



**GEORGE LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2023**

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## GENERAL INFORMATION

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### Nature of business and principal activities

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

Reporting entity's mandate:

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

The principal activities of the Entity are to:

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

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

### Mayoral committee

Executive Mayor  
Deputy Executive Mayor  
Speaker

L van Wyk  
RS Figland  
S Snyman  
G Pretorius

### Councillors Ward

1	J Safers
2	DL Cronje
3	E Brown
4	M Barnardt
5	M Simmers
6	JH Jantjies
7	VS Mruqhli
8	B Petrus
9	TE Lento
10	ZB Gom
11	SZ Ntondini
12	ET Mdaka
13	SM Toto
14	M Roelfse
15	B Hani
16	T Jeyi (Resigned 20 April 2023)
17	B Adams
18	D Gultfig

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**GENERAL INFORMATION**

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19	I Kritzinger
20	NM Louw (Resigned 20 April 2023)
21	S Manxele
22	M Kruger
23	B Johnson
24	J Fry
25	J Esau
26	J Von Brandis
27	R Hector (Resigned 20 April 2023)
28	S Snyman

Proportionally elected councillors

EC America  
VD Carolus  
CM Clarke  
J du Toit  
ED Figland  
V Gericke  
M Greef  
RJ Hector (Resigned 20 April 2023)  
HJ Hill (Resigned 20 April 2023)  
C Jansen  
T Jeyi (Resigned 20 April 2023)  
KS Lose  
NM Louw (Resigned 20 April 2023)  
RMI Louw  
G Masase  
N Mbetse  
F Mdaka  
L Ncamile  
C Neethling  
GC Niehaus  
JC Petersen  
P Qampi  
TM Qatana  
DC Saptoe (Resigned 23 August 2022)  
SJ Smart  
C Titus (Resigned 31 March 2023)  
G van Niekerk  
L Van Wyk  
R Voster  
D Wessels  
R Windwaai

**Auditor** The Auditor General of South Africa

**Bankers** First National Bank

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## GENERAL INFORMATION

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<b>Registered office</b>	Civic Centre 71 York Street George 6530
<b>Postal address</b>	PO Box 19 George 6530
<b>Accounting Officer</b>	Dr. M Gratz
<b>Chief Finance Officer (CFO)</b>	R du Plessis
<b>Website</b>	<a href="http://www.george.gov.za">www.george.gov.za</a>
<b>E-mail</b>	<a href="mailto:post@george.gov.za">post@george.gov.za</a>

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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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**Abbreviations used:**

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)
mSCOA	Municipal Standard Chart of Accounts

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## ACCOUNTING OFFICER'S APPROVAL OF THE FINANCIAL STATEMENTS

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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 61.

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**Dr. M Gratz**  
**Accounting Officer**

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2023

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	121,964,845	119,399,366
Receivables from exchange transactions	3	189,026,240	159,185,900
Receivables from non-exchange transactions	4	85,208,870	61,765,259
Prepayments	6	7,322,843	16,170,572
VAT receivable	7	34,854,787	18,427,199
Construction contracts and receivables/(payables)	8	3,323,366	4,275,432
Loans and receivables	9	156,473	226,637
Principle agent arrangement: amounts due from principle	10	1,103,983	295,319
Cash and cash equivalents	11	843,879,110	592,535,532
		<b>1,286,840,517</b>	<b>972,281,216</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	12	3,817,952,592	3,290,605,545
Intangible assets	13	909,691	1,248,983
Heritage assets	14	4,236,000	4,236,000
Investment property	15	143,911,703	144,073,274
Loans and receivables	9	119,039	331,779
		<b>3,967,129,025</b>	<b>3,440,495,581</b>
<b>Total Assets</b>		<b>5,253,969,542</b>	<b>4,412,776,797</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Principle agent arrangement: advance received from principle	10	-	3,076,316
Loans and borrowings	16	46,758,346	43,241,857
Finance lease obligation	17	-	170,869
Payables from exchange transactions	18	258,425,408	259,839,397
Consumer deposits	19	39,415,781	36,003,351
Employee benefit obligation	20	84,665,993	81,523,918
Provisions	21	6,123,845	13,101,485
Unspent conditional grants and receipts	22	422,976,457	38,400,794
		<b>858,365,830</b>	<b>475,357,987</b>
<b>Non-Current Liabilities</b>			
Loans and borrowings	16	261,957,242	198,295,415
Payables from exchange transactions	18	8,278,174	4,614,193
Employee benefit obligation	20	197,450,828	208,731,900
Provisions	21	109,429,841	118,137,886
		<b>577,116,085</b>	<b>529,779,394</b>
<b>Total Liabilities</b>		<b>1,435,481,915</b>	<b>1,005,137,381</b>
<b>Net Assets</b>		<b>3,818,487,627</b>	<b>3,407,639,416</b>
Net Assets			
Housing development fund	23	35,729,371	35,872,551
Accumulated surplus		3,782,758,256	3,371,766,865
<b>Total Net Assets</b>		<b>3,818,487,627</b>	<b>3,407,639,416</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges - Electricity	24	785,775,792	820,530,604
Service charges - Water	24	211,952,855	167,259,940
Service charges - Sewerage and sanitation charges	24	157,407,731	129,151,010
Service charges - Refuse removal	24	141,374,178	105,037,335
Rental of facilities and equipment		4,214,717	4,216,085
Income from agency services	25	16,141,814	15,271,202
Sale of erven		5,405,224	2,898,152
GIPTN Fare Revenue	26	63,779,838	50,650,489
Other income	27	68,001,456	49,947,025
Interest received - Outstanding Debtors	28	14,405,852	7,643,739
Gain on disposal of assets and liabilities	42	-	1,048,767
Interest received - External Investments	28	63,346,326	29,595,448
<b>Total revenue from exchange transactions</b>		<b>1,531,805,783</b>	<b>1,383,249,796</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	29	384,703,012	347,219,712
<b>Transfer revenue</b>			
Government grants & subsidies - Operating	30	636,047,523	570,449,372
Government grants & subsidies - Capital	30	409,113,589	214,591,484
Construction contract revenue	8	126,350	1,040,443
Fines, penalties and forfeits	31	73,097,156	86,511,437
In-kind donations and assistance	32	-	289,715
<b>Other</b>			
Availability charges	33	22,312,412	18,702,526
<b>Total revenue from non-exchange transactions</b>		<b>1,525,400,042</b>	<b>1,238,804,689</b>
<b>Total revenue</b>		<b>3,057,205,825</b>	<b>2,622,054,485</b>
<b>Expenditure</b>			
Employee related costs	34	617,888,616	590,039,039
Remuneration of councillors	35	25,556,683	23,782,737
Depreciation and amortisation	36	188,171,111	166,335,534
Impairment loss	37	150,597,470	97,218,471
Finance costs	38	45,064,727	36,353,886
Bulk purchases	39	598,225,496	612,348,190
Contracted services	40	676,925,883	534,456,216
Grants and subsidies paid	41	43,556,377	87,691,172
Cost of Erven sold		5,389,776	1,639,380
Loss on disposal of assets and liabilities	42	994,607	-
Inventories losses/write-downs	43	2,244,576	-
Other materials / Inventory	44	127,170,070	82,131,617
General Expenses	45	164,572,224	158,707,933
<b>Total expenditure</b>		<b>2,646,357,616</b>	<b>2,390,704,175</b>
<b>Surplus for the year</b>		<b>410,848,209</b>	<b>231,350,310</b>



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Transfer to / (from) the Housing Development Fund	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	48,321,098	3,119,169,159	3,167,490,257
Adjustments			
Prior period errors - Refer to Note 49	-	6,415,514	6,415,514
<b>Balance at July 1, 2021 as restated*</b>	<b>48,321,098</b>	<b>3,125,584,673</b>	<b>3,173,905,771</b>
Changes in net assets			
Surplus for the year previously recorded	-	239,308,619	239,308,619
Prior period errors - Refer to Note 49	-	(7,958,308)	(7,958,308)
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)	246,182,192	233,733,645
<b>Restated* Balance at July 1, 2022</b>	<b>35,872,551</b>	<b>3,371,766,867</b>	<b>3,407,639,418</b>
Changes in net assets			
Surplus for the year	-	410,848,209	410,848,209
Transfer to / (from) the Housing Development Fund	(143,180)	143,180	-
Total changes	(143,180)	410,991,389	410,848,209
<b>Balance at June 30, 2023</b>	<b>35,729,371</b>	<b>3,782,758,256</b>	<b>3,818,487,627</b>
Note(s)	23		

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Annual Financial Statements for the year ended June 30, 2023

**CASH FLOW STATEMENT**

Figures in Rand	Note(s)	2023	2022 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		391,536,614	367,814,388
Sale of goods and services		1,282,496,674	1,237,394,205
Grants		1,416,738,985	790,432,794
Construction contracts		1,078,416	17,343,880
Interest income		63,346,326	29,595,448
Other receipts		81,692,554	82,229,919
		<u>3,236,889,569</u>	<u>2,524,810,634</u>
<b>Payments</b>			
Employee costs		(651,584,295)	(615,540,179)
Suppliers		(1,661,271,348)	(1,474,838,104)
Finance costs		(34,749,920)	(28,454,306)
		<u>(2,347,605,563)</u>	<u>(2,118,832,589)</u>
<b>Net cash flows from operating activities</b>	46	<u><b>889,284,006</b></u>	<u><b>405,978,045</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	(709,387,324)	(445,780,589)
Proceeds from sale of property, plant and equipment	12	4,150,945	3,007,642
Purchase of other intangible assets	13	-	(229,052)
Proceeds from sale of loans and receivables		293,444	(358,413)
<b>Net cash flows from investing activities</b>		<u><b>(704,942,934)</b></u>	<u><b>(443,360,412)</b></u>
<b>Cash flows from financing activities</b>			
Repayment of loans and borrowings		67,178,316	(39,234,875)
Finance lease payments		(175,808)	(467,936)
<b>Net cash flows from financing activities</b>		<u><b>67,002,507</b></u>	<u><b>(39,702,811)</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>251,343,579</b></u>	<u><b>(77,085,178)</b></u>
Cash and cash equivalents at the beginning of the year		592,535,532	669,620,711
<b>Cash and cash equivalents at the end of the year</b>	11	<u><b>843,879,111</b></u>	<u><b>592,535,532</b></u>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## 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
<b>Figures in Rand</b>						
<b>Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Property rates	378,642,000	-	<b>378,642,000</b>	384,703,012	<b>6,061,012</b>	65
Service charges	1,362,944,700	-	<b>1,362,944,700</b>	1,318,822,968	<b>(44,121,732)</b>	65
Investment revenue	43,892,153	-	<b>43,892,153</b>	63,346,326	<b>19,454,173</b>	65
Transfers recognised - operational	635,163,725	-	<b>635,163,725</b>	636,047,523	<b>883,798</b>	65
Other own revenue	477,875,521	-	<b>477,875,521</b>	245,172,407	<b>(232,703,114)</b>	65
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>2,898,518,099</b>	-	<b>2,898,518,099</b>	<b>2,648,092,236</b>	<b>(250,425,863)</b>	
<b>Expenditure by type</b>						
Employee costs	695,715,824	(36,106)	<b>695,679,718</b>	617,888,616	<b>(77,791,102)</b>	65
Remuneration of Councillors	27,926,470	(1,422,552)	<b>26,503,918</b>	25,556,683	<b>(947,235)</b>	65
Debt impairment	122,257,000	-	<b>122,257,000</b>	150,597,470	<b>28,340,470</b>	65
Depreciation and asset impairment	182,333,777	-	<b>182,333,777</b>	188,171,111	<b>5,837,334</b>	65
Finance charges	35,120,003	-	<b>35,120,003</b>	45,064,727	<b>9,944,724</b>	65
Materials and bulk purchases	953,493,453	(1,222,308)	<b>952,271,145</b>	725,395,566	<b>(226,875,579)</b>	65
Transfer and grants	45,402,741	1,769,888	<b>47,172,629</b>	43,556,377	<b>(3,616,252)</b>	65
Other expenditure	943,952,702	911,078	<b>944,863,780</b>	850,127,066	<b>(94,736,714)</b>	65
<b>Total expenditure</b>	<b>3,006,201,970</b>	-	<b>3,006,201,970</b>	<b>2,646,357,616</b>	<b>(359,844,354)</b>	
<b>Surplus / (Deficit)</b>	<b>(107,683,871)</b>	-	<b>(107,683,871)</b>	<b>1,734,620</b>	<b>109,418,491</b>	
Transfers recognised - capital	809,999,892	-	<b>809,999,892</b>	409,113,589	<b>(400,886,303)</b>	65
<b>Surplus after capital transfers and contributions</b>	<b>702,316,021</b>	-	<b>702,316,021</b>	<b>410,848,209</b>	<b>(291,467,812)</b>	
<b>Surplus for the year</b>	<b>702,316,021</b>	-	<b>702,316,021</b>	<b>410,848,209</b>	<b>(291,467,812)</b>	

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## 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
<b>Figures in Rand</b>						
<b>Capital expenditure</b>						
<b>Capital expenditure by vote</b>						
Finance and administration	10,569,277	645,020	<b>11,214,297</b>	10,288,893	<b>(925,404)</b>	65
Internal Audit	55,000	-	<b>55,000</b>	41,850	<b>(13,150)</b>	65
Community and social services	7,419,444	(228,499)	<b>7,190,945</b>	6,100,836	<b>(1,090,109)</b>	65
Sport and recreation	15,093,171	(365,000)	<b>14,728,171</b>	8,796,287	<b>(5,931,884)</b>	65
Public safety	22,955,915	(1)	<b>22,955,914</b>	18,971,525	<b>(3,984,389)</b>	65
Housing	3,895,751	(262,500)	<b>3,633,251</b>	2,563,262	<b>(1,069,989)</b>	65
Health	1,400,000	(661,318)	<b>738,682</b>	434,433	<b>(304,249)</b>	65
Planning and development	9,774,858	(287,400)	<b>9,487,458</b>	5,283,345	<b>(4,204,113)</b>	65
Road transport	277,683,046	(305,520)	<b>277,377,526</b>	116,204,883	<b>(161,172,643)</b>	65
Energy sources	162,429,389	(3,062,768)	<b>159,366,621</b>	138,105,209	<b>(21,261,412)</b>	65
Water management	396,551,483	2,905,053	<b>399,456,536</b>	257,462,099	<b>(141,994,437)</b>	65
Waste water management	214,860,564	1,245,033	<b>216,105,597</b>	135,545,795	<b>(80,559,802)</b>	65
Waste management	24,426,305	-	<b>24,426,305</b>	22,962,543	<b>(1,463,762)</b>	65
Other	151,237	139,900	<b>291,137</b>	148,361	<b>(142,776)</b>	65
	<b>1,147,265,440</b>	<b>(238,000)</b>	<b>1,147,027,440</b>	<b>722,909,321</b>	<b>(424,118,119)</b>	
<b>Sources of Capital Funds</b>						
Borrowing	266,204,443	-	<b>266,204,443</b>	234,205,740	<b>(31,998,703)</b>	
Transfers recognised - capital	712,325,515	-	<b>712,325,515</b>	356,907,747	<b>(355,417,768)</b>	
Internally generated funds	168,735,482	(238,000)	<b>168,497,482</b>	131,795,832	<b>(36,701,650)</b>	
	<b>1,147,265,440</b>	<b>(238,000)</b>	<b>1,147,027,440</b>	<b>722,909,319</b>	<b>(424,118,121)</b>	

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## 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
<b>Figures in Rand</b>						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Taxation	370,853,000	7,789,000	<b>378,642,000</b>	391,536,614	<b>12,894,614</b>	
Sale of goods and services	1,417,688,700	(54,744,000)	<b>1,362,944,700</b>	1,282,496,674	<b>(80,448,026)</b>	
Grants	1,007,072,303	438,091,314	<b>1,445,163,617</b>	1,416,738,985	<b>(28,424,632)</b>	
Construction contracts	-	-	-	1,078,416	<b>1,078,416</b>	
Interest income	66,279,605	(11,326,892)	<b>54,952,713</b>	63,346,325	<b>8,393,612</b>	
Other receipts	238,998,016	(3,066,945)	<b>235,931,071</b>	81,692,554	<b>(154,238,517)</b>	
	<b>3,100,891,624</b>	<b>376,742,477</b>	<b>3,477,634,101</b>	<b>3,236,889,568</b>	<b>(240,744,533)</b>	
<b>Payments</b>						
Employee costs	-	-	-	(651,584,296)	<b>(651,584,296)</b>	
Suppliers	(2,544,753,410)	(75,349,153)	<b>(2,620,102,563)</b>	(1,661,271,346)	<b>958,831,217</b>	
Finance costs	(40,950,003)	5,830,000	<b>(35,120,003)</b>	(34,749,920)	<b>370,083</b>	
Transfers and Grants	(44,414,731)	44,414,731	-	-	-	
	<b>(2,630,118,144)</b>	<b>(25,104,422)</b>	<b>(2,655,222,566)</b>	<b>(2,347,605,562)</b>	<b>307,617,004</b>	
<b>Net cash flows from operating activities</b>	<b>470,773,480</b>	<b>351,638,055</b>	<b>822,411,535</b>	<b>889,284,006</b>	<b>66,872,471</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(1,147,265,440)	-	<b>(1,147,265,440)</b>	(709,387,324)	<b>437,878,116</b>	
Proceeds on disposal of property, plant and equipment	-	-	-	4,150,945	<b>4,150,945</b>	
Decrease (increase) in non-current investments	-	-	-	293,444	<b>293,444</b>	
<b>Net cash flows from investing activities</b>	<b>(1,147,265,440)</b>	<b>-</b>	<b>(1,147,265,440)</b>	<b>(704,942,935)</b>	<b>442,322,505</b>	
<b>Cash flows from financing activities</b>						
<b>Receipts</b>						
Proceeds from loans and borrowings	304,377,500	-	<b>304,377,500</b>	67,178,316	<b>(237,199,184)</b>	
Repayment of loans and borrowings	(66,150,545)	-	<b>(66,150,545)</b>	(175,807)	<b>65,974,738</b>	
Increase / (Decrease) in consumer deposits	(15,000,000)	-	<b>(15,000,000)</b>	-	<b>15,000,000</b>	
<b>Net cash flows from investing activities</b>	<b>223,226,955</b>	<b>-</b>	<b>223,226,955</b>	<b>67,002,509</b>	<b>(156,224,446)</b>	

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## 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
<b>Figures in Rand</b>						
Net increase/(decrease) in cash held	(453,265,005)	351,638,055	<b>(101,626,950)</b>	251,343,580	<b>352,970,530</b>	
Cash/cash equivalents at the year begin:	826,088,582	-	<b>826,088,582</b>	592,535,532	<b>(233,553,050)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>372,823,577</b>	<b>351,638,055</b>	<b>724,461,632</b>	<b>843,879,112</b>	<b>119,417,480</b>	

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## ACCOUNTING POLICIES

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

These accounting policies are consistent with the previous period.

The following GRAP standards, guidelines and interpretations have been issued but are not yet effective and have not been early adopted by the municipality.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## ACCOUNTING POLICIES

Standard	Description	Effective Date (Year starting on).
GRAP 25	<p><b>Employee benefits</b></p> <p>The objective of this standard is to prescribe the accounting and disclosure for employee benefits</p> <p>The impact of this Standard is currently being assessed.</p>	1 April 2023
GRAP 103	<p><b>Heritage assets</b></p> <p>There are proposed amendments to the classification of mixed use assets and their fair value accounting.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment..</p>	Date unknown
GRAP 104	<p><b>Financial Instruments</b></p> <p>The objective of this standards is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>Will have an significant impact on the categories of financial and impairment model.</p>	1 April 2025
iGRAP 1	<p><b>Presentation fo financial statemetns: Materiality</b></p> <p>The objective of this Standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statemetns of previous periods and with the financial statements of other entities.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2023
GRAP 1	<p><b>Presentation of Financial statements: Going Concern</b></p> <p>The objective of this Standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of . previous periods and with the financial statements of other entities.</p> <p>No significant impact is expected as the municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
iGRAP 7	<p><b>The limit on a defined benefit asset, minimum funding requirement and their interanction</b></p> <p>This Interpretation applies to all post-employment defined benefits and other long-term employee defined benefits.</p> <p>No significant impact is expected as the Municipality does not hold any plan assets.</p>	1 April 2023
iGRAP 21	<p><b>The Effect of Past Decisions on Materiality</b></p> <p>This interpretation explains the implications of adopting accounting policies for material items based on GRAP standard as well as alternative accounting treatments for immaterial items. Therefore it is a guide on materiality.</p> <p>No significant impact expected as the Municipality's current treatment is already in line with the Interpretation.</p>	1 April 2023
Guideline	<p><b>Accounting for Landfill sites</b></p> <p>No significant impact is expected as the municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2023
Guidleine	<p><b>Application of Materiality of Financial Statements</b></p> <p>The guideline is not authoritative but only encourage.</p>	No effective date



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## ACCOUNTING POLICIES

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Improvements to GRAP standards	The improvements are to address concerns by prepares and updated wording of selected standards. The changes will improve the application of accounting policies and therefore not major changes expected.	1 April 2023
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### 1.1 Presentation currency

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

### 1.2 Going concern assumption

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

### 1.3 Materiality

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

### 1.4 Significant judgements and sources of estimation uncertainty

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

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

Significant judgements include:

#### Property, plant and equipment

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

#### Componentisation of Infrastructure assets

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

#### 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.

## **ACCOUNTING POLICIES**

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

#### **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**

Management consider the potential indicators of impairment as set out in GRAP 21: Impairment of cash-generating assets and GRAP 26: Impairment of non-cash generating assets.

