47,388,329)	94 %	96 %
Transfer and grants	64,785,410	(1,358,031)	63,427,379	-	-	63,427,379	87,691,172	-	24,263,793	138 %	135 %
Other expenditure	769,796,190	53,727,521	823,523,711	-	-	823,523,711	684,858,390	-	(138,665,321)	83 %	89 %
Total expenditure	2,511,068,950	114,984,843	2,626,053,793	-	-	2,626,053,793	2,382,745,865	-	(243,307,928)	91 %	95 %
Surplus/(Deficit)	16,563,699	(25,682,999)	(9,119,300)	-	-	(9,119,300)	24,427,420	-	33,546,720	(268)%	147 %



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Figures in Rand

	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	89,097,574	128,668,974	217,766,548	-		217,766,548	214,591,484		(3,175,064)	99 %	241 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	289,715		289,715	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	105,661,273	102,985,975	208,647,248	-		208,647,248	239,308,619		30,661,371	115 %	226 %

Capital expenditure and funds sources

Total capital expenditure	370,443,246	119,319,762	489,763,008	-		489,763,008	452,597,724		(37,165,284)	92 %	122 %
Sources of capital funds											
Transfers recognised - capital	81,404,879	118,706,582	200,111,461	-		200,111,461	195,994,271		(4,117,190)	98 %	241 %
Public contributions and donations	-	-	-	-		-	57,500		57,500	DIV/0 %	DIV/0 %
Borrowing	215,793,074	(70,468,575)	145,324,499	-		145,324,499	128,188,377		(17,136,122)	88 %	59 %
Internally generated funds	73,245,293	71,081,755	144,327,048	-		144,327,048	128,357,576		(15,969,472)	89 %	175 %
Total sources of capital funds	370,443,246	119,319,762	489,763,008	-		489,763,008	452,597,724		(37,165,284)	92 %	122 %

Cash flows



George Local Municipality

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Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2021				
Financial Performance				
Property rates				322,755,131
Service charges				1,071,300,293
Investment revenue				33,143,703
Transfers recognised - operational				614,973,041
Other own revenue				159,407,505
Total revenue (excluding capital transfers and contributions)				2,201,579,673
Employee costs	-	-	-	(585,007,028)
Remuneration of councillors	-	-	-	(21,852,687)
Debt impairment	-	-	-	(99,049,840)
Depreciation and asset impairment	-	-	-	(158,414,715)
Finance charges	-	-	-	(40,749,867)
Materials and Bulk purchases	-	-	-	(580,098,698)
Transfers and grants	-	-	-	(160,383,422)
Other expenditure	-	-	-	(584,429,674)
Loss on disposal of PPE	-	-	-	-
Total expenditure	-	-	-	(2,229,985,931)
Surplus/(Deficit)				(28,406,258)
Transfers recognised - capital				82,923,096
Surplus (Deficit) after capital transfers and contributions				54,516,838
Surplus/(Deficit) for the year				54,516,838
Capital expenditure and funds sources				
Total capital expenditure				191,278,657
Sources of capital funds				
Public contributions and donations				76,950,584
Borrowing				37,471,208
Internally generated funds				76,813,146
Total sources of capital funds				191,234,938
Cash flows				
Net cash from (used) operating				94,334,992
Net cash from (used) investing				(182,910,821)
Net cash from (used) financing				(41,309,100)
Net increase/(decrease) in cash and cash equivalents				(129,884,929)
Cash and cash equivalents at the beginning of the year				799,505,640
Cash and cash equivalents at year end				669,620,711