The determination of the recoverable amount is dependent on the availability of required data.

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

#### **Revenue Recognition**

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

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. Revenue from the sale of electricity prepaid units is recognised when the risks and rewards of ownership has passed to the buyer. At year-end the recognition is based on an estimate of the prepaid electricity consumed as at the reporting date. The consumption of pre-paid electricity is measured by using a trend analysis and other historical data about electricity usage. The accounting policy stated above also includes the policies for the measurement of unbilled services estimation. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

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

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material. Additional disclosures of these estimates of provisions are included in Notes 21 and 48.

#### **Provision for landfill site**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

## **ACCOUNTING POLICIES**

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

- Interest rates linked to government bond rate was used to calculate the effect of the time value of money.

#### **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.

Employee benefits: Staff leave and bonus

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realised as employees take leave or when employment is terminated.

The provision for bonuses represents the best estimate of the obligation at year end and is based on historical patterns of payment of bonuses.

#### **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**

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### **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.

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.

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

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

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

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

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

## **ACCOUNTING POLICIES**

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

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.

#### **Classification**

The following items will be regarded as Property, plant and equipment rather than investment property:

- Owner-occupied property (including held for future use);
- Owner-occupied property held for development;
- Property occupied by employees for housing;
- Owner-occupied property held for disposal;
- Property held by the municipality to fulfil their mandated function rather than rental or capital appreciation and;
- Property held by the municipality for strategic purpose.

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

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

## ACCOUNTING POLICIES

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

Item	Average useful life
Infrastructure	
• Electricity	20 - 45
• Roads and paving	10 - 50
• Water	5 - 50
• Gas	20
• Sewerage	3 - 35
• Security measures	3 - 40
Community	
• Buildings	3 - 75
• Recreational facilities	30
Other	
• Office equipment	5 - 30
• Furniture and fittings	5 - 40
• Bins and containers	5 - 30
• Emergency equipment	5 - 50
• Motor vehicles	5 - 50
• Waterraft	15 - 25
• Plant and equipment	5 - 50
Service concession arrangement	
• Busses	9 - 12
Land and buildings	
• Buildings	75
• 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 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.

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.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## ACCOUNTING POLICIES

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### 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.

#### 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

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.

## **ACCOUNTING POLICIES**

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### **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 heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

### **1.8 Intangible assets**

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



## **ACCOUNTING POLICIES**

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### **1.8 Intangible assets (continued)**

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.

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.

Computer software

3 - 12

#### **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. (2022: 5 to 10 years). 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.

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

#### **Derecognition**

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

## ACCOUNTING POLICIES

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### 1.9 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.

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.

#### Classification

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

<b>Class</b>	<b>Category</b>
Trade receivables from exchange transactions	Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions	Financial asset measured at amortised cost
Loans and receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Principle agent arrangement: amounts due from principle	Financial asset measured at amortised cost
Construction contracts and receivables	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:

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

## **ACCOUNTING POLICIES**

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### **1.10 Financial instruments (continued)**

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

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

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

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

- Financial instruments at amortised cost.

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

#### **Gains and losses**

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

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

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

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

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

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

## **ACCOUNTING POLICIES**

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### **1.10 Financial instruments (continued)**

#### **Derecognition**

##### **Financial assets**

The municipality derecognises a financial asset only when:

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

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

##### **Financial liabilities**

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

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

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

##### **Presentation**

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

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

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

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

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

## **ACCOUNTING POLICIES**

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### **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.

## **ACCOUNTING POLICIES**

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### **1.12 Statutory receivables**

#### **Identification**

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

#### **Initial recognition**

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

#### **Initial measurement**

The municipality initially measures statutory receivables at their transaction amount.

#### **Subsequent measurement**

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

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

#### **Impairment losses**

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

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

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

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

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**

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### **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 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. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

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

## **ACCOUNTING POLICIES**

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### **1.14 Inventories**

Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

Inventories consisting of consumable stores, raw materials and properties held for sale are valued at the lower of cost and net realisable value. 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.

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**

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### **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.

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 actual expenditure occurred on housing projects.

The municipality assessed all of the contracts in place and found that only those contracts pertaining to Housing Arrangements as those described in ASB's Accounting for Arrangements Undertaken in terms of the National Housing Programme would meet the definition on Construction Contracts.

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

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).

#### **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.

Where the municipality is considered the principal, all revenues, expenses, liabilities and assets are recorded in the records of municipality in accordance with the relevant standards of GRAP.

## **ACCOUNTING POLICIES**

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### **1.16 Accounting by principals and agents (continued)**

Where the municipality is the agent to the transaction, only the portion of revenue and expenses it receives or incurs in executing the transactions on behalf of the principal is recorded with unspent or moneys due being recorded in terms of GRAP.

### **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.

#### **Identification**

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

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

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

#### **Value in use**

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**

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.

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

## **ACCOUNTING POLICIES**

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### **1.17 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 entity estimates the recoverable amount of that asset.

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

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

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.

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

#### **Identification**

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

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

## **ACCOUNTING POLICIES**

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

#### **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 current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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

#### **Recognition and measurement**

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

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

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

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

## **ACCOUNTING POLICIES**

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### **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**

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### **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 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.

#### **Provisions, 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**

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### **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. Defined benefit plans are post-employment plans other than defined contribution plans.

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

#### **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.

#### **Performance bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

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

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 Plans 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-retirement medical obligation**

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.

## **ACCOUNTING POLICIES**

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### **1.20 Employee benefits (continued)**

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

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

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

### **1.21 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.

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.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not fully within the control of the municipality.

### **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.



## **ACCOUNTING POLICIES**

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### **1.22 Unspent conditional government grants and receipts (continued)**

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

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

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

### **1.23 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 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.

## **ACCOUNTING POLICIES**

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### **1.25 Revenue (continued)**

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.

Revenue from the services rendered is recognised when:

- The amount of revenue can be measured reliably;
- It is probable that economic benefits or service potential associated with the transaction will flow to the municipality;
- The stage of completion at the reporting date can be measured reliably;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 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

## **ACCOUNTING POLICIES**

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### **1.25 Revenue (continued)**

Transit products are sold as single and multi-journey products that are scripted to the passengers' Europay, MasterCard and Visa (EMV) compliant GO GEORGE Smart Card. The products are sold at fixed and mobile kiosks and through third-party vendors. The transit products are redeemed on the bus when the passenger presents (taps) the Smart Card to the Optima reader to board the bus. If the transaction is successful, a trip is deducted from the balance on the Smart Card and the machine provides a receipt. Upon a successful transaction, a trip is valid for an hour and the passenger may transfer between buses and routes within this period for free by presenting their receipt with the timestamp to the driver for verification. The Municipality collects the full revenue from products sold. The revenue is adjusted annually to account for unused trips. The unused trips are the difference between the total product sales and the taps on bus.

Revenue from non-exchange transactions

Property Rates

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. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset. Fine revenue is recognised when issued.

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.

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.

## **ACCOUNTING POLICIES**

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### **1.25 Revenue (continued)**

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.

Unclaimed monies forfeit

The municipality reserves the right to enforce the Prescription Act on all unidentified and unallocated monies after 3 years.

### **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.

### **1.26 Borrowing costs**

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

### **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.

## **ACCOUNTING POLICIES**

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### **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 56 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 47 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.

### **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.

## **ACCOUNTING POLICIES**

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### **1.32 Related parties (continued)**

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

All transactions with related parties are disclosed.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

### **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 01/07/2022 to 30/06/2023.

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 65.

### **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.

### **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.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## ACCOUNTING POLICIES

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### 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**

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### **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.

The municipality manages its assets and liability as a whole and are not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

#### **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 June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>2. Inventories</b>		
Consumable stores - at cost	14,554,368	10,289,066
GIPTN Smart Cards for electronic fare revenue system	375,500	-
Maintenance materials, chemicals and water reserve - at cost	11,280,427	9,930,270
Purified water	1,558,482	1,378,766
Property Developments - at cost	61,918	61,918
Unsold Properties Held for Resale - at net realisable value	94,134,150	97,739,346
	<b>121,964,845</b>	<b>119,399,366</b>

The cost of inventories recognised as an expense in the Statement of Financial Performance for stock issues was R51 383 433 (2022: R30,714,934) which is included as part of Other material/Inventory and R2,244,576 (2022: R0) in respect of inventory written down to net realisable value. Refer to note 43 for details of items written down to net realisable value.

### Inventory pledged as security

No inventory was pledged as security as at 30 June 2023.

### 3. Trade receivables from exchange transactions

Service debtors	177,877,215	147,843,266
Other exchange receivables	11,149,025	11,342,634
- Prepaid electricity	8,575,688	9,474,378
- Rental debtors	1,676,843	1,348,589
- GIPTN fare revenue	896,494	519,667
	<b>189,026,240</b>	<b>159,185,900</b>

#### Gross balances

Electricity	102,649,885	92,017,627
Water	199,477,927	160,070,618
Sewerage	77,482,711	54,821,586
Refuse	75,286,383	49,963,903
Housing loans instalments	674,465	631,928
Housing rental	471,365	501,583
Other	16,753,736	16,108,276
	<b>472,796,472</b>	<b>374,115,521</b>

#### Less: Allowance for impairment

Electricity	(10,143,455)	(7,480,687)
Water	(154,519,060)	(127,844,665)
Sewerage	(59,684,575)	(40,852,371)
Refuse	(57,792,888)	(37,556,262)
Housing loans instalments	(635,951)	(609,673)
Housing rental	(380,953)	(380,122)
Other	(11,762,375)	(11,548,475)
	<b>(294,919,257)</b>	<b>(226,272,255)</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Net balance</b>		
Electricity	92,506,430	84,536,940
Water	44,958,867	32,225,953
Sewerage	17,798,136	13,969,215
Refuse	17,493,495	12,407,641
Regional services levies	38,514	22,255
Housing rental	90,412	121,461
Other (specify)	4,991,361	4,559,801
	<b>177,877,215</b>	<b>147,843,266</b>
<b>Electricity</b>		
Current (0 -30 days)	77,711,339	72,151,506
31 - 60 days	3,664,604	3,469,398
61 - 90 days	2,085,740	1,276,744
91 - 120 days	1,364,969	624,748
121 - 365 days	17,823,233	14,495,231
Less: Allowance for impairment	(10,143,455)	(7,480,687)
	<b>92,506,430</b>	<b>84,536,940</b>
<b>Water</b>		
Current (0 -30 days)	32,999,603	26,248,845
31 - 60 days	9,139,812	6,255,557
61 - 90 days	7,731,023	5,776,738
91 - 120 days	7,339,392	4,533,353
121 - 365 days	142,268,097	117,256,125
Less: Allowance for impairment	(154,519,060)	(127,844,665)
	<b>44,958,867</b>	<b>32,225,953</b>
<b>Sewerage</b>		
Current (0 -30 days)	11,813,259	9,049,059
31 - 60 days	4,035,742	2,787,673
61 - 90 days	3,293,101	2,118,685
91 - 120 days	2,894,268	1,780,688
121 - 365 days	55,446,341	39,085,481
Less: Allowance for impairment	(59,684,575)	(40,852,371)
	<b>17,798,136</b>	<b>13,969,215</b>
<b>Refuse</b>		
Current (0 -30 days)	11,742,185	8,234,519
31 - 60 days	4,162,957	2,569,361
61 - 90 days	3,397,669	1,933,564
91 - 120 days	2,988,134	1,655,823
121 - 365 days	52,995,438	35,570,636
Less: Allowance for impairment	(57,792,888)	(37,556,262)
	<b>17,493,495</b>	<b>12,407,641</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Housing loans instalments</b>		
Current (0 -30 days)	15,814	45,312
31 - 60 days	10,887	10,606
61 - 90 days	10,925	8,344
91 - 120 days	9,087	8,081
121 - 365 days	627,752	559,585
Less: Allowance for impairment	(635,951)	(609,673)
	<b>38,514</b>	<b>22,255</b>
<b>Housing rental</b>		
Current (0 -30 days)	38,425	107,729
31 - 60 days	18,721	27,490
61 - 90 days	11,825	12,089
91 - 120 days	8,437	8,937
121 - 365 days	393,957	345,338
Less: Allowance for impairment	(380,953)	(380,122)
	<b>90,412</b>	<b>121,461</b>
<b>Other consumer debtors</b>		
Current (0 -30 days)	1,684,582	1,687,456
31 - 60 days	809,413	537,502
61 - 90 days	17,367	488,272
91 - 120 days	358,413	344,772
121 - 365 days	13,883,961	13,050,274
Less: Allowance for impairment	(11,762,375)	(11,548,475)
	<b>4,991,361</b>	<b>4,559,801</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>3. Trade receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Residential</b>		
Current (0 -30 days)	45,461,293	36,496,166
31 - 60 days	17,376,962	11,416,396
61 - 90 days	14,124,144	9,995,660
91 - 120 days	13,164,440	8,009,222
121 - 365 days	260,805,315	199,253,874
Less: Allowance for impairment	(283,807,560)	(216,005,315)
	<b>67,124,594</b>	<b>49,166,003</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	85,619,419	76,793,311
31 - 60 days	4,198,932	3,932,095
61 - 90 days	2,327,873	1,585,885
91 - 120 days	1,776,730	930,800
121 - 365 days	23,774,088	21,581,109
Less: Allowance for impairment	(11,102,102)	(10,266,709)
	<b>106,594,940</b>	<b>94,556,491</b>
<b>National and provincial government</b>		
Current (0 -30 days)	3,349,268	2,988,996
31 - 60 days	266,243	309,097
61 - 90 days	95,634	32,890
91 - 120 days	21,529	16,381
121 - 365 days	434,603	773,640
Less: Allowance for impairment	(9,596)	(233)
	<b>4,157,681</b>	<b>4,120,771</b>
<b>Total</b>		
Current (0 -30 days)	134,429,980	116,278,472
31 - 60 days	21,842,137	15,657,587
61 - 90 days	16,547,651	11,614,435
91 - 120 days	14,962,699	8,956,403
121 - 365 days	285,014,006	221,608,625
	472,796,473	374,115,522
Less: Allowance for impairment	(294,919,258)	(226,272,256)
	<b>177,877,215</b>	<b>147,843,266</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 3. Trade receivables from exchange transactions (continued)

#### Reconciliation of allowance for impairment of consumer debtors

2023	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Electricity	7,480,687	3,234,955	(572,187)	10,143,455
Water	127,844,665	45,168,368	(18,493,974)	154,519,059
Sewerage	40,852,371	23,735,094	(4,902,889)	59,684,576
Refuse	37,556,263	24,829,361	(4,592,735)	57,792,889
Housing loan instalments	609,673	40,184	(13,906)	635,951
Housing rentals	380,121	23,811	(22,980)	380,952
Other consumer debtors	11,548,476	1,854,482	(1,640,582)	11,762,376
	<b>226,272,256</b>	<b>98,886,255</b>	<b>(30,239,253)</b>	<b>294,919,258</b>

  

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
	<b>208,601,024</b>	<b>51,318,901</b>	<b>(33,647,669)</b>	<b>226,272,256</b>

Trade debtors past due but not impaired

Figures in Rand	2023	2022
31 - 60 days	10,223,863	8,286,020
61 - 90 days	5,854,431	4,061,981
91 - 120 days	4,716,680	2,437,636
121 - 365 days	45,445,022	35,680,254
	<b>66,239,996</b>	<b>50,465,891</b>

#### Credit quality of consumer debtors

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

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. 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 June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>4. Receivables from non-exchange transactions</b>		
<b>Taxation receivables</b>		
Net Rates	38,973,863	35,158,400
Gross rates	63,084,881	57,947,218
Allowance for impairment on rates	(24,111,018)	(22,788,818)
<b>Transfer receivables</b>		
Net Fines	9,772,310	10,642,669
Fines	73,293,030	79,281,715
Allowance for impairment on fines	(63,520,720)	(68,639,046)
Conditional government grants and subsidies receivable (Refer note 22)	17,387,152	4,389,363
<b>Other receivables</b>	19,075,545	11,574,827
Sundry receivables	14,835,047	7,444,871
Allowance for impairment on sundry receivables	(1,439,979)	(792,583)
Availability charges receivables	14,030,938	11,096,248
Allowance for impairment on availability charges receivables	(9,444,284)	(7,319,556)
Non-cash portion of Housing Development Fund	818,102	847,400
Operating lease receivables	275,721	298,447
	<b>85,208,870</b>	<b>61,765,259</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>The ageing of taxation receivables from non-exchange transactions</b>		
<b>Rates</b>		
Current (0 - 30 days)	22,182,978	25,876,056
31 - 60 days	4,118,176	3,799,132
61 - 90 days	2,698,386	2,056,577
91 - 120 days	2,001,237	1,474,400
121 - 365 days	32,084,104	24,741,053
Less: Allowance for impairment	(24,111,018)	(22,788,818)
	<b>38,973,863</b>	<b>35,158,400</b>
<b>Summary of Rates by customer classification</b>		
<b>Residential consumers</b>		
Current (0 - 30 days)	14,974,838	14,987,453
31 - 60 days	2,855,245	2,758,794
61 - 90 days	1,707,482	1,738,396
91 - 120 days	1,326,917	1,277,487
121 - 365 days	25,680,109	21,889,736
Less: Allowance for impairment	(22,437,075)	(20,915,245)
	<b>24,107,516</b>	<b>21,736,621</b>
<b>Industrial / commercial</b>		
Current (0 - 30 days)	6,690,444	10,653,909
31 - 60 days	1,046,763	907,064
61 - 90 days	819,811	244,736
91 - 120 days	536,175	167,899
121 - 365 days	6,146,826	2,766,173
Less: Allowance for impairment	(1,673,943)	(1,873,573)
	<b>13,566,076</b>	<b>12,866,208</b>
<b>National and provincial government and other</b>		
Current (0 - 30 days)	241,748	234,693
31 - 60 days	216,168	133,275
61 - 90 days	171,092	73,445
91 - 120 days	138,145	29,014
121 - 365 days	533,118	85,144
	<b>1,300,271</b>	<b>555,571</b>
<b>Total of rates by customer classification</b>	<b>38,973,863</b>	<b>35,158,400</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Fines</b>		
The ageing of fines is as follows:		
Current (0 - 30 days)	4,173,500	5,496,850
31 - 60 days	3,790,700	6,370,850
61 - 90 days	5,080,545	5,552,850
91 - 120 days	6,491,125	11,781,336
121 days - 365 days	53,757,160	50,079,829
	<u>73,293,030</u>	<u>79,281,715</u>
Less: Allowance for impairment	(63,520,720)	(68,639,049)
	<u><b>9,772,310</b></u>	<u><b>10,642,666</b></u>
<b>Availability charges receivables</b>		
The ageing of availability charges receivables is as follows:		
Current (0 - 30 days)	1,533,982	1,191,663
31 - 60 days	636,536	602,822
61 - 90 days	561,553	423,881
91 - 120 days	479,777	344,142
121 days - 365 days	10,819,090	8,533,740
	<u>14,030,938</u>	<u>11,096,248</u>
Less: Allowance for impairment	(9,444,284)	(7,319,556)
	<u><b>4,586,654</b></u>	<u><b>3,776,692</b></u>



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 4. Receivables from non-exchange transactions (continued)

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

2023	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	22,788,818	3,185,042	(1,862,842)	24,111,018
Transfer receivables (Fines)	68,639,046	55,242,939	(60,361,265)	63,520,720
Sundry receivables	792,583	647,396	-	1,439,979
Availability charges receivables	7,319,556	2,613,641	(488,913)	9,444,284
	<b>99,540,003</b>	<b>61,689,018</b>	<b>(62,713,020)</b>	<b>98,516,001</b>
2022	Balance at the beginning of the year	Impairment losses recognised / (reversed)	Amounts written off as uncollectible	Balance at the end of the year
Taxation receivables (Gross Rates)	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
Sundry receivables	792,583	-	-	792,583
Availability charges receivables	6,888,651	679,675	(248,770)	7,319,556
	<b>66,156,399</b>	<b>52,209,235</b>	<b>(18,825,631)</b>	<b>99,540,003</b>

The impairment allowance was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios. The impairment allowance on Taxation Receivables and Other Receivables exists predominantly due to the possibility that these debts will not be recovered. Taxation Receivables and Other Receivables were assessed individually and grouped together as financial assets with similar credit risk characteristics and collectively assessed for impairment. Payment rates of customers after year end was also taken into account as the COVID-19 pandemic had an impact on the payment of outstanding accounts by customers. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

#### Rates debtors past due but not impaired

31 - 60 days	1,927,635	2,010,507
61 - 90 days	954,668	719,258
91 - 120 days	630,848	401,283
121 - 365 days	5,144,184	5,031,355
	<b>8,657,335</b>	<b>8,162,403</b>

#### Fines debtors past due but not impaired

31 - 60 days	499,205	853,912
61 - 90 days	661,534	743,802
91 - 120 days	846,822	1,580,264
121 - 365 days	7,221,174	6,728,449
	<b>9,228,735</b>	<b>9,906,427</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>4. Receivables from non-exchange transactions (continued)</b>		
<b>Availability charges receivables past due but not impaired</b>		
31 - 60 days	297,950	319,015
61 - 90 days	198,673	148,246
91 - 120 days	151,240	93,664
121 - 365 days	1,734,672	1,380,959
	<b>2,382,535</b>	<b>1,941,884</b>

### Credit quality of 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.

### Receivables from non-exchange transactions

Opening balance	298,447	244,981
Straight lining adjustment in the Statement of Financial Performance	(22,726)	53,466
	<b>275,721</b>	<b>298,447</b>
Operating leases - as lessor (income)		
<b>Minimum lease payments receivable</b>		
- within one year	1,151,792	1,772,283
- in second to fifth year inclusive	1,575,138	2,253,764
	<b>2,726,930</b>	<b>4,026,047</b>

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

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

- Municipal buildings
- Vacant land.

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

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>5. Statutory receivables</b>		
The municipality had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition		
Rates	38,973,863	35,158,400
Fines	9,772,310	10,642,669
VAT	34,854,787	18,427,199
	<b>83,600,960</b>	<b>64,228,268</b>

### 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.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>5. Statutory receivables (continued)</b>		
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.		
VAT Receivable has been restated. Refer to note 49 for more information.		
<b>6. Prepayments</b>		
Prepayments consist of the following:		
SALGA	7,303,371	6,553,191
VE Reticulation	-	9,617,381
Accommodation	19,472	-
	<b>7,322,843</b>	<b>16,170,572</b>
Current assets	7,322,843	16,170,572

### SALGA

SALGA membership fees for the 2023/2024 financial year were paid in April 2023 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. Services were rendered during the 2023 financial period and recorded accordingly.

### Accommodation

Accommodation paid in advance for municipal officials attending out of town municipal matters in July 2023.

### 7. VAT receivable

VAT receivable from SARS	37,133,781	16,877,637
VAT input provision	11,933,950	14,432,665
VAT output provision	(14,212,944)	(12,883,103)
	<b>34,854,787</b>	<b>18,427,199</b>

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

For statutory receivable information regarding VAT refer to Note 5.

VAT Receivable has been restated. Refer to note 49 for more information.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>8. Construction contracts and receivables/(payables)</b>		
<b>Contracts in progress at Statement of Financial Position date</b>		
Construction contracts and receivables/(payables)	3,323,366	4,275,432

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 2023	Golden Valley	Thembaletu 700 Units	Thembaletu 42 & 58	Completed construction projects	Total
Opening balance from/(due to) customers	(1,152,546)	1,973,778	446,595	3,007,605	4,275,432
Advances received	-	(104,000)	(78,000)	(896,416)	(1,078,416)
Revenue recognised / (derecognised)	49,801	61,858	14,691	-	126,350
	<b>(1,102,745)</b>	<b>1,931,636</b>	<b>383,286</b>	<b>2,111,189</b>	<b>3,323,366</b>
Accumulated revenue recognised	(5,994,627)	(86,692,345)	(7,201,293)	-	(99,888,265)
Accumulated expenditure	5,994,627	86,692,345	7,201,293	-	99,888,265
	-	-	-	-	-
<b>30 June 2022</b>	<b>Golden Valley</b>	<b>Thembaletu 700 Units</b>	<b>Thembaletu 42 &amp; 58</b>	<b>Completed construction projects</b>	<b>Total</b>
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
	<b>(1,152,546)</b>	<b>1,973,778</b>	<b>446,595</b>	<b>3,007,605</b>	<b>4,275,432</b>
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
	-	-	-	-	-

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand			2023	2022	
<b>9. Loans and receivables</b>					
<b>As at 30 June 2023</b>	<b>Gross balance</b>	<b>Impairment allowance</b>	<b>Net balance</b>	<b>Transferred to current assets</b>	<b>Non-current</b>
Housing scheme loans	48,647	(12,185)	36,462	(26,602)	9,860
Sale of erven loans	20,690	-	20,690	(20,690)	-
Actaris meter debt	218,360	-	218,360	(109,180)	109,180
	<b>287,697</b>	<b>(12,185)</b>	<b>275,512</b>	<b>(156,472)</b>	<b>119,040</b>
<b>As at 30 June 2022</b>	<b>Gross balance</b>	<b>Impairment allowance</b>	<b>Net balance</b>	<b>Transferred to current assets</b>	<b>Non-current</b>
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
	<b>581,141</b>	<b>(22,725)</b>	<b>558,416</b>	<b>(226,637)</b>	<b>331,779</b>

Loans and receivables are not secured.

### Housing scheme loans

No housing loans may be granted to officials and the public. The outstanding amount is in respect of loans granted before 1 July 2005 and will be recovered over the remaining period of the loan agreements. The interest rate applicable to the loans is 13.5%.

### Sale of erven loans

As from 1 July 2006 no loan agreements are entered into for the sale of erven. The outstanding loans will be recovered over the remaining period of the individual agreements entered into. The interest rates applicable to the loans vary between 11.0% and 14.5%

### Actaris meter cost

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 June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023			2022
<b>9. Loans and receivables (continued)</b>				
<b>Reconciliation of impairment allowance</b>				
<b>2023</b>	<b>Balance at beginning of year</b>	<b>Impairment losses reversed</b>	<b>Amounts written off as uncollectible</b>	<b>Balance at end of the year</b>
Housing scheme loans	22,725	(10,540)	-	12,185
<b>2022</b>	<b>Balance at beginning of year</b>	<b>Impairment losses reversed</b>	<b>Amounts written off as uncollectible</b>	<b>Balance at end of the year</b>
Housing scheme loans	74,518	(51,793)	-	22,725

### 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:

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand			2023	2022	
<b>10. Principle agent arrangement (continued)</b>					
<b>2023</b>	Opening balance	Amounts paid back	Receipts from Department	Expenses on behalf of principal	Receivable / (Advances received) from Department
Housing scheme loans	295,319	-	-	808,664	1,103,983
Title Deed Restoration Grant	(3,076,316)	3,076,316	-	-	-
	<b>(2,780,997)</b>	<b>3,076,316</b>	<b>-</b>	<b>808,664</b>	<b>1,103,983</b>
<b>2022</b>		Opening balance	Receipts from Department	Expenses on behalf of principal	Receivable / (Advances received) from Department
Housing scheme loans		10,953,663	(11,741,536)	1,083,192	295,319
Title Deed Restoration Grant		(3,488,676)	-	412,360	(3,076,316)
		<b>7,464,987</b>	<b>(11,741,536)</b>	<b>1,495,552</b>	<b>(2,780,997)</b>

The beneficiary arrangement relating to the process of managing beneficiaries for the construction contracts as disclosed in Note 8, is managed on behalf of the Department of Human Settlements (Now known as Department of Infrastructure due to re-organisation of Departments on 1 April 2023), by the municipality.

No resources are held on behalf of the Department of Human Settlements.

The municipality does not receive any compensation from the department for the management of the beneficiary arrangement.



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>11. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	24,720	24,920
Bank balances	443,854,390	592,510,612
Investments	400,000,000	-
	<b>843,879,110</b>	<b>592,535,532</b>

### 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

Account number / description	Bank statement balances			Bank book balances		
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2023	June 30, 2022	June 30, 2021
ABSA BANK - Cheque Account - 102 222 0981	976,935	29,779,020	5,883,820	749,784	37,694,150	5,882,220
First National Bank - Cheque Account - 628 696 23150	441,589,131	550,177,093	459,345,778	443,104,606	554,816,462	463,713,571
ABSA - George Charitable Relief Fund - 914 955 4208	5,930	-	1,000	-	-	-
Nedbank Fixed Deposit	100,000,000	-	200,000,000	100,000,000	-	200,000,000
Standard Bank Fixed Deposit	200,000,000	-	-	200,000,000	-	-
ABSA Bank Fixed Deposit	100,000,000	-	-	100,000,000	-	-
<b>Total</b>	<b>842,571,996</b>	<b>579,956,113</b>	<b>665,230,598</b>	<b>843,854,390</b>	<b>592,510,612</b>	<b>669,595,791</b>

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

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

Credit ratings are as follows:

<b>Credit rating</b>		
Ba2	842,571,996	579,956,113

**George Local Municipality**  
Annual Financial Statements for the year ended June 30, 2023

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand

**12. Property, plant and equipment**

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	923,830,099	-	923,830,099	928,870,099	-	928,870,099
Infrastructure	3,920,366,481	(1,623,092,833)	2,297,273,648	3,339,139,553	(1,488,919,979)	1,850,219,574
Community	262,618,047	(111,579,024)	151,039,023	229,030,951	(100,865,985)	128,164,966
Other	73,797,595	(40,912,700)	32,884,895	60,114,149	(35,774,775)	24,339,374
Other - Buildings	173,026,004	(79,372,082)	93,653,922	158,551,534	(73,773,876)	84,777,658
Service concession assets - GIPTN Buses	206,260,523	(109,283,138)	96,977,385	206,260,523	(98,139,540)	108,120,983
Machinery and Equipment	171,456,695	(67,392,243)	104,064,452	142,731,035	(58,696,144)	84,034,891
Transport	182,811,749	(64,582,581)	118,229,168	145,584,411	(63,506,411)	82,078,000
<b>Total</b>	<b>5,914,167,193</b>	<b>(2,096,214,601)</b>	<b>3,817,952,592</b>	<b>5,210,282,255</b>	<b>(1,919,676,710)</b>	<b>3,290,605,545</b>



**George Local Municipality**  
Annual Financial Statements for the year ended June 30, 2023

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**Figures in Rand**

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

**Reconciliation of property, plant and equipment - Notes to the Annual Financial Statements**

	Opening balance	Additions	WIP Additions	Disposals	Transfers	Depreciation	Total
Land	928,870,099	-	-	(5,040,000)	-	-	923,830,099
Infrastructure	1,850,219,574	215,573,568	365,736,147	(18,798)	-	(134,236,843)	2,297,273,648
Community	128,164,966	25,693,680	8,129,909	(21,489)	-	(10,928,043)	151,039,023
Other	24,339,374	6,613,564	8,068,162	(41,165)	-	(6,095,040)	32,884,895
Other - Buildings	84,777,658	9,734,249	4,783,345	(9,825)	-	(5,631,505)	93,653,922
Service concession assets - GIPTN Buses	108,120,983	-	-	-	-	(11,143,598)	96,977,385
Machinery and Equipment	84,034,891	26,043,980	5,006,276	(281,958)	407,260	(11,145,997)	104,064,452
Transport	82,078,000	47,526,444	-	(2,477,542)	(407,260)	(8,490,474)	118,229,168
	<b>3,290,605,545</b>	<b>331,185,485</b>	<b>391,723,839</b>	<b>(7,890,777)</b>	<b>-</b>	<b>(187,671,500)</b>	<b>3,817,952,592</b>



**George Local Municipality**  
Annual Financial Statements for the year ended June 30, 2023

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**Figures in Rand**

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

**Reconciliation of property, plant and equipment - 2022**

	Opening balance	Additions	WIP Additions	Disposals	Transfers	Depreciation	Total
Land	928,354,243	318,974	196,882	-	-	-	928,870,099
Infrastructure	1,601,728,899	129,695,223	238,728,436	(1,751)	-	(119,931,233)	1,850,219,574
Community	130,745,876	6,560,006	248,417	-	368,941	(9,758,274)	128,164,966
Other	23,599,161	6,536,105	2,500	(267,811)	-	(5,530,581)	24,339,374
Other - Buildings	82,401,404	3,863,258	4,086,040	-	(368,941)	(5,204,103)	84,777,658
Service concession assets - GIPTN Buses	119,264,482	-	-	-	-	(11,143,499)	108,120,983
Machinery and Equipment	44,990,716	32,287,206	13,591,585	(57,435)	-	(6,777,181)	84,034,891
Transport	74,809,232	16,254,040	-	(1,512,145)	-	(7,473,127)	82,078,000
	<b>3,005,894,013</b>	<b>195,514,812</b>	<b>256,853,860</b>	<b>(1,839,142)</b>	<b>-</b>	<b>(165,817,998)</b>	<b>3,290,605,545</b>

**Pledged as security**

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

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

Vehicles	1,195,360	1,318,303
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**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 57 for details of service concession arrangements.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 12. Property, plant and equipment (continued)

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

.

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
Funding	-	10,786,095
	<u>-</u>	<u>98,451,493</u>

All the WIPs not finished in the current year are due to multiple year contracts within the set deadline.

**George Local Municipality**  
Annual Financial Statements for the year ended June 30, 2023

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

Figures in Rand

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

**Reconciliation of Work-in-Progress 2023**

	Included within Infrastructure	Included within Community	Included within Other PPE	Included within remaining PPE	Included within Land	Total
Opening balance	717,279,230	14,827,885	26,989,943	15,251,424	196,882	774,545,364
Additions/capital expenditure	365,736,147	8,129,909	12,851,503	5,006,275	-	391,723,834
Transferred to completed items	(47,830,606)	-	-	-	-	(47,830,606)
	<b>1,035,184,771</b>	<b>22,957,794</b>	<b>39,841,446</b>	<b>20,257,699</b>	<b>196,882</b>	<b>1,118,438,592</b>

**Reconciliation of Work-in-Progress 2022**

	Included within Infrastructure	Included within Community	Included within Other PPE	Included within remaining PPE	Included within Land	Total
Opening balance	490,543,506	18,014,654	13,358,670	11,571,513	-	533,488,343
Additions/capital expenditure	238,728,436	248,417	13,631,273	4,048,852	196,882	256,853,860
Transferred to completed items	(11,992,712)	(3,435,186)	-	(368,941)	-	(15,796,839)
	<b>717,279,230</b>	<b>14,827,885</b>	<b>26,989,943</b>	<b>15,251,424</b>	<b>196,882</b>	<b>774,545,364</b>

R196 882 which formed part of the prior year WIP additions were not included in the prior year WIP reconciliation.

Previous amount disclosed R774 348 482.

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

Contracted services	191,365,069	126,046,308
Employee related costs	13,375,948	20,354,076
Material and other expenditure	29,519,216	26,397,990
	<b>234,260,233</b>	<b>172,798,374</b>



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>12. Property, plant and equipment (continued)</b>		
<b>Changes in useful life</b>		
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	(2,285,974)	(56,576)
Community	(394,542)	(38,012)
Other	(1,938,389)	(661,232)
Other - Buildings	-	(152,602)
Service concession assets - GIPTN Buses	-	(1,557,729)
	<b>(4,618,905)</b>	<b>(2,466,151)</b>

### 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.

	2023	2022
Carrying value of land which the entity controls without legal ownership or custodianship included in property, plant and equipment	4,846,390	6,106,750

### 13. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,249,227	(3,339,536)	909,691	4,351,675	(3,102,692)	1,248,983

### Reconciliation of intangible assets - Notes to the Annual Financial Statements

	Opening balance	Disposals	Amortisation	Total
Computer software	1,248,983	(1,250)	(338,042)	909,691

### Reconciliation of intangible assets - 2022

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

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 14. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	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 Notes to the Annual Financial Statements

	Opening balance	Total
Historical monuments and open areas	4,236,000	4,236,000

### Reconciliation of heritage assets 2022

	Opening balance	Total
Historical monuments and open areas	4,236,000	4,236,000

### Details of heritage assets

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

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

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

### Expenditure incurred to repair and maintain heritage assets

No costs were incurred to repair and maintain heritage assets during the year (2022: RNil).

### 15. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	142,570,866	-	142,570,866	142,570,866	-	142,570,866
Buildings	4,981,973	(3,641,136)	1,340,837	4,981,973	(3,479,565)	1,502,408
<b>Total</b>	<b>147,552,839</b>	<b>(3,641,136)</b>	<b>143,911,703</b>	<b>147,552,839</b>	<b>(3,479,565)</b>	<b>144,073,274</b>



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 15. Investment property (continued)

#### Reconciliation of investment property - 2023

	Opening balance	Depreciation	Total
Land	142,570,866	-	142,570,866
Buildings	1,502,408	(161,570)	1,340,838
	<b>144,073,274</b>	<b>(161,570)</b>	<b>143,911,704</b>

#### 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
	<b>144,234,844</b>	<b>(161,570)</b>	<b>144,073,274</b>

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	1,345,336	1,705,736
Repairs and maintenance of investment property	104,896	105,816
	<u>1,450,232</u>	<u>1,811,552</u>

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

### 16. Loans and borrowings

#### At amortised cost

Annuity loans	<u>308,715,588</u>	<u>241,537,272</u>
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#### Non-current liabilities

Annuity loans	<u>261,957,242</u>	<u>198,295,415</u>
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#### Current liabilities

Annuity loans	<u>46,758,346</u>	<u>43,241,857</u>
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#### Annuity loans

Annuity loans are repaid over periods varying from 1 year to 10 years (2022: 1 year to 10 years) and at interest rates varying from 6.75% to 12,15% (2022: 6.75% to 12,665%) per annum. Annuity loans are not secured.

Loans are for mainly for financing of Infrastructure and Transport assets.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>17. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	-	180,451
	-	180,451
less: future finance charges	-	(9,581)
<b>Present value of minimum lease payments</b>	-	<b>170,870</b>
<b>Present value of minimum lease payments due</b>		
- within one year	-	170,869
<p>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% (2022: 9.1482%). Interest rates are fixed at the contract date and all leases have fixed repayment terms.</p> <p>Property, plant and equipment was not pledged as security for financial liabilities.</p>		
<b>18. Payables from exchange transactions</b>		
<b>Current liabilities</b>		
Trade payables	146,605,027	144,741,676
Compensation Commissioner	2,811,270	2,460,349
GIPTN compensation liability	4,663,503	2,596,708
Other payables	16,324,361	29,847,589
Payments received in advanced	25,816,177	30,390,867
Retentions	58,210,359	39,804,261
Sundry Deposits	243,305	4,629,665
Unidentified deposits	3,751,406	5,368,282
	<b>258,425,408</b>	<b>259,839,397</b>
<b>Non-current liabilities</b>		
GIPTN compensation liability	8,278,174	4,614,193

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.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>18. Payables from exchange transactions (continued)</b>		
Balance at beginning of the year	7,210,901	8,177,960
Transferred from Provisions	12,049,861	1,411,712
Change in liability due to inflation and discounting rates	(2,439,533)	337,571
Paid during the year	(3,879,552)	(2,716,342)
	<b>12,941,677</b>	<b>7,210,901</b>
Non-current liabilities	8,278,174	4,614,193
Current liabilities	4,663,503	2,596,708
	<b>12,941,677</b>	<b>7,210,901</b>
<b>19. Consumer deposits</b>		
Electricity and water	39,415,781	36,003,351
Guarantees held in lieu of electricity and water deposits	21,655,484	22,147,332

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.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>20. Employee benefit obligations</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Non-current liabilities</b>		
Post-Retirement Medical Aid benefits liability	171,692,000	181,299,000
Ex-gratia pension benefits liability	1,533,000	1,701,900
Long service awards	24,225,828	25,731,000
	<b>197,450,828</b>	<b>208,731,900</b>
<b>Current liabilities</b>		
Post-Retirement Medical Aid benefits liability	8,954,000	8,477,000
Ex-gratia pension benefits liability	590,500	634,400
Long service awards	4,753,000	3,028,000
Staff leave	53,405,045	55,029,099
Staff annual bonus	16,963,448	14,355,419
	<b>84,665,993</b>	<b>81,523,918</b>
<b>Total liabilities</b>		
Post-Retirement Medical Aid benefits liability	180,646,000	189,776,000
Ex-gratia pension benefits liability	2,123,500	2,336,300
Long service awards	28,978,828	28,759,000
Staff leave	53,405,045	55,029,099
Staff annual bonus	16,963,448	14,355,419
	<b>282,116,821</b>	<b>290,255,818</b>

### Post-retirement medical aid benefit liability

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

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2023. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

In-service (Employees) members	640	621
In-service (Employees) non-members	640	668
Continuation members (Retirees, widow and orphans)	147	145
	<b>1,427</b>	<b>1,434</b>
In-service members	79,628,000	87,195,000
Continuation members	101,018,000	102,581,000
	<b>180,646,000</b>	<b>189,776,000</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Sizwe-Hosmed
- LA Health

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 20. Employee benefit obligations (continued)

- 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	12.44 %	11.81 %
Health care cost inflation rate	8.05 %	8.43 %
Net effective discount rate	4.06 %	3.12 %
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 12.44% per annum has been used. The corresponding index-linked yield at this term is 5.06%. 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 2023.

#### 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 of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

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

Present value of fund obligations	180,646,000	189,776,000
	-	-
	<b>180,646,000</b>	<b>189,776,000</b>

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

Current service cost	6,893,000	6,250,000
Interest cost	21,926,000	18,002,000
Recognised actuarial losses / (gains)	(29,472,000)	(9,219,000)
<b>Total included in employee related cost - refer to note 34</b>	<b>(653,000)</b>	<b>15,033,000</b>

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

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>20. Employee benefit obligations (continued)</b>		
Balance at the beginning of the year	189,776,000	182,599,000
- Current service cost	6,893,000	6,250,000
- Interest cost	21,926,000	18,002,000
- Actuarial losses (gains)	(29,472,000)	(9,219,000)
- Benefits paid	(8,477,000)	(7,856,000)
<b>Balance at the end of the year</b>	<b>180,646,000</b>	<b>189,776,000</b>

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 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Accrued liability	173.628	161.464	182.599	189.776	180.646
Fair value of plan asset	-	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(173.628)</b>	<b>(161.464)</b>	<b>(182.599)</b>	<b>(189.776)</b>	<b>(180.646)</b>

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

Experience adjustments	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Liabilities: (Gain) / Loss	2.694	5.402	(6.705)	(8.765)	(4.573)
Assets: Gain / (Loss)	-	-	-	-	-
	<b>2.694</b>	<b>5.402</b>	<b>(6.705)</b>	<b>(8.765)</b>	<b>(4.573)</b>

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

<b>Increase</b>		
Effect on the current service cost and interest cost	5,004,000	4,272,000
Effect on the defined benefit obligation	33,823,000	28,463,000
<b>Decrease</b>		
Effect on the current service cost and interest cost	(4,012,000)	(3,418,000)
Effect on the defined benefit obligation	(24,807,000)	(23,252,000)

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 20. Employee benefit obligations (continued)

#### Ex-gratia pension liability

The Ex-gratia pension benefit plan is a defined benefit plan. As at 30 June 2023, 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 2024 is estimated to be Rnil (2023: Rnil) whereas the interest cost for the same year is estimated to be R190,100 (2023: R98,458).

Pensioners	9	11
Eligible employees	100	105
	<u>109</u>	<u>116</u>

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

i) Rate of interest		
Discount rate	9.80 %	9.38 %
Pension increase rate	2.43 %	3.00 %
Net effective discount rate	7.20 %	6.20 %

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 9.80% per annum has been used. The corresponding index-linked yield at this term is 4.24%. 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 2023.

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 of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

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

Present value of fund obligations	<u>2,123,500</u>	<u>2,336,300</u>
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The amounts recognised in the Statement of Financial Performance are as follows:

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>20. Employee benefit obligations (continued)</b>		
Interest cost	190,100	175,300
Recognised actuarial losses / (gains)	231,500	131,000
<b>Total included in employee related cost - refer to note 34</b>	<b>421,600</b>	<b>306,300</b>

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

Balance at the beginning of the year	2,336,300	2,640,000
- Interest cost	190,100	175,300
- Actuarial losses (gains)	231,500	131,000
- Benefits paid	(634,400)	(610,000)
	<b>2,123,500</b>	<b>2,336,300</b>

The present value reconciliation were retated to agree to the section A4.2 of the Actuarial Valuation report of the Ex-Gratia liability. No changes were made to the Ex-Gratia liability.

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 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Accrued liability	1.759	2.991	2.640	2.336	2.124
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(1.759)</b>	<b>(2.991)</b>	<b>(2.640)</b>	<b>(2.336)</b>	<b>(2.124)</b>

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

Experience adjustment	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Liabilities: (Gain) / Loss	83,875	1,508,539	35,900	204,800	302,100
Assets: Gain / (Loss)	-	-	-	-	-
	<b>83,875</b>	<b>1,508,539</b>	<b>35,900</b>	<b>204,800</b>	<b>302,100</b>

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

<b>Increase</b>		
Effect on interest cost	7,000	6,004
Effect on defined benefit obligation	59,500	75,500
<b>Decrease</b>		
Effect on interest cost	(6,500)	(5,471)
Effect on defined benefit obligation	(54,400)	(68,600)



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 20. Employee benefit obligations (continued)

#### 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 2023.

At year end, 1,281 (2022: 1,290) employees were eligible for Long-service Awards. The future service cost for the ensuing year is estimated to be R2,351,000 (2022: R2,397,000), whereas the interest cost for the ensuing year is estimated to be R3,053,000 (2023: R3,058,000).

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

i) Rate of interest		
Discount rate	11.45 %	11.21 %
Benefit inflation rate	6.68 %	7.38 %
Net effective discount rate	4.47 %	3.56 %
Expected retirement age	62	62

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve. Consequently, a discount rate of 11.45% 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 11.45% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 4.99%. 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 2023.

#### 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:

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>20. Employee benefit obligations (continued)</b>		
Present value of projected fund obligations	28,978,828	28,759,000
Amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	2,397,000	2,194,000
Interest cost	3,058,000	2,461,000
Recognised actuarial losses / (gains)	(2,483,808)	249,294
<b>Total included in employee related cost - refer to note 34</b>	<b>2,971,192</b>	<b>4,904,294</b>
The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	28,759,000	27,660,000
- Current service cost	2,397,000	2,194,000
- Interest cost	3,058,000	2,461,000
- Actuarial losses (gains)	(2,483,808)	249,294
- Benefits paid	(2,752,192)	(3,805,294)
	<b>28,978,000</b>	<b>28,759,000</b>

The prior year figures have been reclassified between the Long-service awards and Employee benefit obligations under note 34.

The present value reconciliation have been restated to disclose current service cost, interest cost and actuarial losses (gains) separately.

The above split was performed based on section A4.2 of the report of the Actuarial Valiation of the Long Service Award liability.

The application of section A4.2 of the report of the Actuarial Valiation of the Long Service Award liability resulted in a decrease of the actual gains and a increase in benefits paid amounting to R548 294.

Actuarial gains previously reported R299 000.

Benefits paid previously reported R3 257 000.

The above application did not have an effect on the liability previously disclosed as Long-service awards.

Long-service awards previously disclosed amounted to R28 759 000.

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

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022			
<b>20. Employee benefit obligations (continued)</b>					
<b>Liability History</b>	<b>30 June 2019</b>	<b>30 June 2020</b>	<b>30 June 2021</b>	<b>30 June 2022</b>	<b>30 June 2023</b>
Accrued Liability	26.143	27.586	27.660	28.759	28.978
Fair value of plan assets	-	-	-	-	-
<b>Surplus / (Deficit)</b>	<b>(26.143)</b>	<b>(27.586)</b>	<b>(27.660)</b>	<b>(28.759)</b>	<b>(28.978)</b>

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

Experience adjustment	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Liabilities: (Gain) / Loss	1,418,184	1,196,866	37,000	215,000	(539,000)
Assets: Gain / (Loss)	-	-	-	-	-
	<b>1,418,184</b>	<b>1,196,866</b>	<b>37,000</b>	<b>215,000</b>	<b>(539,000)</b>

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

<b>Increase</b>		
Effect on the current service cost and interest cost	416,000	365,000
Effect on the defined benefit obligation	756,000	1,871,000
<b>Decrease</b>		
Effect on the current service cost and interest cost	(374,000)	(327,000)
Effect on the defined benefit obligation	(2,594,000)	(1,693,000)

### 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 R65,837,458 for employees and R268,736 for Councillors represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 20. Employee benefit obligations (continued)

#### LA Retirement Fund

The LA Retirement Fund's contribution rate payable is 9% by the members and 18% by Council.

The last actuarial valuation performed for the year ended 30 June 2022 revealed that the fund has a funding level of 104.5% (30 June 2021 - 102%).

#### SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme. 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. The most recent valuation statement available for SALA Pension Fund was the monthly report as at 30 April 2022. The total market value of the investments held by the Fund on the valuation date was R 12.8 billion.

#### Municipal Councillors Pension Fund

The contribution rate paid by the members (12%) and Council (15%) is sufficient to fund the benefits accruing from the fund in the future.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R1,798,030,000 (30 June 2017: R1,480,549,000), with funding levels of 103.26% (30 June 2017: 101.31%). The Actuary certified that the Fund was in a sound financial condition as at 30 June 2018, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

#### Municipal Workers Retirement Fund (previously South African Municipal Workers Union National Provident Fund)

The Municipal Workers Retirement Fund is a defined contribution scheme.

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.

The most recent valuation for the Municipal Workers Retirement Fund was performed for the year ended 30 June 2020. As at the valuation date, the total fund and reserves were R9 021 008 000 (corresponding to a funding level of 102.22%). The previous valuation as at 30 June 2019 revealed an excess of R 9 272 763 000 (corresponding to a funding level of 110.6%).

The Fund was in a sound financial position at the valuation date. The funding level before allowing for the reserves has reduced to 102.2%, largely as a result of the poor investment returns over the year to 30 June 2020. The Fund's assets were sufficient to cover the members' Fund Credits and to provide a margin for contingency reserves as at 30 June 2020.

#### Staff leave

The movement on the leave provision consists of the following:

Opening balance	55,029,099	64,538,310
Payments	(4,362,572)	(4,941,339)
Increase / (Decrease) in provision	2,738,518	(4,567,872)
	<b>53,405,045</b>	<b>55,029,099</b>

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 20. Employee benefit obligations (continued)

#### Staff annual bonus

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

Opening balance	14,355,419	14,536,911
Payments	(14,355,419)	(14,536,911)
Additional bonus accrual recognised during the year	16,963,448	14,355,419
	<b>16,963,448</b>	<b>14,355,419</b>

### 21. Provisions

#### Reconciliation of provisions - Notes to the Annual Financial Statements

	Opening Balance	Additions	Utilised during the year	Finance Costs	Transfer to payables from exchange transactions	Total
Rehabilitation of landfill site	69,833,300	(3,241,679)	(588,642)	6,292,503	-	72,295,482
Compensation Liability GIPTN	61,406,071	4,981,736	(15,675,721)	4,595,979	(12,049,861)	43,258,204
	<b>131,239,371</b>	<b>1,740,057</b>	<b>(16,264,363)</b>	<b>10,888,482</b>	<b>(12,049,861)</b>	<b>115,553,686</b>

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Finance Costs	Transfer to payables from exchange transactions	Total
Rehabilitation of landfill site	58,008,501	20,387,570	(12,825,678)	4,262,907	-	69,833,300
Compensation Liability GIPTN	54,222,348	7,576,458	(2,446,595)	3,465,572	(1,411,712)	61,406,071
	<b>112,230,849</b>	<b>27,964,028</b>	<b>(15,272,273)</b>	<b>7,728,479</b>	<b>(1,411,712)</b>	<b>131,239,371</b>

#### Current liabilities consist of

Rehabilitation of landfill site	1,360,785	7,476,815
Compensation Liability GIPTN	4,763,060	5,624,670
	<b>6,123,845</b>	<b>13,101,485</b>
Non-current liabilities	109,429,841	118,137,886
Current liabilities	6,123,845	13,101,485
	<b>115,553,686</b>	<b>131,239,371</b>

Rehabilitation of Landfill site were restated. Refer to note 49 for more detail.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 21. Provisions (continued)

#### 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 2023 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 9.190 % and 12.310% depending on the estimated time of closure.

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

	Opening balance	Additions	Utilised during the year	Unwinding of discount	Total
George	66,580,419	(2,757,012)	(588,642)	6,003,952	69,238,717
Uniondale	3,252,881	(484,667)	-	288,551	3,056,765
	<b>69,833,300</b>	<b>(3,241,679)</b>	<b>(588,642)</b>	<b>6,292,503</b>	<b>72,295,482</b>

#### 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 (2022: 230) licences were subject to the buy-in option, while 295 (2022: 295) 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 R50 449 234 (2022: R73,022,890). A discount rate of 6.128% (2022: 5.9%) (the 2 year Government Bond rate) was used to discount the provision.

The municipality expects to pay the buy-out options between August 2023 and January 2025 as the next phases are rolled out and the buy-in options within 5 years from the roll out dates.

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>22. Conditional government grants and subsidies</b>		
<b>Unspent conditional government grants and subsidies</b>	<b>422,976,457</b>	<b>38,400,794</b>
National Government Grants	386,490,599	-
Provincial Government Grants	28,779,366	29,576,768
Other	7,704,027	7,504,026
District Government Grants	2,464	1,320,000
<b>Less: Conditional government grants and subsidies receivable - Note 4</b>	<b>(17,387,152)</b>	<b>(4,389,363)</b>
National Government Grants	(262,147)	(262,147)
Provincial Government Grants	(14,551,607)	(1,553,818)
District Government Grants	(2,573,398)	(2,573,398)
Other	-	-
	<b>405,589,305</b>	<b>34,011,431</b>

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

The total grants recognised in the Statement of Financial Performance are (Refer to note 30):

<b>Unconditional Grants</b>		
Grants	193,460,000	170,498,012
<b>Conditional Grants</b>		
Grants and Donations	850,467,935	613,394,919
Subsidies	1,233,177	1,147,925
<b>Total Government Grants and Subsidies</b>	<b>1,045,161,112</b>	<b>785,040,856</b>
Operating	636,047,523	570,449,372
Capital	409,113,589	214,591,484
	<b>1,045,161,112</b>	<b>785,040,856</b>

Details of the different grants are set out below.

### Unconditional Grants

#### 22.1 Equitable share

Grants received	193,460,000	170,498,012
Conditions met - Operating	(193,460,000)	(170,498,012)
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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

Free basic services are services provided for poor households (indigent support) that are funded through the Equitable Share allocation. The free basic services for 2023 were R 120,475,786 (2022: R 121,015,643).

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>22. Conditional government grants and subsidies (continued)</b>		
<b>Conditional Grants</b>		
<b>22.2 National: Finance Management Grant (FMG)</b>		
Opening balance	-	-
Grants received	1,721,000	1,550,000
Conditions met - Operating	(1,721,000)	(1,550,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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

### 22.3 National: Infrastructure Skills Development

Opening balance	-	-
Grants received	6,000,000	6,000,000
Conditions met - Operating	(4,634,343)	(5,885,978)
Conditions met - Capital	(143,686)	(114,022)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>1,221,971</b>	<b>-</b>

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

### 22.4 National: Energy Efficiency and Demand Side Management Grant

Opening balance	-	121,027
Grants received	2,500,000	-
Conditions met - Capital	(2,100,388)	-
Repayment of grant	-	(121,027)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>399,612</b>	<b>-</b>

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
Grants received	45,508,000	42,262,000
Conditions met - Operating	(750,000)	(750,002)
Conditions met - Capital	(42,797,692)	(41,511,998)
Repayment of grant	-	(101,019)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>1,960,308</b>	<b>-</b>

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



# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>22. Conditional government grants and subsidies (continued)</b>		
<b>22.6 National: Water Service Infrastructure Grant</b>		
Opening balance	-	-
Grants received	-	3,082,000
Conditions met - Capital	-	(3,082,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
The grant was allocated to the municipality to provide water and sanitation services and reduce backlogs.		
<b>22.7 National: Regional Bulk Infrastructure Grant (RBIG)</b>		
Grants received	374,896,000	81,345,000
Conditions met - Operating	(2,903,210)	(1,500,000)
Conditions met - Capital	(242,588,701)	(79,845,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>129,404,089</b>	<b>-</b>
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.		
<b>22.8 National: Integrated National Electrification Grant</b>		
Opening balance	-	87,966
Grants received	38,036,000	19,350,000
Conditions met - Capital	(37,931,422)	(16,966,666)
Repayment of grant	-	(87,966)
Transfer to Housing Development Fund	-	(2,383,334)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>104,578</b>	<b>-</b>
The National Electrification Grant was used to upgrade the sub-station and electrification network.		
<b>22.9 National: Expanded Public Works Program Grant (EPWP)</b>		
Opening balance	-	-
Grants received	1,990,000	3,068,000
Conditions met - Operating	(1,990,000)	(3,068,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
The Expanded Public Works Program Grant was used to increase labour employment through infrastructure programs that increase job creation and skills development.		
<b>22.10 National: Lawaikamp Sports Grounds (Lotto)</b>		
Opening balance	(262,147)	(262,147)
Grants received	-	-
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(262,147)</b>	<b>(262,147)</b>
The National Lottery has given this grant to the municipality specifically for the upgrading of the Lawaikamp Sports Grounds.		

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 22. Conditional government grants and subsidies (continued)

#### 22.11 National: Public Transport Grant

Opening balance	-	16,426,973
Grants received	237,100,000	209,976,000
Conditions met - Operating	(149,292,686)	(153,517,475)
Conditions met - Capital	(63,502,669)	(72,885,498)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>24,304,645</b>	<b>-</b>

This grant's purpose is to provide supplementary operational funding to municipalities operating approved Integrated Public Transport Network services and to provide improved public transport network services that are formal, scheduled and well managed, as well as to provide funding for accelerated planning, construction and improvement of public and non-motorised transport infrastructure.

#### 22.12 National: Municipal Disaster Recovery Grant

Grants received	237,497,000	-
Conditions met - Capital	(8,401,602)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>229,095,398</b>	<b>-</b>

The National Disaster Recovery Grant aims to facilitate the restoration of the municipal infrastructure that has been adversely affected by environmental hazards, such as flooding. This grant is intended to support the comprehensive recovery and repair efforts necessary to reinstate the functionality and resilience of the municipality's infrastructure systems.

#### 22.13 Provincial: Western Cape Financial Management Capacity Building Grant

Opening balance	124,535	300,000
Grants received	1,450,000	250,000
Conditions met - Operating	(1,250,000)	(425,465)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>324,535</b>	<b>124,535</b>

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

#### 22.14 Provincial: Integrated Public Transport Network Grant

Opening balance	12,671,346	(230,810)
Grants received	214,811,000	217,587,000
Conditions met - Operating	(240,480,135)	(204,684,844)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(12,997,789)</b>	<b>12,671,346</b>

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

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 22. Conditional government grants and subsidies (continued)

#### 22.15 Provincial: Fire Services Capacity Building Grant

Opening balance	-	2,606
Repayment of grant	-	(2,606)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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
Grants received	-	600,000
Conditions met - Operating	-	(636,259)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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

#### 22.17 Provincial: Human Settlements Development Grant

Opening balance	10,135,335	10,229,095
Grants received	10,570,200	959,558
Conditions met - Operating	(189,000)	(912,244)
Conditions met - Capital	(7,678,286)	(141,073)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>12,838,249</b>	<b>10,135,336</b>

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

Human Settlement Grant were previously separately disclosed between Operating and Capital Grants.

Anti Land Invasion grant is separately disclosed as it was previously disclosed as part of Human Settlement Grants.

Housing Accredited / Capacity grant is separately disclosed as it was previously disclosed as part of Human Settlement Grants.

Housing Accelerated Housing Programme is separately disclosed as it was previously disclosed as part of Human Settlement Grants.

Informal Settlements Upgrading Partnership Grant is separately disclosed as it was previously disclosed as part of Human Settlement Grants.

#### 22.18 Provincial: Housing Accredited/Capacity Building Grants

Opening balance	667,233	(132,015)
Grants received	411,837	1,616,000
Conditions met - Operating	(484,870)	(816,753)
Repayment of grant	(411,837)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>182,363</b>	<b>667,232</b>

To fund the establishment of a human settlement unit within the accreditation priority municipality as well as enhancing the existing human settlements unit; and to finance the municipal institutional capacity requirements.

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>22. Conditional government grants and subsidies (continued)</b>		
<b>22.19 Provincial: Accelerated Housing Programme Grants</b>		
Opening balance	530,000	530,000
Grants received	-	-
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>530,000</b>	<b>530,000</b>

The Accelerated Housing Program grant is a provincial initiative aimed at expediting the construction and availability of affordable housing units. Through this program eligible developers and organizations receive financial support, incentives, and streamlined regulatory processes to accelerate the planning and construction of housing projects. The grant aims to address housing shortages and promote urban development by facilitating the creation of new residential properties, thereby contributing to improved housing accessibility and affordability for a broader segment of the population.

### 22.20 Provincial: Informal Settlements Upgrade Grants

Opening balance	2,715,969	-
Grants received	-	5,498,363
Conditions met - Operating	(1,689,377)	(2,782,394)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>1,026,592</b>	<b>2,715,969</b>

To provide funding to facilitate a programmatic and inclusive approach to upgrading informal settlements.

Below is a summary of the net amount payable / (receivable) to the Department of Human Settlements.

### Department of human Settlements

22.17 Provincial: Human Settlements Development Grant	12,838,249	10,135,336
22.18 Provincial: Housing Accreditation/Capacity Grants	182,363	667,232
22.19 Provincial: Accelerated Housing Programme Grants	530,000	530,000
22.20 Provincial: Informal Settlements Upgrade Grants	1,026,592	2,715,969
Construction contracts Refer to note 8	(3,323,366)	(4,275,432)
Principle agent arrangements: amounts due from principle - Refer to note 10	(1,103,983)	(295,319)
Principle agent arrangements: advance received from principle - Refer to note 10	-	3,076,316
	<b>10,149,855</b>	<b>12,554,102</b>

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

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>22. Conditional government grants and subsidies (continued)</b>		
<b>22.21 Provincial: Proclaimed Roads</b>		
Opening balance	-	-
Grants received	22,153,393	8,460,000
Conditions met - Operating	(22,153,393)	(8,460,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>
This grant is given by Provincial Treasury to financially assist municipalities with the maintenance/construction of proclaimed municipal main roads, where the municipality is the Road Authority (Section 50 of Ordinance 19 of 1976).		
<b>22.22 Provincial: Thembaletu &amp; Pacaltsdorp sport fields (YDVS)</b>		
Opening balance	(1,453,818)	(1,453,818)
Grants received	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(1,453,818)</b>	<b>(1,453,818)</b>
This grant was utilised to upgrade the Thembaletu and Pacaltsdorp sport fields.		
<b>22.23 Provincial: Provide resources for the Cycle Infrastructure Project Grant</b>		
Opening balance	(100,000)	(100,000)
Grants received	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(100,000)</b>	<b>(100,000)</b>
This grant was given by Provincial Treasury to the Municipality to further develop and enhance cycle infrastructure in the municipal area.		
<b>22.24 Provincial: Library Services</b>		
Opening balance	467,205	-
Grants received	11,921,000	11,392,000
Conditions met - Operating	(11,258,971)	(10,879,570)
Conditions met - Capital	(817,219)	(45,225)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>312,015</b>	<b>467,205</b>

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

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>22. Conditional government grants and subsidies (continued)</b>		
<b>22.25 Provincial: Community Development Workers' Operational Grant</b>		
Opening balance	124,450	211,336
Grants received	94,000	94,000
Conditions met - Operating	(188,000)	(180,886)
Repayment of grant	(30,450)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>124,450</b>

This grant is for financial assistance to Municipalities to cover the operational expenses i.r.o the functions of the community development workers including the supervisors and regional organisers.

### 22.26 Provincial: Thembalethu Thusong Service Centre

Opening balance	-	4,707
Conditions met - Operating	-	(4,707)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

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

### 22.27 Provincial: Sport / Recreational Facilities

Opening balance	700,000	-
Grants received	800,000	700,000
Conditions met - Capital	(806,509)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>693,491</b>	<b>700,000</b>

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

### 22.28 Provincial: Emergency Municipal Load-Shedding Relief

Opening balance	-	-
Grants received	14,220,000	-
Conditions met - Operating	-	-
Conditions met - Capital	(1,347,879)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>12,872,121</b>	<b>-</b>

Provide a financial contribution to municipalities towards the purchase and installation of back-up energy supply (which may include generators, renewable power sources, batteries and all ancillary costs associated with the installation i.e: switch gear, safe keeping, caging etc) for water and wastewater infrastructure as an immediate response to the prolonged load-shedding, thereby mitigating the impact on the provision of basic services and potential health risks.

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>22. Conditional government grants and subsidies (continued)</b>		
<b>22.29 Provincial: LG Public Employment Support Grant</b>		
Opening balance	1,440,695	-
Grants received	-	2,000,000
Conditions met - Operating	(1,440,695)	(559,305)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>1,440,695</b>

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.

### 22.30 Provincial: Western Cape Municipal Energy Resilience Grant

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

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

### 22.31 Other: GRDM Electrification Grant

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

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

### 22.32 Other: GRDM Emergency Relief Funds

Opening balance	(2,573,398)	(2,573,398)
Grants received	-	-
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>(2,573,398)</b>	<b>(2,573,398)</b>

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	2023	2022
<b>22. Conditional government grants and subsidies (continued)</b>		
<b>22.33 Other SANRAL N2 / York Relief</b>		
Opening balance	7,504,027	7,504,027
Grants received	-	-
Conditions met - Capital	-	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>7,504,027</b>	<b>7,504,027</b>

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

<b>22.34 Other: LG Seta</b>		
Opening balance	-	-
Grants received	1,233,177	1,147,925
Conditions met - Operating	(1,233,177)	(1,147,925)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

These amounts were received from LG Seta based on the municipality's workplace skills plan.

<b>22.35 Other: GRDM Community Safety Initiatives</b>		
Opening balance	120,000	-
Grants received	-	120,000
Conditions met - Operating	(120,000)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>120,000</b>

The Garden Route District Municipality Community Initiatives Grant is given to the municipality to provide community safety initiatives in the George Municipal area.

<b>22.36 Other: GRDM Micro Enterprise Facilities Grant</b>		
Opening balance	1,000,000	-
Grants received	-	1,000,000
Conditions met - Capital	(997,536)	-
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>2,465</b>	<b>1,000,000</b>

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.

<b>22.37 Other: Anti Land Invasion Grant</b>		
Grants received	-	294,000
Conditions met - Operating	-	(294,000)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>-</b>	<b>-</b>

Anti Land Invasion grant is given to protect public land and infrastructure from illegal invasion and opportunistic land grabs.



# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>22. Conditional government grants and subsidies (continued)</b>		
<b>Total Grants</b>		
Opening balance	34,011,431	31,002,828
Grants received	1,416,372,607	789,249,860
Conditions met - Operating	(635,238,859)	(568,953,821)
Conditions met - Capital	(409,113,589)	(214,591,484)
Repayment of grant funding received	(442,287)	(312,618)
Transfers	-	(2,383,334)
<b>Conditions still to be met/(Grant expenditure to be recovered)</b>	<b>405,589,304</b>	<b>34,011,431</b>
<b>23. Housing development fund</b>		
Unappropriate surplus	(17,653,872)	(17,510,692)
Loans extinguished by Government on 1 April 1998	53,383,243	53,383,243
	<b>35,729,371</b>	<b>35,872,551</b>
<b>The housing development fund is represented by the following assets and liabilities</b>		
Housing selling scheme loans	9 36,462	110,088
Inventory	2 61,918	61,918
Receivables from exchange transactions	3 1,145,830	1,133,511
Receivables from non-exchange transactions	4 818,102	847,400
Cash and cash equivalents	11 34,485,161	34,567,034
Payables from exchange transactions	18 (818,102)	(847,400)
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>35,729,371</b>	<b>35,872,551</b>
<b>24. Service charges</b>		
Sale of electricity	785,775,792	820,530,604
Sale of water	211,952,855	167,259,940
Sewerage and sanitation charges	157,407,731	129,151,010
Refuse removal	141,374,178	105,037,335
	<b>1,296,510,556</b>	<b>1,221,978,889</b>
<p>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.</p>		
<b>25. Income from agency services</b>		
Provincial drivers licenses	1,836,903	1,842,313
Provincial vehicle registrations	14,304,911	13,428,889
	<b>16,141,814</b>	<b>15,271,202</b>

Refer to note 58 regarding the principle-agent agreement.

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>26. GIPTN Fare Revenue</b>		
GIPTN Fare Revenue	63,779,838	50,650,489
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.		
<b>27. Other income</b>		
Building plan fees and related income	12,622,126	8,948,436
Camping fees	1,018,770	961,001
Cemetery fees	1,491,192	1,836,472
Collection charges	4,269,076	4,005,468
Development charges	35,159,945	27,766,667
Insurance claims received	2,737,489	288,216
Land usage application fee	2,186,079	898,034
Rates clearance certificates for property transfers	980,179	1,067,648
Reversal to the rehabilitation of the landfill sites provision	3,241,679	-
Sundry income	4,294,921	4,175,083
	<b>68,001,456</b>	<b>49,947,025</b>
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.		
<b>28. Interest received</b>		
<b>Outstanding debtors</b>		
Trade receivables	14,405,852	7,643,739
<b>External Investments</b>		
Bank accounts	27,367,980	15,419,292
Short term investments	35,978,346	14,176,156
	<b>63,346,326</b>	<b>29,595,448</b>
	<b>77,752,178</b>	<b>37,239,187</b>

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>29. Property rates</b>		
<b>Rates received</b>		
Agriculture	6,533,674	5,759,976
Commercial	92,299,929	84,609,064
Formal and informal settlements	17,002,806	16,168,330
Industrial	21,587,887	19,717,511
Public benefit organisations	393,115	382,973
Public service infrastructure	179,058	155,649
Residential	258,513,980	229,200,205
State-owned	18,019,031	17,201,653
Vacant land	17,466,979	16,469,339
Less: Income forgone	(37,800,371)	(33,796,992)
Less: Impermissible rates	(9,493,076)	(8,647,996)
	<b>384,703,012</b>	<b>347,219,712</b>

### Valuations

Agriculture	3,179,707,000	3,066,715,000
Churches & parks	373,690,000	375,124,000
Commercial	7,646,507,000	7,549,933,000
Formal and informal settlements	1,996,615,000	2,077,543,000
Industrial	1,869,754,000	1,840,642,000
Municipal (non-taxable valuations)	1,386,578,000	1,429,467,000
Public service infrastructure	86,929,000	87,487,000
Public benefit organisations	185,631,000	191,297,000
Residential	31,723,406,000	30,391,677,000
State-owned	1,567,731,000	1,596,312,000
Vacant land	1,470,523,000	1,609,625,000
	<b>51,487,071,000</b>	<b>50,215,822,000</b>

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

Uniform rates of 0.8219 (2022: 0.7610) cents in the Rand on total valuations were applied to determine assessment rates. Business tariffs are levied at 1.1596 (2022: 1.0737) for Commercial, Industrial, Business and Mining erven, and this was applicable for all Areas.

Rebates of 15%, 20% and 40% (2022: 15%, 20% and 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

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>30. Government grants &amp; subsidies</b>		
<b>Operating grants</b>		
Equitable share	193,460,000	170,498,012
National: Expanded Public Works Program Grant	1,990,000	3,068,000
National: Financial Management Grant (FMG)	1,721,000	1,550,000
National: Infrastructure Skills Development	4,634,343	5,885,978
National: Municipal Infrastructure Grant (MIG)	750,000	750,001
National: Public Transport Grant	149,292,687	153,517,474
National: Regional Bulk Infrastructure Grant (RBIG)	2,903,210	1,500,000
Provincial: Community Development Workers Grant	188,000	180,887
Provincial: Human Settlements Grant	3,171,910	6,006,944
Provincial: Integrated Public Transport Network Grant	240,480,135	204,684,844
Provincial: Library Services Grant	11,258,971	10,879,570
Provincial: Integrated Transport Planning Grant	-	636,260
Provincial: Proclaimed Roads	22,153,393	8,460,000
Provincial: Thusong Centre Grant	-	4,707
Provincial: Western Cape Financial Management Capacity Building	1,250,001	425,465
Provincial: Western Cape Municipal Energy Resilience Grant	-	400,000
Other: LG Anti Land Invasion	-	294,000
Other: LG Public Employment Grant	1,440,696	559,305
Other: LG Seta	1,233,177	1,147,925
Other: GRDM: Community Initiatives	120,000	-
	<b>636,047,523</b>	<b>570,449,372</b>
<b>Capital grants</b>		
National: Energy Efficiency and Demand Side Management Grant	2,100,388	-
Provincial: Emergency Municipal Load-Shedding Relief	1,347,879	-
Provincial: Sport and Recreational Facilities	806,509	-
Other: JDMA Grant	997,536	-
National: Municipal Disaster Recovery Grant	8,401,602	-
National: Municipal Disaster Recovery Grant	-	-
National: Infrastructure Skills Development	143,686	114,022
National: Integrated National Electrification Grant	37,931,422	16,966,666
National: Municipal Infrastructure Grant (MIG)	42,797,692	41,512,000
National: Public Transport Grant	63,502,669	72,885,498
National: Regional Bulk Infrastructure Grant (RBIG)	242,588,701	79,845,000
National: Water Service Infrastructure Grant	-	3,082,000
Provincial: Human Settlements Grant	7,678,286	141,073
Provincial: Library Services Grant	817,219	45,225
	<b>409,113,589</b>	<b>214,591,484</b>
	<b>1,045,161,112</b>	<b>785,040,856</b>

Anti Land Invasion grant is separately disclosed as it was previously disclosed as part of Human Settlement Operating Grants.

Provincial: Human Settlements Operating Grant previously R6 300 944.

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>30. Government grants &amp; subsidies (continued)</b>		
<b>Revenue recognised per vote as required by Section 123 (c) of the MFMA</b>		
Civil Engineering Services	867,989,318	311,480,194
Community Services	55,175,082	31,235,913
Corporate Services	14,958,362	443,258
Electro- Technical Services	97,494,928	66,557,816
Financial Services	2,971,001	6,805,413
Human Settlements, Planning and Property Management	6,572,421	11,731,197
Office of the Municipal Manager	-	168,871
Protection Services	-	356,618,194
	<b>1,045,161,112</b>	<b>785,040,856</b>
<b>31. Fines, penalties and forfeits</b>		
Property rates penalties	1,995,314	2,027,057
GIPTN Bus operator penalties	-	530,024
Other fines	1,279,011	912,545
Traffic fines	64,767,795	71,662,541
Unclaimed Money Forfeits	5,055,036	11,379,270
	<b>73,097,156</b>	<b>86,511,437</b>
<b>32. In-kind donations and assistance</b>		
The following in-kind donation and assistance has been received for the year under review:		
George fire relief	-	232,215
<b>Property, Plant and equipment</b>		
Erf 145/4 Uniondale	-	7,500
Erf 2212 Uniondale	-	50,000
	<b>-</b>	<b>289,715</b>
<b>33. Availability Charges</b>		
Sewerage - Availability charges	5,351,726	5,247,451
Refuse - Availability charges	6,629,234	5,144,193
Electricity - Availability charges	3,119,706	3,086,653
Water - Availability charges	7,211,746	5,224,229
	<b>22,312,412</b>	<b>18,702,526</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>34. Employee related costs</b>		
Basic	376,419,520	353,317,352
Housing benefits and allowances	2,364,948	2,336,309
Medical aid - company contributions	25,639,484	23,637,272
Other payroll levies	10,636,358	10,217,862
Overtime payments	60,008,713	50,530,586
Employee benefit obligations	2,426,968	20,082,083
- Current service cost	8,977,176	8,282,489
- Interest cost	25,174,100	20,638,300
- Actuarial (gains) / losses recognised	(31,724,308)	(8,838,706)
Bonus	29,912,052	25,235,897
Staff leave	2,738,518	4,567,872
Travel, motor car, accommodation, subsistence and other allowances	36,564,859	36,616,584
UIF	3,138,755	3,140,735
Pension	65,837,458	59,459,750
Arbitration awards	42,198	-
Severance package	1,313,610	-
Settlement agreements	845,175	896,737
	<b>617,888,616</b>	<b>590,039,039</b>

The prior year figures have been reclassified between the Long-service awards and Employee benefit obligations.

Long-service awards previously disclosed: R2 443 294.

Current service cost previously disclosed: R6 088 489.

Actuarial (gains) / Losses recognised previously disclosed:(R9 088 000).

The above split was performed based on section A4.2 of the report of the Actuarial Valiation of the Long Service Award liability.

Refer to the PV reconciliation performed on Long service award note 20.

Included in the balances above are the following:

### Remuneration of Municipal Manager

Annual remuneration	1,669,252	1,576,573
Travel allowance	132,000	122,000
Acting expenses	-	7,839
Contributions to UIF, Bargaining Council, Medical and Pension Funds	2,255	2,248
Performance bonus	241,367	118,900
Cellphone allowance	40,800	-
Once-off Gratuity	40,680	-
	<b>2,126,354</b>	<b>1,827,560</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>34. Employee related costs (continued)</b>		
<b>Remuneration of Director Financial Services</b>		
Annual remuneration	1,268,078	931,662
Car allowance	120,000	110,000
Contributions to UIF, Medical and Pension Funds	126,141	252,915
Cellphone allowance	40,800	-
Performance bonus	115,910	138,715
Other	-	15,989
Once-off Gratuity	38,985	-
Acting allowance	3,144	-
	<b>1,713,058</b>	<b>1,449,281</b>
<b>Remuneration of Director Corporate Services</b>		
Annual remuneration	1,005,534	1,008,922
Car allowance	115,031	144,000
Settlement agreement (previous director)	594,775	-
Performance Bonuses	-	199,844
Contributions to UIF, Medical and Pension Funds	70,621	276,785
Acting expense	26,884	9,265
Cellphone allowance	32,794	-
Leave gratuity (previous director)	45,862	-
Once-off Gratuity	11,395	-
	<b>1,902,896</b>	<b>1,638,816</b>
<b>Remuneration of Human Settlements, Planning and Development and Property Management</b>		
Annual Remuneration	1,485,635	1,292,616
Performance Bonuses	202,842	71,373
Contributions to UIF, Medical and Pension Funds	30,369	223,226
Cellphone allowance	40,800	-
Once-off Gratuity	40,680	-
Acting expense	-	9,052
Leave gratuity	-	111,789
	<b>1,800,326</b>	<b>1,708,056</b>
<b>Remuneration of Director Electro- Technical Services</b>		
Annual Remuneration	1,428,878	1,136,988
Performance Bonuses	202,842	-
Contributions to UIF, Medical and Pension Funds	88,465	263,785
Leave gratuity	40,800	-
Other	-	28,934
Once-off Gratuity	40,680	-
	<b>1,801,665</b>	<b>1,429,707</b>

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>34. Employee related costs (continued)</b>		
<b>Remuneration of Director Community Services</b>		
Annual remuneration	684,085	1,146,595
Settlement agreement (Previous Director)	845,175	-
Car Allowance	26,000	-
Contributions to UIF, Medical and Pension Funds	169,830	283,112
Acting expense	22,183	11,004
Cellphone allowance	23,172	-
Once-off Gratuity	23,730	-
	<b>1,794,175</b>	<b>1,440,711</b>
<b>Remuneration of Director Protection Services</b>		
Annual remuneration	-	814,596
Settlement agreement	-	896,737
Car allowance	-	75,733
Contributions to UIF, Medical and Pension Funds	57	237,040
Acting expense	-	75,601
Performance bonus	-	199,844
Leave gratuity	5,733	-
	<b>5,790</b>	<b>2,299,551</b>
<b>Remuneration of Director Civil Engineering Services</b>		
Annual Remuneration	722,165	-
Car Allowance	82,400	-
Contributions to UIF, Medical and Pension Funds	191,830	-
Cellphone allowance	27,200	-
Once-off Gratuity	13,560	-
Acting expense	17,402	46,082
	<b>1,054,557</b>	<b>46,082</b>
<b>35. Remuneration of councillors</b>		
<b>Basic salaries</b>		
Executive Major	725,487	668,843
Deputy Executive Mayor	580,385	508,051
Speaker	701,342	634,692
Chief Whip	544,036	501,100
Executive and Section 79 Committee	6,469,418	5,558,975
Councillors	8,728,767	8,135,451
<b>Allowances and contributions</b>		
Car allowance	4,929,917	5,022,842
Cell phone allowance	2,337,523	2,174,099
Contributions to medical aid	271,072	228,684
Contributions to pension fund	268,736	350,000
	<b>25,556,683</b>	<b>23,782,737</b>



# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>35. Remuneration of councillors (continued)</b>		
The remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act. Refer to page 5 for the certification by the Accounting Officer.		
Remuneration for the Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip are:		
<b>Executive Mayor</b>		
Basic salary	725,487	668,843
Car allowance	230,164	222,169
Cell phone allowance	43,200	39,327
	<b>998,851</b>	<b>930,339</b>
<b>Deputy Executive Mayor</b>		
Basic salary	580,385	508,051
Car allowance	184,133	177,483
Cell phone allowance	43,200	39,327
	<b>807,718</b>	<b>724,861</b>
<b>Speaker</b>		
Basic salary	701,342	634,692
Car allowance	-	39,282
Cell phone allowance	43,200	39,327
Contributions to medical aid	64,344	36,621
	<b>808,886</b>	<b>749,922</b>
<b>Chief Whip</b>		
Basic Salary	544,036	501,100
Car allowance	172,702	166,466
Cell phone allowance	43,200	39,327
	<b>759,938</b>	<b>706,893</b>
<b>Executive Committee</b>		
Basic Salary	5,330,005	4,659,925
Car allowance	1,669,452	1,517,465
Cell phone allowance	429,600	396,920
Contributions to medical aid	-	25,167
Contributions to pension fund	99,417	52,789
	<b>7,528,474</b>	<b>6,652,266</b>
<b>Section 79 committee chairperson</b>		
Basic Salary	1,139,413	899,050
Car allowance	201,073	145,304
Cell phone allowance	81,600	63,240
	<b>1,422,086</b>	<b>1,107,594</b>
<b>All Other Councillors</b>		
Basic Salary	8,708,967	8,135,451
Car allowance	2,472,394	2,745,673

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>35. Remuneration of councillors (continued)</b>		
Cell phone allowance	1,653,523	1,583,632
Contributions to medical aid	206,728	166,896
Contributions to pension fund	169,319	266,614
Public Office bearer allowance	19,800	-
	<b>13,230,731</b>	<b>12,898,266</b>

### In-kind benefits

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

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

### 36. Depreciation and amortisation

Property, plant and equipment	187,671,499	165,817,998
Intangible assets	338,042	355,966
Investment property	161,570	161,570
	<b>188,171,111</b>	<b>166,335,534</b>

### 37. Impairment loss

#### Impairments

Trade receivables from exchange transactions	87,289,560	45,062,231
Trade and other receivables from non-exchange transactions	63,318,450	52,128,318
Loans and receivables	(10,540)	27,922
	<b>150,597,470</b>	<b>97,218,471</b>

### 38. Finance costs

Borrowings	34,749,920	28,432,604
Finance leases	4,939	81,856
Late payment of tax	-	21,703
Provision for rehabilitation of landfill site	6,292,504	4,262,906
Provision for Compensation Liability GIPTN (provision and accrual)	4,017,364	3,554,817
	<b>45,064,727</b>	<b>36,353,886</b>

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

Provision for rehabilitation of landfill site for restated. Refer to note 49 for more detail.

### 39. Bulk purchases

Electricity - Eskom	598,225,496	612,348,190
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Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>40. Contracted services</b>		
<b>Consultants and Professional Services</b>		
Business and Advisory		
Accounting and Auditing	1,611,380	1,062,715
Air Pollution	-	17,075
Audit Committee	148,456	137,709
Human Resources	1,699,689	2,449,467
Project Management	4,469,633	1,198,520
Quality Control	769,238	831,085
Valuer and Assessors	3,524,071	2,047,111
<b>Infrastructure and Planning</b>		
Engineering	10,459,233	6,912,817
Town Planner	1,362,451	564,210
Other	-	172,750
<b>Other</b>		
Laboratory Services	202,887	102,596
Legal Cost	17,296,804	13,384,418
<b>Contractors</b>		
Artist and Performers	791,444	403,710
Catering Services	775,649	1,804,354
Electrical	10,298,628	7,370,216
Employee Wellness	633,501	551,653
Event Promoters	17,144,174	13,651,434
Fire Protection	188,110	7,568
First Aid	1,300,676	590,353
Haulage	5,070,346	3,975,785
Inspection Fees	-	273,875
Buildings and Facilities	46,652,078	35,305,245
Equipment	6,884,174	8,731,099
Unspecified Assets	164,116,961	109,777,648
Management of Informal Settlements	8,097,931	4,494,764
Prepaid Electricity Vendors	24,282,908	23,969,660
Safeguard and Security	1,011,026	1,627,833
Traffic and Street Lights	1,000,039	2,564,596
Other	154,944	27,655
<b>Outsourced Services</b>		
Business and Advisory		
Accounting and Auditing	1,234,471	429,319
Business and Financial Management	3,044,208	963,379
Communications	725,980	767,656
Human Resources	627,783	401,403
Organisational	7,111,955	2,195,943
<b>Other</b>		
Administrative and Support Staff	661,254	2,520,331
Alien Vegetation Control	1,232,170	694,411
Animal Care	3,100,106	3,100,106
Clearing and Grass Cutting Services	3,298,673	2,606,651
Internal Auditors	4,232,755	3,537,445
Legal Cost	736,617	710,762
Meter Management	2,541,271	2,487,412
Refuse Removal	9,157,295	6,109,389
Printing Services	1,842,986	1,589,137
Security Services	29,633,879	27,255,605
Sewerage Services	47,162	348,521
Traffic Fines Management	3,912,806	2,421,421

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>40. Contracted services (continued)</b>		
Transport Services	273,684,068	232,149,104
Other	154,013	160,300
	<b><u>676,925,883</u></b>	<b><u>534,456,216</u></b>
<b>41. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Bursary Grants	11,935	278,531
Provincial Department of Transport	43,497,582	87,385,642
Donations	46,860	-
Community Development Worker's Grant	-	26,999
	<b><u>43,556,377</u></b>	<b><u>87,691,172</u></b>
<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 issued yearly. The municipality also paid an amount to SANRAL from this grant.</p>		
<b>42. (Profit) /loss on disposal of assets</b>		
Property, plant and equipment	818,302	(1,168,500)
Inventory	176,305	119,733
	<b><u>994,607</u></b>	<b><u>(1,048,767)</u></b>
<b>43. Inventories losses/write downs</b>		
<b>Net realisable value adjustments</b>		
GIPTN Smart Cards for electronic fare revenue system	282,526	-
Unsold properties held for resale	1,962,050	-
	<b><u>2,244,576</u></b>	<b><u>-</u></b>
<p>Refer to note 2 for details of inventories held by the municipality.</p> <p>Net realisable value adjustment were performed on properties sold to Garden Route municipality.</p> <p>Net realisable value adjustments were performed on the GIPTN Smart Cards held as inventory as at 30 June 2023.</p>		
<b>44. Other materials / Inventory</b>		
Fuel	35,642,100	17,338,719
Chemicals	45,849,977	24,908,293
Other	45,677,993	39,884,605
	<b><u>127,170,070</u></b>	<b><u>82,131,617</u></b>

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>45. General expenses</b>		
Advertising, publicity and marketing	3,279,869	2,668,508
Auditors remuneration	7,633,410	6,092,679
Bank charges	2,329,182	2,305,792
Bargaining Council	6,624,179	6,061,812
Bus ticketing services	35,860,832	-
Commission Third Party Vendors	5,928,728	5,075,120
Contribution to the rehabilitation of the landfill sites provision	-	20,387,570
External computer services	20,548,825	16,533,149
Rental of vehicles and equipment	11,498,671	17,755,315
Insurance	16,975,958	12,725,544
Internet charges	4,681,597	5,664,032
Learnerships and interns	459,522	887,263
Lease rentals on operating leases	2,769,151	5,246,679
Levies	2,510,318	1,677,771
Other general expenses	8,458,064	5,394,826
Postage, courier and delivery services	71,462	42,462
Refuse	10,560,825	8,963,020
Skills Development Levy	6,302,176	5,931,940
Telephone and fax	1,529,992	1,930,345
Travel - local	2,112,159	1,941,384
Uniforms	5,795,187	4,176,082
Vehicle Tracking	3,952,611	3,129,226
Warranties paid	1,715,239	19,318,604
Workmen's Compensation Fund	2,974,267	4,798,810
	<b><u>164,572,224</u></b>	<b><u>158,707,933</u></b>

General expenses were restated. Refer to note 49 for more detail.

Prior year expenditure incorreced classified under auditors remuneration reclassified as other general expenditure.

Auditors remuneration previously reported: R6 266 479.

Other general expense previously reported: R5 221 026.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>46. Cash generated from operations</b>		
Surplus	410,848,209	231,350,310
<b>Adjustments for:</b>		
Depreciation and amortisation	188,171,111	166,335,534
Gain on disposal of assets and liabilities	994,607	(1,048,767)
Donated asset receipts included in other income	-	(57,500)
Finance costs - Finance leases	4,939	81,856
Impairment of assets	150,597,470	97,218,471
Movements in bonus provision	2,608,029	(181,492)
Movements in provisions	578,680	34,280,794
Provisions utilised during the year	(16,264,363)	(15,272,273)
Movement in Employee benefit asset and liabilities - Medical Aid, Pension and Long Service Awards	2,472,236	19,695,300
Movement in Employee benefit asset and liabilities - Staff leave	(1,624,054)	(9,509,211)
Receipts from principal	(808,664)	11,741,534
Payments on behalf of principal	(3,178,604)	(1,495,552)
Benefits paid in terms of employee benefits obligations	(11,595,208)	(11,723,000)
Construction contracts receipts	825,716	17,343,880
Unspent conditional grants received	1,416,738,985	790,432,794
Payments from unspent conditional grants	(1,045,161,112)	(785,040,855)
Construction contracts revenue	(126,350)	(1,040,443)
Inventory Losses / Write - downs	2,244,576	-
<b>Changes in working capital:</b>		
Inventories	(2,565,478)	(2,223,285)
(Increase) / Decrease in Receivables from non-exchange transactions	(117,939,863)	(65,094,904)
(Increase) / Decrease in Prepayments	8,847,729	(10,098,641)
(Increase) / Decrease in Receivables from exchange transactions	(72,954,311)	(66,590,414)
Increase / (Decrease) in Trade and other payables from exchange transactions	(10,415,117)	15,670,715
(Increase) / Decrease in VAT	(16,427,587)	(12,547,011)
Increase / (Decrease) in Consumer deposits	3,412,430	3,750,205
	<b>889,284,006</b>	<b>405,978,045</b>
<b>47. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted</b>		
• Infrastructure	527,923,953	438,723,780
• Community	4,908,406	-
	<b>532,832,359</b>	<b>438,723,780</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	532,832,359	438,723,780

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>47. Commitments (continued)</b>		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	1,150,336	1,588,794
- in second to fifth year inclusive	3,638,282	500,015
	<b>4,788,618</b>	<b>2,088,809</b>

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.

### 48. Contingencies

#### Compensation for damages

Magnolia Ridge Properties 77 (Pty) Ltd	3,000,000	750,000
Construction of Nelson Mandela Boulevard	1,000,000	2,000,000
Acme Tool Hire	-	1,963,794
Coastal Armature Winders and Supplies	-	10,000
N Landu	1,362,784	1,362,784
Royal Haskoning	600,000	-
K Langeveldt	350,000	-
	<b>6,312,784</b>	<b>6,086,578</b>

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.

Application for Special Leave to Appeal on behalf on the Municipality was lodged at the Supreme Court on 19 June 2023. The cost exposure for the municipality will be approximately R3 000 000 (2022: R750 000) if the company is successful.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 48. Contingencies (continued)

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 R30 000 000 (2022: R51,000,000). The estimated amount of financial exposure for the Municipality as far as legal fees are concerned, is approximately R1 000 000 (2022: 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 R1 000 000 (2022: R2,000,000).

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 parties have reached a settlement in this matter and therefore the matter can be regarded as concluded.

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. The amount has been settled and therefore the case can be regarded as concluded.

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.

Royal Haskoning: The matter is centred around the professional negligence of the consulting engineer during the construction of a new 12.5ML Reservoir at the George Old Water Treatment Works. The claims is for damages as a result of the 1.38ML loss of water storage capacity due to the engineer's designs being incorrect. The matter has been transferred to the commercial court for purposes of expediency and cost-effectiveness. The matter will be heard at trial within the first quarter of 2024. The cost exposure for the municipality will be approximately R600 000.

K Langeveldt: The matter is a review application by the plaintiff to have his dismissal set aside and declared unlawful. The plaintiff was appointed on a fixed term contract in the office of the mayor. Upon the end of the mayors term his contract had come to an end and his contract was not renewed. The plaintiff is claiming retrospective reinstatement, which monetary amount is one year's annual salary, should he be successful. The cost exposure for the municipality will be approximately R350 000. The matter is still in progress.

The separation of funding and implementation responsibilities often results in unfunded mandates being imposed on municipalities. The municipality is not assigned a Library function, and is also not acting formally in terms of an SLA as agent of the province, but it is also expected to contribute financially to provision of library services. The Municipality is therefore unclear on the VAT treatment on all contributions received, till such time that clarity is obtained it will be disclosed as a contingent liability. The amount is currently undeterminable as no government gazette have been issued on the VAT treatment of the allocation.



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2023	2022	
<b>49. Prior period errors</b>				
Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:				
<b>Statement of financial position</b>				
<b>2022</b>				
	Note	As previously reported	Correction of error	Restated
<b>Current Assets</b>				
Inventories		119,399,366	-	119,399,366
Receivables from exchange transactions		159,185,900	-	159,185,900
Receivables from non-exchange transactions		61,765,259	-	61,765,259
Prepayments		16,170,572	-	16,170,572
Vat receivable	49.1	16,561,574	1,865,626	18,427,200
Construction contracts and receivables/(payables)		4,275,432	-	4,275,432
Loans and receivables		226,637	-	226,637
Principle agent arrangement: amounts due from principle		295,319	-	295,319
Cash and cash equivalents		592,535,532	-	592,535,532
		<b>970,415,591</b>	<b>1,865,626</b>	<b>972,281,217</b>
<b>Non-Current Assets</b>				
Property, plant and equipment		3,290,605,545	-	3,290,605,545
Intangible assets		1,248,983	-	1,248,983
Heritage assets		4,236,000	-	4,236,000
Investment property		144,073,274	-	144,073,274
Loans and receivables		331,779	-	331,779
		<b>3,440,495,581</b>	<b>-</b>	<b>3,440,495,581</b>
<b>Current Liabilities</b>				
Principle agent arrangement: advance received from principle		(3,076,316)	-	(3,076,316)
Loans and borrowings		(43,241,857)	-	(43,241,857)
Finance lease obligation		(170,869)	-	(170,869)
Payables from exchange transactions		(259,839,398)	-	(259,839,398)
Consumer deposits		(36,003,351)	-	(36,003,351)
Employee benefit obligation		(81,523,918)	-	(81,523,918)
Provisions	49.2	(9,555,353)	(3,546,132)	(13,101,485)
Unspent conditional grants and receipts		(38,400,794)	-	(38,400,794)
		<b>(471,811,856)</b>	<b>(3,546,132)</b>	<b>(475,357,988)</b>
<b>Non-Current Liabilities</b>				
Loans and borrowings		(198,295,415)	-	(198,295,415)
Payables from exchange transactions		(4,614,193)	-	(4,614,193)
Employee benefit obligation		(208,731,900)	-	(208,731,900)
Provisions	49.2	(118,275,598)	137,712	(118,137,886)
		<b>(529,917,106)</b>	<b>137,712</b>	<b>(529,779,394)</b>
<b>Net Assets</b>				
Housing development fund		(35,872,551)	-	(35,872,551)
Accumulated surplus (Opening balance 1 July 2022)	49.5	(3,119,169,159)	(6,415,514)	(3,125,584,673)
		<b>(3,155,041,710)</b>	<b>(6,415,514)</b>	<b>(3,161,457,224)</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022		
<b>49. Prior period errors (continued)</b>				
<b>Statement of financial performance</b>				
<b>2022</b>				
	Note	As previously reported	Correction of error	Restated
<b>Revenue from exchange transactions</b>		1,383,249,796	-	1,383,249,796
Service charges - Electricity		820,530,604	-	820,530,604
Service charges - Water		167,259,940	-	167,259,940
Service charges - Sewerage and sanitation charges		129,151,010	-	129,151,010
Service charges - Refuse removal		105,037,335	-	105,037,335
Rental of facilities and equipment		4,216,085	-	4,216,085
Income from agency services		15,271,202	-	15,271,202
Sale of erven		2,898,152	-	2,898,152
GIPTN Fare Revenue		50,650,489	-	50,650,489
Other income		49,947,025	-	49,947,025
Interest received - Outstanding Debtors		7,643,739	-	7,643,739
Gain on disposal of assets and liabilities		1,048,767	-	1,048,767
Interest received - External Investments		29,595,448	-	29,595,448
<b>Revenue from non-exchange transactions</b>		<b>1,238,804,689</b>	-	<b>1,238,804,689</b>
Property rates		347,219,712	-	347,219,712
Government grants and subsidies - Operating		570,449,372	-	570,449,372
Government grants and subsidies - Capital		214,591,484	-	214,591,484
Construction contract revenue		1,040,443	-	1,040,443
Fines, penalties and forfeits		86,511,437	-	86,511,437
In-kind donations and assistance		289,715	-	289,715
Availability charges		18,702,526	-	18,702,526
<b>Total Revenue</b>		<b>2,622,054,485</b>	-	<b>2,622,054,485</b>
<b>Expenditure</b>				
Employee related costs		(590,039,039)	-	(590,039,039)
Remuneration of Councillors		(23,782,737)	-	(23,782,737)
Depreciation and amortisation		(166,335,534)	-	(166,335,534)
Impairment loss		(97,218,470)	-	(97,218,470)
Finance costs	49.3	(36,701,336)	347,450	(36,353,886)
Bulk purchases		(612,348,190)	-	(612,348,190)
Contracted services		(534,456,216)	-	(534,456,216)
Grants and subsidies paid		(87,691,172)	-	(87,691,172)
Cost of housing sold		(1,639,380)	-	(1,639,380)
Other materials / Inventory		(82,131,617)	-	(82,131,617)
General Expenses	49.4	(150,402,175)	(8,305,758)	(158,707,933)
		<b>(2,382,745,866)</b>	<b>(7,958,308)</b>	<b>(2,390,704,174)</b>
<b>Surplus for the year</b>		<b>239,308,619</b>	<b>(7,958,308)</b>	<b>231,350,311</b>

Segment reporting note 66 have been adjusted subsequent to the corrections performed above.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand		2023	2022	
<b>49. Prior period errors (continued)</b>				
<b>Cash flow statement</b>				
<b>Notes to the Annual Financial Statements</b>				
	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Movement in provisions	49.2	26,322,485	7,958,308	34,280,793

### 49.1 Prior period error: VAT Receivable

Correction of COMAF 24 of 2021 raised by the Auditor General during the regulatory audits performed. Correction of the difference between the provision for impairment output VAT account and supporting documentation.

Statutory receivables were restated accordingly.

<b>VAT receivable (Balance as previously reported)</b>	16,561,574
Correction of error	1,865,626
<b>VAT receivable (Restated balance)</b>	<b>18,427,200</b>

### 49.2 Prior period error: Provision

Correction of the rehabilitation period of George Landfill site as per the closure licence issued. The rehabilitation period of the Landfill site is 2024 until 2029, whereafter monitoring of the site will commence. The effect of the provision is indicated below.

<b>Provision (Balance as previously reported)</b>	(127,830,951)
Correction of error	(3,408,420)
<b>Provision (Restated balance)</b>	<b>(131,239,371)</b>

### 49.3 Prior period error: Finance cost

Correction of the rehabilitation period of George Landfill site as per the closure licence issued. The rehabilitation period of the Landfill site is 2024 until 2029, whereafter monitoring of the site will commence. The effect on Finance cost is indicated below.

<b>Finance cost (Balance as previously reported)</b>	(36,701,336)
Correction of error	347,450
<b>Finance cost (Restated balance)</b>	<b>(36,353,886)</b>

### 49.4 Prior period error: General expenses

Correction of the rehabilitation period of George Landfill site as per the closure licence issued. The rehabilitation period of the Landfill site is 2024 until 2029, whereafter monitoring of the site will commence. The effect on Contribution / (Reversal) to the rehabilitation of the landfill sites is indicated below.

<b>General expenses (Balance as previously reported)</b>	(150,402,175)
Correction of error	(8,305,758)
<b>General expenses (Restated balance)</b>	<b>(158,707,933)</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 49. Prior period errors (continued)

#### 49.5 Accumulated surplus (opening balance)

Correction of the rehabilitation period of George Landfill site as per the closure licence issued. The rehabilitation period of the Landfill site is 2024 until 2029, whereafter monitoring of the site will commence. The effect on Contribution / (Reversal) to the rehabilitation of the landfill sites is indicated below.

Correction of COMAF 24 raised by the Auditor General in the previous 2 consecutive Regulatory audits performed. Correction of the difference between the provision for impairment output VAT account and supporting documentation.

<b>Accumulated surplus (Opening Balance as previously reported)</b>		(3,119,169,159)
VAT correction		(1,865,625)
Landfill site		(4,549,889)
<b>Accumulated surplus (Opening Balance restated)</b>		<b><u>3,125,584,673</u></b>

### 50. Financial instruments disclosure

#### Categories of financial instruments

#### Notes to the Annual Financial Statements

##### Loans and receivables

Housing Scheme loans	36,462	110,089
Sale of Erven Loans	20,690	20,690
Actaris Meter Debt	218,360	427,637

##### Trade and other receivables from exchange transactions

Service debtors	177,877,215	147,843,266
Other debtors	11,149,025	11,342,634

##### Other receivables from non-exchange transactions

Other debtors	17,981,722	10,428,979
Construction contracts and receivables/(payables)	3,323,366	4,275,432
Principle agent arrangement: amounts due from principle	1,103,983	295,319

##### Cash and cash equivalents

Cash and cash equivalents	843,879,110	592,535,532
	<b><u>1,055,589,933</u></b>	<b><u>767,279,578</u></b>

#### Financial liabilities

##### Loans and borrowings

Annuity loans	308,715,588	241,537,272
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##### Finance lease obligations

Finance lease obligation	-	170,870
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##### Consumer deposits

Electricity and water deposits	39,415,781	36,003,351
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##### Trade and other payables

Trade payables	237,135,999	228,694,441
Principle agent arrangement: advance received from principle	-	3,076,316

	<b><u>585,267,368</u></b>	<b><u>509,482,250</u></b>
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Including Availability charges receivables less allowance for impairment as financial assets previously omitted from the disclosure.

Other debtors previously disclosed R6 652 288.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 51. 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 and net-settled derivative 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 June 30, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	79,245,578	72,159,758	203,366,632	129,065,819
Consumer deposits	39,415,781	-	-	-
Trade and other payables	227,835,001	5,482,483	2,795,682	-
At June 30, 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	-

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

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2022

### 51. 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 June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>51. Risk management (continued)</b>		
<b>Financial instruments</b>		
Loans and receivables	275,512	558,416
Trade and other receivables from exchange transactions	189,026,240	159,185,900
Other receivables from non-exchange transactions	21,724,501	14,999,730
Cash and cash equivalents	843,879,110	592,535,532
	<b>1,054,905,363</b>	<b>767,279,578</b>

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.

### 52. Unauthorised expenditure

Opening balance	3,288,035	84,133,628
Add: Unauthorised expenditure incurred in the current year	-	3,288,035
Less: Unauthorised expenditure authorised by council	(3,288,035)	(84,133,628)
<b>Closing balance</b>	<b>-</b>	<b>3,288,035</b>

Council approved the unauthorised expenditure amounting to R3 288 035 on 26 January 2023. The prior year amount of R84,133,628 was approved by Council on 28 April 2022.

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

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022		
<b>52. Unauthorised expenditure (continued)</b>				
<b>Budget Comparison by Municipal Vote in total</b>	<b>2023 Actual</b>	<b>2023 Budget</b>	<b>2023 Variance</b>	<b>2023 Unauthorised</b>
Civil Engineering Services	1,574,167,624	2,130,069,216	(555,901,592)	-
Community Services	431,511,194	445,181,786	(13,670,592)	-
Corporate Services	165,820,151	219,598,233	(53,778,082)	-
Electro-Technical services	932,549,022	1,011,307,072	(78,758,050)	-
Financial Services	133,434,779	192,542,897	(59,108,118)	-
Human Settlements, Planning and Development and Property Management	106,343,638	125,631,777	(19,288,139)	-
Office of the Municipal Manager	25,440,522	28,912,429	(3,471,907)	-
	<b>3,369,266,930</b>	<b>4,153,243,410</b>	<b>(783,976,480)</b>	<b>-</b>
<b>Budget Comparison by Municipal Vote - Operating Expenditure</b>	<b>2023 Actual</b>	<b>2023 Budget</b>	<b>2023 Variance</b>	<b>2023 Unauthorised</b>
Civil Engineering Services	1,064,675,155	1,236,742,567	(172,067,412)	-
Community Services	374,127,180	375,061,573	(934,393)	-
Corporate Services	159,878,766	212,479,969	(52,601,203)	-
Electro-Technical services	793,373,801	850,467,543	(57,093,742)	-
Financial Services	130,525,954	189,604,747	(59,078,793)	-
Human Settlements, Planning and Development and Property Management	98,462,953	113,157,142	(14,694,189)	-
Office of the Municipal Manager	25,313,803	28,702,429	(3,388,626)	-
	<b>2,646,357,612</b>	<b>3,006,215,970</b>	<b>(359,858,358)</b>	<b>-</b>
<b>Budget Comparison by Municipal Vote - Capital Expenditure</b>	<b>2023 Actual</b>	<b>2023 Budget</b>	<b>2023 Variance</b>	<b>2023 Unauthorised</b>
Civil Engineering Services	509,492,469	893,326,649	(383,834,180)	-
Community Services	57,384,014	70,120,213	(12,736,199)	-
Corporate Services	5,941,385	7,118,264	(1,176,879)	-
Electro-Technical services	139,175,221	160,839,529	(21,664,308)	-
Financial Services	2,908,825	2,938,150	(29,325)	-
Human Settlements, Planning and Development and Property Management	7,880,685	12,474,635	(4,593,950)	-
Office of the Municipal Manager	126,719	210,000	(83,281)	-
	<b>722,909,318</b>	<b>1,147,027,440</b>	<b>(424,118,122)</b>	<b>-</b>
<b>Budget Comparison by Municipal Vote in total</b>	<b>2022 Actual</b>	<b>2022 Budget</b>	<b>2022 Variance</b>	<b>2022 Unauthorised</b>
Civil Engineering Services	787,715,251	862,577,387	(74,862,136)	-
Community Services	208,529,721	207,419,215	1,110,506	1,110,505
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)	-
	<b>2,835,343,584</b>	<b>3,115,816,801</b>	<b>(280,473,217)</b>	<b>1,110,505</b>



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023			2022
<b>52. Unauthorised expenditure (continued)</b>				
<b>Budget Comparison by Municipal Vote - Operating Expenditure</b>	<b>2022 Actual</b>	<b>2022 Budget</b>	<b>2022 Variance</b>	<b>2022 Unauthorised</b>
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)	-
	<b>2,382,745,860</b>	<b>2,626,053,793</b>	<b>(243,307,933)</b>	<b>3,288,035</b>
<b>Budget Comparison by Municipal Vote - Capital Expenditure</b>	<b>2022 Actual</b>	<b>2022 Budget</b>	<b>2022 Variance</b>	<b>2022 Unauthorised</b>
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)	-
	<b>452,597,724</b>	<b>489,763,008</b>	<b>(37,165,284)</b>	<b>-</b>
<b>53. Irregular expenditure</b>				
Opening balance			14,349,712	5,532,526
Add: Irregular expenditure - current			173,220	15,382,272
Less: Amounts certified by Council			(14,349,712)	(6,565,086)
<b>Closing balance</b>			<b>173,220</b>	<b>14,349,712</b>

Council approved the irregular expenditure amounting to R14 349 712 on 25 May 2023.

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.

Irregular expenditure is disclosed VAT inclusive.

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
<b>53. Irregular expenditure (continued)</b>		
<b>Details of irregular expenditure</b>		
<b>Identified during the financial year</b>		
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 17	160,340	-
Non-compliance with SCM regulation 36	12,880	-
Non-compliance with SCM regulation 5	-	1,688,444
	<b>173,220</b>	<b>15,382,272</b>

### 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.

### 54. Fruitless and wasteful expenditure

Opening balance	728,648	372,558
Penalties / Interest paid for late submission of Workmens Compensation	-	377,793
Less: Amounts certified by Council	-	(21,703)
<b>Closing balance</b>	<b>728,648</b>	<b>728,648</b>

Fruitless and wasteful expenditure is presented inclusive of VAT

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

Fruitless and wasteful not written off by council are referred for further investigations.

### Alleged fruitless and wasteful Expenditure under investigation

There is a case currently under investigation and still in progress as at 30 June 2023 which may result in fruitless and wasteful expenditure. The outcome and quantum are unknown at year end. The case relates to the 145 toilet project dated 23 march 2023.

### 55. Material losses

#### Electricity distribution

Units purchased (KWh)	405,199,546	464,160,021
Units lost during distribution	34,526,298	41,667,410
Percentage lost during distribution	8.52	8.98

#### Water distribution

Kilolitres purified	13,127,347	12,568,762
Kilolitres lost during distribution	3,573,909	3,147,926
Percentage lost during distribution	27.22	25.05

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<b>56. Municipal Land Transport Fund</b>		
Included in the Accumulated surplus is the Municipal Land Transport Fund for the George Integrated Public Transport Network as required by the National Land Transport Act, (Act No. 5 of 2009). Refer to accounting policy 1.29 for more information on the fund.		
The transactions for the year were:		
Opening balance	131,090,503	112,855,629
National grants - note 30	149,292,687	153,517,474
Provincial grants - note 30	240,480,135	204,684,844
Fare revenue - note 26	63,779,838	50,650,489
Other income - note 27	337,880	531,272
Less: Expenses	(466,624,549)	(391,149,205)
<b>Surplus</b>	<b><u>118,356,494</u></b>	<b><u>131,090,503</u></b>

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	2,250,487	13,488
Less: Expenses (depreciation and compensation adjustment)	(34,007,068)	(27,087,917)
<b>Surplus / (Loss)</b>	<b><u>(31,756,581)</u></b>	<b><u>(27,074,429)</u></b>
Total GIPTN Surplus / (Loss)	<u>86,599,913</u>	<u>104,016,074</u>

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### 57. 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
	<b>104</b>	

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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### 58. 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:

	Drivers licences	Vehicle registrations	Total
<b>2023</b>			
Revenue received from third parties	4,040,507	75,135,964	79,176,471
Payment to provincial traffic department	(2,203,604)	(60,831,182)	(63,034,786)
Agency fee income	1,836,903	14,304,782	16,141,685
Depreciation	-	(278,167)	(278,167)
Employee cost	(2,877,844)	(5,603,654)	(8,481,498)
Contracted services	(7,833)	(711,249)	(719,082)
General expenses	(528,987)	(922,495)	(1,451,482)
	<b>(1,577,761)</b>	<b>6,789,217</b>	<b>5,211,456</b>
<b>2022</b>			
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)	(411,899)	(415,058)
General expenses	(489,990)	(745,111)	(1,235,101)
	<b>(1,484,554)</b>	<b>8,050,784</b>	<b>6,566,230</b>

#### 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 buses on the time tables, routes and at fares determined by the Municipality.

The municipality paid R267 782 971 (2022: R217,558,450) to the operator for providing the service on their behalf.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

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### 58. Accounting by principals and agents (continued)

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 buses, employ bus operators and administrative personnel.

A memorandum of understanding was entered into between the municipality and AFSOL implementing the automated fare revenue collection system which collects the fare revenue from passengers entering the buses.

No resources of the municipality are under the custodianship of AFSOL.

No fees are paid by the municipality to AFSOL.

There are no cost implications for the municipality if the memorandum of understanding between the municipality and AFSOL is terminated.

### 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 R24 282 386 (2022: R23,969,660).

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 contract between Pay At Services (Pty) Ltd ended November 2022. The municipality entered into a new agreement with Cigicell (Pty) Ltd to provide the services for which Pay At Services (Pty) Ltd were appointed for. 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 R475 056 (2022: R1,384,990).

The fees paid to Cigicell (Pty) Ltd during the year were R1 436 995.

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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<b>59. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Opening balance	(6,553,191)	(6,071,931)
Current year subscription / fee	6,553,191	6,071,931
Amount paid - current year	(7,303,371)	(6,553,191)
Prepayment - Refer to note 6	<u>(7,303,371)</u>	<u>(6,553,191)</u>

The municipality pays the SALGA membership fees annually in May for the following financial year in order to receive a 5% discount. Refer to note 6 for more detail.

### Audit fees

Current year subscription / fee	7,633,410	6,092,679
Amount paid - current year	(7,590,568)	(6,092,679)
	<u>42,842</u>	<u>-</u>

The unpaid amount are included under trade payables. Refer to note 18.

Refer to note 45 for reclassification of expenditure incorrectly classified under auditors remuneration.

### PAYE and UIF

Current year subscription / fee	94,360,883	94,369,534
Amount paid - current year	(94,360,883)	(94,369,534)
	<u>-</u>	<u>-</u>

### Pension and Medical Aid Deductions

Current year subscription / fee	137,948,165	128,375,653
Amount paid - current year	(137,948,165)	(128,375,653)
	<u>-</u>	<u>-</u>

### Skills Development Levies

Current year subscription / fee	6,302,176	5,932,078
Amount paid - current year	(6,302,176)	(5,932,078)
	<u>-</u>	<u>-</u>

### VAT

VAT receivable / (payable)	<u>34,854,787</u>	<u>18,427,199</u>
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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

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

#### Councillors' arrear consumer accounts

June 30, 2023

No Councillors had arrear accounts outstanding for more than 90 days at any point in time during the year ended June 30, 2023:

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

#### 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.

#### 2023

	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	4,858	96,020	-	-
Civil Engineering Services	52,574	385,622	1,694,009	-
Community Services	100,137	752,625	1,705,426	-
Corporate Services	92,656	606,364	-	-
Electro- Technical Services	27,261	486,169	-	-
Financial Services	4,255	199,597	1,573,975	-
Human Settlement Protection Services	4,485	185,611	-	-
	-	470,391	-	-
	<b>286,226</b>	<b>3,182,399</b>	<b>4,973,410</b>	<b>-</b>

#### 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	403,521	-
Electro- Technical Services	85,635	102,294	-	-
Financial Services	-	303,227	-	-
Planning and Development	96,507	396,187	474,660	-
Protection Services	119,296	446,866	345,988	3,726,155
	<b>621,340</b>	<b>2,878,174</b>	<b>1,498,188</b>	<b>3,726,155</b>

Included in the deviations are 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.



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

The prior year deviation between R200 001 and R2 000 000 were corrected based on the Deviation register 2021/2022.

Deviation between R200 001 and R2 000 000 previously reported: R2 324 871

The major deviations were as follows:

#### 2023

Awarded	Amount	Reason / Explanation
ComUnity Systems	508,734	Impossible to follow the official procurement process. The Tourism sections destination marketing website is built on the community System on the Municipality license.
Pay At Services	530,403	Impossible to follow the official procurement process. The new services provider and Solvem are currently addressing intergration issues.
Marce Fire Fighting Technology	466,433	Sole supplier. Marce Fire Fighting is the sole supplier of Ziegler firefighting pumps in SA.
Droomers Motorsport	626,750	Sole supplier. The supplier is the only manufacturer of this specialised equipment.
Marce Fire Fighting Technology	397,193	Sole supplier. Marce is the sole supplier of Ziegler pumps to George Municipality.
Community Systems	362,897	Emergency. Communication with public to keep them informed on the water restrictions.
Millors Attorneys	1,694,009	Impossible to follow the official procurement process. Purchase of specific portion of land.
	<b>4,586,419</b>	

#### 2022

Awarded	Amount	Reason / Explanation
Eden FM	274,019	Impossible 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.
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.
Astfin	403,521	Impossible to follow the official procurement process. Waited for the Service Level Agreement to be finalised.
	<b>6,051,026</b>	

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### 59. 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	19,127,543	11,457,913
	ZB Ebrahim	Non-Executive Director	Social Housing Regulatory	Various		
Royal Haskoning DHV	JD van Eeden	Member	Councillor - Langeberg	Brother	13,734,264	15,963,118
			Department of Water Affairs	Nephew		
SMEC South Africa (Pty) Ltd	M Phosa	Member	Finance - Mpumalanga Provincial Government	Spouse	18,226,067	4,405,398
Moreki Distributors	MD Moreki	Director	Palm Springs Magistrates Court	Spouse	6,350,211	9,857,300
Willvest Twenty Three (Pty) Ltd t/a Urhwebo E-transand	Various	Various	Various	Various	44,321,473	33,577,013
Minolta SA: George	KR Mthimunye	Non-Executive director	Mintek	Various	2,491,189	2,504,456
IMQS Software (Pty) Ltd	Various	Various	Various	Various	48,901	48,901
GLS Consulting	Various	Various	Various	Various	2,615,619	2,615,619
Ian Dickie and Company (Pty) Ltd	M Samuels	Director	SAPS - SCM	Spouse	768,239	-
Bidvest Waltons	KB Wakeford	Director	Various	Various	1,217,368	474,547
	GC McMahon	Director	Various	Various		
	NT Madisa	Director	Various	Various		
Trentyre	NP Mona	Member	SA Forestry Company	Not Indicated	510,539	1,210,278
	A Sing	Non-Executive Director	DBSA	Not Indicated		
Conlog	L Moodley	Commercial Director	Provincial Health Department of KZN - Director of Informatics - GIS	Spouse	805,281	642,597
	L Gaxeni	Quality Manager	Eskom KZN - Deductor Manager	Spouse		

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

Chlorcape (Pty) Ltd	PW Pretorius	Director	Not indicated	Shareholder in Ultra Water, Ikapa Commodities	50,593,733	-
Cobus Louw Professional Eng (Pty) Ltd	DE Janeke	Director	Dept. of Education - Psychologist	Spouse	484,153	-
Just Breeze General Trading CC	CL Ntladi	Various	Lebowakgomo Hospital	M Mphahlele-Ntladi (Spouse of CL Ntladi)	5,058,945	1,111,573
2 Brothers Enterprise	J Booysen	Owner	George Municipality - Cleaner/Tea Lady	Sister-In-Law	264,650	163,930
Vilconsec	C Viljoen	Owner	Official at George Municipality - C Langeveldt  Official at George Municipality - A Viljoen	Sister  Wife	1,242,169	1,971,225
Agate & Bryl t/a Rock Solutions	L Coetzee	Director	Corporate Service: Tea Lady/Caretaker	Mother-in-law	340,340	-
First Technology Western Cape	A Sharp	Director	Various	Various	2,981,939	1,053,709
Tuinqua Consulting Engineers	E Huistra	Member	WC Education	Spouse	-	130,627
Lexis Nexis South Africa (Pty) Ltd	I Andrew TR Naidoo	Various	Various	Shareholders	36,261	32,444
OWS & EAS Joint Venture	CR Stockwell	Director	Area Manager at City of Cape Town	CR Stockwell shareholder at Nadeson Consulting Services	3,860,506	-
Bearing Warehouse	FC Zeelie	Member	Department of Agriculture	Spouse	18,297	171,739

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

Entsha Henra (Pty) Ltd	V Zitumane BKD Mafu	Shareholder and Director in other companies	Not indicated	K Lutchman, Non-Executive director of Entsha Henra (Pty) Ltd; Entsha Henra Plant Hire (Pty) Ltd; Entsha BEE (Pty) Ltd & Willvest Twenty Three (Pty) Ltd	122,142,065	-
Inca Portfolio Managers	M Mokoene	Non-Executive Director	Gautrain Management Agency	Not Indicated	766,130	95,850

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

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
Ruwacon (Pty) Ltd	PP Rantsoareng	Director	Various	Various	1,135,509	-
	KA Michael	Director	Various	Various		
	PB Ruthven	Director	Various	Various		
	HP van H Badenhorst	Director	Various	Various		
	FJ Prinsloo	Director	Various	Various		
	JL De Bruin	Director	Various	Various		
	JHJ Rheeder	Director	Various	Various		
	GF Le Roux	Director	Various	Various		
	D Plekker	Director	Various	Various		
DFN Construction	DF Noemdoe	Owner	George Municipality Planning Department	Brother	-	106,950
			Department of Justice	Sister		
Raubenheimers Attorneys	WM Lutfig	Director	Teacher	Spouse	3,723,004	1,099,108
Wolfe Pack Race	C Langeveldt	Owner	Official at George Municipality	Spouse	-	60,058
Capstone VMG Enterprises (Pty) Ltd	V Sambokwe	Owner	Garden Route District Municipality - Administrative Clerk	Spouse	-	169,741
Avela General Service and Construction	Sivuyile Mtila	Owner	George Municipality: Community Services (Environmental)	Son-in-law	80,271	112,969
	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	384,195	179,340
Bidvest Food Service	KB Wakeford	Director	Various	Various	32,615	-
	GC McMahon	Director	Various	Various		
	NT Madisa	Director	Various	Various		

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

Bidvest Prestige	KB Wakeford	Director	Various	Various	2,121,301	-
	GC McMahon	Director	Various	Various		
	NT Madisa	Director	Various	Various		
Bidvest Prestige Cleaning Services	KB Wakeford	Director	Various	Various	300,803	-
	GC McMahon	Director	Various	Various		
	NT Madisa	Director	Various	Various		
Bidvest Steiner George	KB Wakeford	Director	Various	Various	181,595	-
	GC McMahon	Director	Various	Various		
	NT Madisa	Director	Various	Various		
Kishugu Aviation (Pty) Ltd	T Abrahams	Director	National Department: Agriculture, Forestry and Fisheries	Sister	77,817	-
Kathaka Raw Enterprises (Pty) Ltd	MG Modise	Director	Not indicated	Shareholder at Kathaka Enterprise (Pty) Ltd	499,325	-
iX Engineers (Pty) Ltd	JC Karemaker	Director	Not indicated	Shareholder in BJE/IX/WRP JV	16,223,790	8,013,325

# George Local Municipality

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### 59. 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
Loyiso Civil Construction	L Gardiner	Director	Not indicated	Interest in related company: Entsha Henra	150,480	242,609
Maverick Trading 59 CC	C Simons L vd Poll	Director Director	Not indicated	Maverick Trading 170 CC - shareholders	2,202,858	1,075,482
Memotek Trading CC	TG Sedumedi	Director	Not indicated	Director has shares in Gabriel & Michael Marketing	2,200,842	1,917,337
Elihlumayo Projects (Pty) Ltd	LA Mapolisa	Director	General Assistant at George Municipality	Family member	59,316	-
MDL Engineering Company (Pty) Ltd	MD Loubser	Director	Not indicated	Director has share in MDL Electrical cc	43,620,101	-
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	23,710	29,908
Willvest Twenty Three (Pty) Ltd t/a Urhwebo E-Transand	S Jones	Director	Reception, Sales & Deliveries	Interest in related company: Transand (Pty) Ltd	44,321,473	-
Memotek Trading cc	TB Sedumedi	Director	Not indicated	Director has shares in Gabriel & Michael Marketing	2,200,842	-

# George Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

Company Name	Related Person	Company Capacity	Capacity at State/Municipality	Relationship		
Poongavanum General Cleaning Services t/a RIG Marketing	RS Poongavanum	Director	PetroSA - SHEQ Officer	Daughter	8,589,132	1,293,011
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	2,343,002
Commix Vision (Pty) Ltd	Not indicated	Not indicated	Active telematics Commix Academy & Muthenia Group	Not indicated	1,874,465	1,994,607
Rheochem (Pty) Ltd	DE Swart	Director	Director in Solaray Group	Not indicated	-	595,643
Roy Steele & Associates CC	R Steele	Director	Managing ODS Consultants CC	Not indicated	160,475	178,854
Cape Environmental Assessment Practitioners t/a Cape EAPRAC	DJ Jeffrey	Director	Not indicated	Shareholder in Doug Jeffrey Environmental Consultants	541,019	89,838
QJ Jaji t/a Jaji Bee Relocation and Honey Farming	N Jaji	Owner/Director	Electro-Technical Services	Daughter	35,500	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	69,832,354	25,366,903



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### 59. 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.	29,754	27,692
					<b>500,951,430</b>	<b>132,743,795</b>

### 60. 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

K Moodley

Directorate Corporate Services (Resigned - 30 September 2022)

S James

Directorate Human Settlements, Planning and Development and Property Management

L Waring

Directorate Civil Engineering Services

J Koegelenberg

Directorate Electro- Technical Services

B Mandla

Directorate Community Services

D Adonis

Directorate Community Services (Resigned - 01 February 2023)

A Pause

**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.

#### Compensation of related parties

Compensation of Key Management Personnel and Councillors is set out in notes 34 and 35 to the Annual Financial Statements.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 61. 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.

### 62. Events after reporting date

No events after the reporting date were identified.

### 63. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	308,715,588	241,537,272
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 64. COVID-19 Response Expenditure

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

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

#### Details of Funding for COVID-19 expenditure

Own Funds	-	259,396
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#### Details of COVID-19 expenditure

##### Summary per category

Health	-	259,396
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##### Health

Cost of screening and testing	-	55,085
Counselling	-	54,263
Gloves, sterile	-	9,000
Masks	-	15,287
Sanitizer	-	125,761
	-	<b>259,396</b>

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 65. Budget differences

Material differences are being defined by Management as 10 % of a specific line-item and amounts greater than R1 000 000.

AFS Line item	Material differences between budget and actual amounts
Property rates	Difference is less than 10%.
Service charges	Difference is less than 10%.
Investment revenue	The new prime rate is 11.75% which resulted in higher-than-expected returns as at the end of June 2023. The excess interest earned resulted from having more excess cash available for investment than anticipated. The prime interest rate increased five times.
Transfers recognised - Operational	Difference is less than 10%.
Other own revenue	The variance mainly relates to the incorrect treatment of the water stock in the budget.
Employee related cost	The reason for the variance is due to vacant budgeted positions that have not been filled yet.
Remuneration of councillors	Difference is less than 10%.
Debt impairment	A downward adjustment was done to the under performance of service charges at 31 December 2022.
Depreciation and asset impairment	Difference is less than 10%.
Finance charges	Landfill sites and GIPTN interest was not budgeted for.
Material and bulk purchases	The accounting treatment of the water losses has not been clarified and therefore the discrepancy between the budgeted figure and the actual amount.
Transfers and grants	This mainly relates to the transfer payments to province which was delayed due to the further rollout of phases not taking place.
Other expenditure	The accounting treatment of the water losses has not been clarified and therefore the discrepancy between the budgeted figure and the actual amount.
Transfers recognised - Capital	Revenue from grants and subsidies are recognised monthly as conditions are met, most of the unspent funds relates to the Regional Bulk Infrastructure Grant (BFI) and Disaster Relief Grant received late in the financial year (March/April 2023). Rollover applications will be submitted by 31 August 2023 once all the figures are finalised for the Annual Financial Statements.

Capital expenditure by vote	Material differences between budget and actual amounts
Finance and administration	Difference is less than R1 000 000.
Internal audit	Difference is less than R1 000 000.
Community and social services	The main reason for the underspending is the fact that grants were gazetted during March and April 2023, and there was not sufficient time to complete the projects. A roll over application will be sent to National and Provincial Treasury on 31 August 2023.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2023	2022
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### 65. Budget differences (continued)

Sport and recreation	The main reason for the underspending is the fact that grants were gazetted during March and April 2023, and there was not sufficient time to complete the projects. A roll over application will be sent to National and Provincial Treasury on 31 August 2023.
Public safety	The main reason for the underspending is the fact that grants were gazetted during March and April 2023, and there was not sufficient time to complete the projects. A roll over application will be sent to National and Provincial Treasury on 31 August 2023.
Housing	The main reason for the underspending is the fact that grants were gazetted during March and April 2023, and there was not sufficient time to complete the projects. A roll over application will be sent to National and Provincial Treasury on 31 August 2023.
Health	Difference is less than R1 000 000,
Planning and development	The main reason for the underspending is the fact that grants were gazetted during March and April 2023, and there was not sufficient time to complete the projects. A roll over application will be sent to National and Provincial Treasury on 31 August 2023.
Road transport	The main reason for the underspending is the fact that grants were gazetted during March and April 2023, and there was not sufficient time to complete the projects. A roll over application will be sent to National and Provincial Treasury on 31 August 2023.
Energy sources	The main reason for the underspending is the fact that grants were gazetted during March and April 2023, and there was not sufficient time to complete the projects. A roll over application will be sent to National and Provincial Treasury on 31 August 2023.
Water management	The main reason for the underspending is the fact that grants were gazetted during March and April 2023, and there was not sufficient time to complete the projects. A roll over application will be sent to National and Provincial Treasury on 31 August 2023.
Waste water management	The main reason for the underspending is the fact that grants were gazetted during March and April 2023, and there was not sufficient time to complete the projects. A roll over application will be sent to National and Provincial Treasury on 31 August 2023.
Waste management	Difference is less than 10%.
Other	Difference is less than R1 000 000.

# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 66. 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

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 66. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

#### Notes to the Annual Financial Statements

2023

	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
<b>Revenue</b>					
Revenue from non-exchange transactions	401,156,383	80,857,745	414,795,735	219,476,591	1,116,286,454
Revenue from exchange transactions	13,670,119	7,074,087	97,648,960	1,335,660,441	1,454,053,607
Interest received - Outstanding Debtors	2,646	-	-	14,403,206	14,405,852
Interest received - External Investments	60,658,714	2,687,612	-	-	63,346,326
Transfers and subsidies - capital	143,686	1,810,202	70,199,879	336,959,822	409,113,589
<b>Total segment revenue</b>	<b>475,631,548</b>	<b>92,429,646</b>	<b>582,644,574</b>	<b>1,906,500,060</b>	<b>3,057,205,828</b>
<b>Expenditure</b>					
Employee related costs	205,525,479	131,318,580	50,477,983	230,566,573	617,888,615
Remuneration of councillors	25,556,683	-	-	-	25,556,683
Debt impairment	7,596,626	57,166,742	-	85,834,101	150,597,469
Depreciation and asset impairment	10,706,719	13,461,983	28,481,821	135,520,588	188,171,111
Finance Charges	1,187,967	3,674,771	4,176,094	36,025,894	45,064,726
Bulk Purchases	-	-	-	598,225,496	598,225,496
Other materials	12,314,294	8,741,305	2,028,892	111,719,932	134,804,423
Contracted Services	53,145,897	53,350,743	401,615,667	168,813,575	676,925,882
Transfers and Grants	58,795	-	43,497,582	-	43,556,377
Other Expenditure	29,943,708	37,781,340	61,419,843	36,421,939	165,566,830
<b>Total segment expenditure</b>	<b>346,036,168</b>	<b>305,495,464</b>	<b>591,697,882</b>	<b>1,403,128,098</b>	<b>2,646,357,612</b>



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### Figures in Rand

	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
<b>66. Segment information (continued)</b>					
<b>Total segmental surplus/(deficit)</b>					<b>410,848,208</b>
<b>Assets</b>					
Segment assets	4,719,741,199	11,963,393	14,034,324	508,230,625	5,253,969,541
<b>Total assets as per Statement of financial Position</b>					<b>5,253,969,541</b>
<b>Liabilities</b>					
Segment liabilities	878,521,783	16,218,450	48,071,899	492,669,782	1,435,481,914
<b>Total liabilities as per Statement of financial Position</b>					<b>1,435,481,914</b>
<b>Other information</b>					
Additions to non-current assets (PPE, Investment Property and Intangible Assets)	29,199,316	33,823,589	198,588,131	461,298,283	722,909,319



# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 66. Segment information (continued)

2022

	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
<b>Revenue</b>					
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
<b>Total segment revenue</b>	<b>412,728,779</b>	<b>107,958,616</b>	<b>557,242,255</b>	<b>1,544,124,835</b>	<b>2,622,054,485</b>
<b>Entity's revenue</b>					<b>2,622,054,485</b>
<b>Expenditure</b>					
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	26,932,816	36,353,887
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	58,136,744	158,707,933
<b>Total segment expenditure</b>	<b>340,558,611</b>	<b>275,786,250</b>	<b>505,655,570</b>	<b>1,268,703,744</b>	<b>2,390,704,175</b>
<b>Total segmental surplus/(deficit)</b>					<b>231,350,312</b>





# George Local Municipality

Annual Financial Statements for the year ended June 30, 2023

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### Figures in Rand

	Municipal Governance and Administration	Community and Public Safety	Economic and Environmental Services	Trading Services	Total
<b>66. Segment information (continued)</b>					
<b>Assets</b>					
Segment assets	3,956,253,991	(8,042,678)	1,200,931	463,364,553	4,412,776,797
<b>Total assets as per Statement of financial Position</b>					<b>4,412,776,797</b>
<b>Liabilities</b>					
Segment liabilities	889,755,999	(3,771,827)	8,199,314	110,953,896	1,005,137,382
<b>Total liabilities as per Statement of financial Position</b>					<b>1,005,137,382</b>
<b>Other information</b>					
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



**George Local Municipality**  
Annual Financial Statements for the year ended June 30, 2023

**APPROPRIATION STATEMENT**

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
<b>Notes to the Annual Financial Statements</b>											
<b>Financial Performance</b>											
Property rates	370,853,000	7,789,000	378,642,000	-	-	378,642,000	384,703,012	-	6,061,012	102 %	104 %
Service charges	1,417,688,700	(54,744,000)	1,362,944,700	-	-	1,362,944,700	1,318,822,968	-	(44,121,732)	97 %	93 %
Investment revenue	57,219,045	(13,326,892)	43,892,153	-	-	43,892,153	63,346,326	-	19,454,173	144 %	111 %
Transfers recognised - operational	553,091,041	82,072,684	635,163,725	-	-	635,163,725	636,047,523	-	883,798	100 %	115 %
Other own revenue	479,052,576	(1,177,055)	477,875,521	-	-	477,875,521	245,172,407	-	(232,703,114)	51 %	51 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>2,877,904,362</b>	<b>20,613,737</b>	<b>2,898,518,099</b>	<b>-</b>	<b>-</b>	<b>2,898,518,099</b>	<b>2,648,092,236</b>	<b>-</b>	<b>(250,425,863)</b>	<b>91 %</b>	<b>92 %</b>
Employee costs	727,720,515	(32,004,691)	695,715,824	-	(36,106)	695,679,718	617,888,616	-	(77,791,102)	89 %	85 %
Remuneration of Councillors	26,170,670	1,755,800	27,926,470	-	(1,422,552)	26,503,918	25,556,683	-	(947,235)	96 %	98 %
Debt impairment	122,257,000	-	122,257,000	-	-	122,257,000	150,597,470	-	28,340,470	123 %	123 %
Depreciation and asset impairment	158,810,336	23,523,441	182,333,777	-	-	182,333,777	188,171,111	-	5,837,334	103 %	118 %
Finance charges	40,950,003	(5,830,000)	35,120,003	-	-	35,120,003	45,064,727	-	9,944,724	128 %	110 %
Materials and bulk purchases	940,012,545	13,480,908	953,493,453	-	(1,222,308)	952,271,145	725,395,566	-	(226,875,579)	76 %	77 %
Transfer and grants	42,636,400	4,766,341	47,402,741	-	1,769,888	49,172,629	43,556,377	-	(5,616,252)	89 %	102 %
Other expenditure	809,466,045	134,486,657	943,952,702	-	911,078	944,863,780	850,127,066	-	(94,736,714)	90 %	105 %
<b>Total expenditure</b>	<b>2,868,023,514</b>	<b>140,178,456</b>	<b>3,008,201,970</b>	<b>-</b>	<b>-</b>	<b>3,008,201,970</b>	<b>2,646,357,616</b>	<b>-</b>	<b>(361,844,354)</b>	<b>88 %</b>	<b>92 %</b>
<b>Surplus/(Deficit)</b>	<b>9,880,848</b>	<b>(119,564,719)</b>	<b>(109,683,871)</b>	<b>-</b>	<b>-</b>	<b>(109,683,871)</b>	<b>1,734,620</b>	<b>-</b>	<b>111,418,491</b>	<b>(2)%</b>	<b>18 %</b>

**George Local Municipality**  
Annual Financial Statements for the year ended June 30, 2023

**Appropriation Statement**

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	370,399,117	439,600,775	809,999,892	-		809,999,892	409,113,589		(400,886,303)	51 %	110 %
<b>Surplus/(Deficit) for the year</b>	<b>380,279,965</b>	<b>320,036,056</b>	<b>700,316,021</b>	<b>-</b>		<b>700,316,021</b>	<b>410,848,209</b>		<b>(289,467,812)</b>	<b>59 %</b>	<b>108 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	787,983,236	359,282,204	1,147,265,440	(238,000)		1,147,027,440	722,909,319		(424,118,121)	63 %	92 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	323,087,917	389,237,598	712,325,515	-		712,325,515	356,907,747		(355,417,768)	50 %	110 %
Borrowing	307,044,174	(40,839,731)	266,204,443	-		266,204,443	234,205,740		(31,998,703)	88 %	76 %
Internally generated funds	157,851,145	10,884,337	168,735,482	(238,000)		168,497,482	131,795,832		(36,701,650)	78 %	83 %
<b>Total sources of capital funds</b>	<b>787,983,236</b>	<b>359,282,204</b>	<b>1,147,265,440</b>	<b>(238,000)</b>		<b>1,147,027,440</b>	<b>722,909,319</b>		<b>(424,118,121)</b>	<b>63 %</b>	<b>92 %</b>

**George Local Municipality**  
Annual Financial Statements for the year ended June 30, 2023

**APPROPRIATION STATEMENT**

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2022</b>				
<b>Financial Performance</b>				
Property rates				347,219,712
Service charges				1,240,681,415
Investment revenue				29,595,448
Transfers recognised - operational				570,449,372
Other own revenue				219,517,054
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>2,407,463,001</b>
Employee costs	-	-	-	(589,142,302)
Remuneration of councillors	-	-	-	(23,782,737)
Debt impairment	-	-	-	(97,218,471)
Depreciation and asset impairment	-	-	-	(166,335,534)
Finance charges	-	-	-	(45,007,094)
Bulk purchases	-	-	-	(612,348,190)
Transfers and grants	-	-	-	(88,587,909)
Other expenditure	-	-	-	(768,281,938)
Bulk purchases	-	-	-	-
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,390,704,175)</b>
<b>Surplus/(Deficit)</b>				<b>16,758,826</b>
Transfers recognised - capital				214,591,484
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>231,350,310</b>
<b>Surplus/(Deficit) for the year</b>				<b>231,350,310</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				452,523,360
<b>Sources of capital funds</b>				
Public contributions and donations				76,950,584
Borrowing				37,471,208
Internally generated funds				76,813,146
<b>Total sources of capital funds</b>				<b>191,234,938</b>
<b>Cash flows</b>				
Net cash from (used) operating				405,978,045
Net cash from (used) investing				(443,360,412)
Net cash from (used) financing				(39,702,811)
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>(77,085,178)</b>
Cash and cash equivalents at the beginning of the year				669,620,711
<b>Cash and cash equivalents at year end</b>				<b>592,535,533</b>